RAC

RECM AND CALIBRE

INTEGRATED ANNUAL REPORT

2021

Contents

Company profile

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

INVESTMENT OBJECTIVE

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

RISK MANAGEMENT

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

INVESTMENT UNIVERSE

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

STRUCTURE

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

INVESTMENT MANAGEMENT

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

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

RECM thus performs:

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

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

Board of directors

PIETER GERHARDT VILJOEN (58)

Executive Chairperson

BCom (Hons), CFA

Appointed: 24 June 2009

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

THEUNIS DE BRUYN (53)

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 the RECM Group.

JOHANNES CORNELIS VAN NIEKERK (46)

Executive Financial Director

Hons BCom (Maths), FIA, CFA

Appointed: 6 May 2013

Mr van Niekerk is a qualified actuary with more than 20 years of industry experience. He served as Chief Investment Officer of Citadel, the South African wealth manager, after which he became CEO of Peregrine Holdings, a JSE-listed financial services firm. Mr van Niekerk joined Regarding Capital Management (Pty) Ltd in April 2013 is an owner and CEO of the RECM Group.

JOHANNES GERHARDUS SWIEGERS (66)

Lead Independent Non-Executive Director

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

Appointed: 10 November 2010

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

ZANELE MATLALA (58)

Independent Non-Executive Director

BCompt (Hons), CA(SA)

Appointed: 1 December 2014

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

TRENT ROSSINI (53)

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

On the 10th of June 2010 RECM and Calibre Ltd (“RAC”) listed its participating preference shares on the JSE, having raised R450mn from participating preference shareholders and R50mn from ordinary shareholders. All shares were issued at R10 per share.

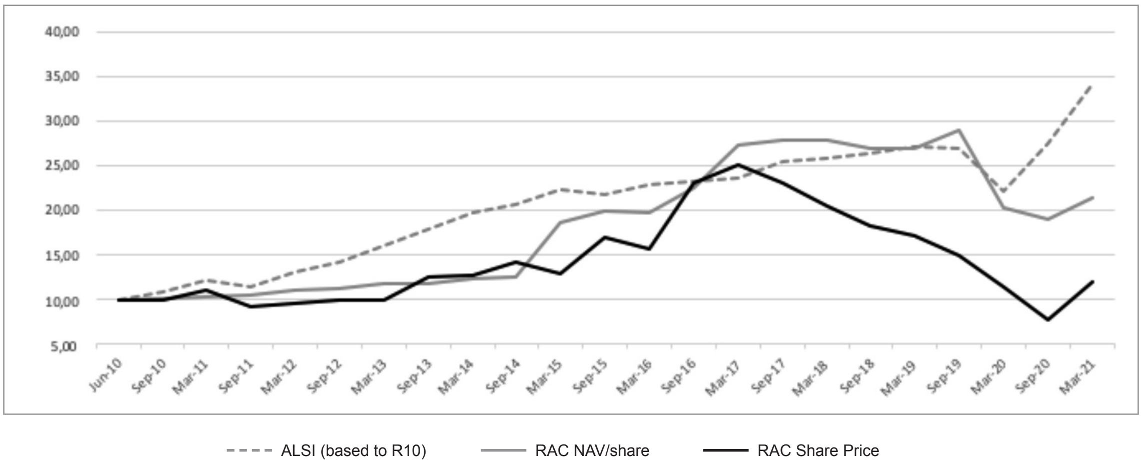
At 31 March 2021 RAC’s Net Asset Value (“NAV”) per share amounted to R21,33. Of this amount, R6,79 per RAC share was represented by the assets of its 100% owned subsidiary, Astoria Investments Ltd (“Astoria”) as published in Astoria’s quarterly results for 31 March 2021.

On 19 April 2021 RAC distributed 90,1% of its holding in Astoria to its shareholders on a one-for-one basis. This means that by the time you read this letter and baring any transactions on your side in the interim, you would own your original RAC participating preference share (“RACP”), as well as one ordinary share of Astoria for each RACP you owned at year-end.

Astoria is now a separately listed company and reports on its activities and progress independently. This letter deals with RAC, its activities and its future.

RAC’s NAV per share grew at a compound rate of return of 7,4% per annum since inception. The JSE All Share Total Return Index (“ALSI”) grew at an annualised rate of 12,2%, before taking any fees or possible taxes into account.

The graph below, which tracks the history of our performance, illustrates that RAC’s NAV per share historically outperformed the growth in the JSE All Share Index. Over the past two years, this was not the case. Due to the pandemic, we have taken a more conservative approach than the market to valuing our assets, including our biggest investment, Goldrush, while the stock market has revalued many companies to levels well in excess of those obtained pre-pandemic. We are comfortable that whichever way this disagreement resolves, either by the actual outcome being as positive as the market suggests, or as cautious as we are, RAC will return to outperforming once more on a NAV/share basis.



Shareholders' letter

continued

THE PAST YEAR

The 4,9% gain in NAV per share over the last year represents an increase of R51,4mn in RAC's capital base. This increase can be broken down as follows:

	2021 R	2020 R
Interest and dividends received	**16 027 717**	766 731 288
Adjustments to fair value of assets	**121 765 162**	(1 121 896 775)
Realised loss on sale of assets	**(888 553)**	(17 870 096)
Tax paid	**(2 900 476)**	(3 377 751)
Tax (provided for)/reversed	**(45 672 010)**	109 368 555
Financing expenses	**(19 856 238)**	(43 485 009)
Investment advisory fee	**(12 761 956)**	(21 975 686)
Operating expenses	**(4 311 386)**	(4 612 669)
Net (decrease)/increase in NAV	**51 402 260**	(337 118 143)

"Financing expenses", or interest paid, reduced substantially as the additional debt incurred in the take-over of Astoria had been repaid. We further benefitted from lower base rates, as well as a lower negotiated cost of funding. We expect to see this expense shrink even further in future as we reduce RAC's bank funding.

The other main expense, the investment advisory fee, reduced in line with the reduction in the value of our portfolio.

OUR INVESTMENTS

			Directors Fair Value at 31 March (R'mn)		
	% ownership	% of total assets	**2021**	2020	2019
Core investments		**67,6**	**940,0**	858,1	1089,3
Goldrush	58,8	67,6	**940,0**	858,1	1 089,3
Portfolio investments		**6,7**	**94,2**	333,5	499,9
Astoria shares retained	9,9	2,7	**38,1**	6,5	48,8
RECM Hedge Fund	N/A	3,2	**43,9**	38,1	37,5
Other investments		0,9	**12,2**	288,9	413,6
Astoria shares for distribution	90,1	25,0	**347,1**	5,6	437,4
Cash and receivables		0,7	**9,8**	43,7	57,2
Total assets			**1 391,1**	1 294,9	2 083,8
CGT and other liabilities			**(49,9)**	(4,9)	(120,5)
Funding			**(250,0)**	(250,1)	(586,3)
Net assets			**1 091,2**	1 039,9	1 377,0
Net asset value per share ("R")			**21,33**	20,33	26,92

Shareholders’ letter

continued

Goldrush

RAC’s core investment is Goldrush Group (Pty) Ltd (“Goldrush”), an independent alternative gaming group, whose activities span Electronic Bingo Terminals (“EBTs”), Limited Pay-out Machines (“LPMs”), Retail Sports Betting shops and online gaming.

At year-end, Goldrush operated 4 105 EBTs in 34 properties. The group operated 2 412 LPMs and 35 sports betting shops – 29 owned, and six on behalf of third parties. Its customers are served under the **Goldrush** (Bingo, LPM), **Bingo Royale** (Bingo), **Crazy Slots** (LPM) and **G-bets** (retail sports betting and online betting) brands.

The primary value of the business resides in its exclusive ownership of gaming licenses. Without the entrenched rights to operate these licenses, Goldrush would be substantially less valuable. The table below shows its progress in terms of the number of licenses across all segments over time.

Summary of gaming licenses: Goldrush

		Mar 2021	Mar 2020	Mar 2019	Mar 2018	Mar 2017
Bingo	Licenses Owned	**35**	35	35	33	18
	Licenses Active	**34**	31	27	25	14
	EBT’s in Operation	**4 105**	3 865	3 543	3 112	1 637
LPM	Route Licenses Owned	**6**	6	6	6	6
	Machines Approved	**4 200**	4 200	4 200	4 200	4 200
	Machines in Operation	**2 412**	2 198	1 882	1 671	1 537
Sports Betting	Licenses Owned	**33**	33	33	36	36
	Licenses in Operation	**29**	31	33	28	23

Bingo

During the year Goldrush opened three more Bingo properties in Scottburgh, Hillcrest and Richards Bay. One more licence in Phalaborwa remains to be developed in the coming year. Having spent the past 11 years acquiring and rolling out its 34 Bingo properties, the focus in this division is now on organically growing into its natural market share, increasing revenue per machine and increasing the number of machines across the entire Bingo portfolio. In the absence of further Bingo licences becoming available in the country, the division does not require further capital to expand.

The impact of lockdowns during the past year meant that the Bingo properties could not trade for the first three months of the financial year. Since early July 2020, the properties were opened up gradually according to the various levels of restrictions and have been trading under restrictions ever since. Bingo properties typically experience their best trading in the late evenings and early mornings. These trading hours have been and currently still are severely curtailed by curfews. As a result, the Bingo division has been trading at about 80% of the prior year’s revenues throughout the second half of the year.

LPM

The LPM division was disrupted not only by curfews, but also liquor bans, which negatively impacted the proprietors of the properties where the LPMs are deployed, being mainly sports bars and taverns. Despite a number of these properties being permanently closed after the initial hard lockdown, trade resumed fairly quickly as soon as trading restrictions were lifted. Average revenue per machine grew strongly over the period, while the team rolled out more of the available capacity and increased the number of machines in operation to 2 412. Trade in the LPM division has been strong and remains strong, despite ongoing restrictions. The LPM division still requires capital for further expansion, as the rest of the approved machines will be rolled out to full capacity.

Shareholders' letter

continued

Sports Betting

The retail sports betting division closed two stores during the year. After the initial lockdown trade started off slowly, but has grown strongly since. Most of these stores, which were only recently completed, went from loss-making in the prior year to being profitable in this year. Sports betting also introduced a number of additional games to its customers which increased turnover. This division will require minimal expansion capital.

Online betting experienced a strong year, both as a result of general closure of physical gaming properties, and as a result of continued focus on the online division from Goldrush management. Growth accelerated during lockdowns and the momentum has maintained. The South African online gaming market is very competitive with a number of local and international operators vying for dominance. This will require further investment by G-bets for the foreseeable future. We expect online to overtake retail sports betting as the third largest part of the business in the coming year.

Financial

Selected financial information for the Goldrush Group

	Mar 2021 R'mn	Mar 2020 R'mn	Mar 2019 R'mn	Mar 2018 R'mn	Mar 2017 R'mn
Total Revenue	**911**	1 396	1 319	1 080	748
– Bingo Division	**567**	943	905	738	556
– LPM Division	**230**	342	319	277	168
– Sports Betting	**114**	111	96	66	24
Sustainable EBITDAR	**n/a**	n/a	350	300	230
Sustainable EBITDA	**331**	284	254	–	–
EBITDA	**180**	242	–	–	–
Net Debt	**663**	614	598	437	113

Goldrush achieved total revenue of R 911m for the financial year, down 35% from the previous year. The vast majority of this was achieved in the second half of the year.

EBITDA reduced by 26% to R180mn as the business broke even on EBITDA level for the first half of the year and made all its profits in the second half. Sustainable EBITDA reflects the annualised trading profits of the second half of the year, which includes two months of severely curtailed trading in December and January, and four months of less curtailed trading.

Net debt increased by R49mn, as the business pushed ahead with opening up three further Bingo properties while increasing its LPM footprint at the same time. Goldrush required no additional funding to get it through the initial hard lockdown period.

For the past 11 years, every last cent of free cash flow from the business, together with outside finance, was used to aggressively build the business. With the completion of the Bingo roll-out, the group's cash flow can now be allocated to reduce debt, return capital to shareholders, or fund further growth opportunities. Goldrush will pay a maiden dividend in the current financial year.

Valuation

We use sustainable EBITDA as the yardstick to calculate the value of the business. For the 2020 Financial year, sustainable EBITDA was calculated by adding back development expenses of new properties for the year to the actual EBITDA in order to provide a reflection of the earnings power of the existing business. For the current financial year, sustainable EBITDA is calculated by annualising the EBITDA of the second half and removing some once-off positive accounting entries. There are no add-backs or adjustments for development expenses of new properties. We take comfort from the fact that this level of profitability has been confirmed by trade in the months post year-end. Barring any unforeseen events, we should be able to value the business on actual EBITDA in future, as its historically large requirement for expansion capital is now behind it.

Our valuation multiple of 7 times EBITDA remains unchanged. As a result, the equity value of Goldrush comes to R1,6bn, up 9,5% from the beginning of the financial year.

Goldrush enters the new financial year in a healthy position, having survived the lockdowns with its franchise intact. It did so without requiring more capital, whilst at the same time having grown its operating footprint. This was only possible because of the hard work and sacrifices of the entire team and with tremendous support and goodwill from suppliers, landlords and customers. On behalf of RAC shareholders, we applaud and thank all of you.

Astoria

Astoria is a Mauritian-domiciled investment holding company which is listed in South Africa (JSE) and Mauritius (SEM). Astoria became a 100% subsidiary of RAC during the previous financial year. During this year, RAC sold its interests in Outdoor Investment Holdings, Trans Hex, Vehicle Care Group, ISA Carstens and the JB Private Equity Partnership to Astoria in exchange for Astoria shares. 90,1% of these shares were distributed to RAC shareholders post year-end, on a one-for-one basis.

At RAC's year-end, Astoria was carried at Net Asset Value, as trade in the share was still suspended on the JSE. On 19 April the suspension was lifted, and Astoria shares now trade freely. RAC will value its ownership in Astoria at its listed price going forward. More information about Astoria can be found at www.astoria.mu.

RECM Flexible Value Hedge Fund

During the year, the fund gained 39,4%. The result was driven by strong movements in smaller cap South African-focused companies as well as a number of once-off special situations. The credit investments in the fund also contributed meaningfully.

RAC instituted a monthly disinvestment program from the fund in November 2020. This should see this investment realised within the next 18 months. The investment in the hedge fund has provided RAC with an opportunity to exit several of its smaller, illiquid investments and has contributed to the growth in NAV of RAC over its investment period.

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

The Future

RAC is now a listed investment vehicle with a single large asset being Goldrush. All other assets outside of Goldrush are earmarked for disinvestment.

The bank finance has been restructured with the maturity date extended to 31 March 2024 and the dividend rate at 100% of the prime rate.

Our aim to grow RAC's NAV/share faster than the JSE is based on a simple strategy. Going forward, RAC will liquidate all investments other than Goldrush and use these proceeds to reduce debt, buy back shares, or pay dividends to RAC shareholders. Of course, Goldrush also still has a number of growth opportunities which it can pursue. It is in a strong cash generating position – which it can either reinvest for growth, or pay out as dividends.

Shareholders' letter

continued

Board Composition

At the shareholders meeting on 28 July 2021, both Gerhard Swiegers and Theunis de Bruyn will step down from the board to take a well-deserved break.

Gerhard joined the board shortly after RAC's listing on the JSE and has played an invaluable role not only as an independent, non-executive director and astute chair of the Audit and Risk Committee, but also as a calm voice in our deliberations. We have written many times in the past about the fact that the most important quality of an independent director is to be independent of thought and independent of management. Gerhard is an exemplar of these qualities. Gerhard, on behalf of our management team and our shareholders, we sincerely thank you for your contribution to RAC over the past 11 years. We wish you all the very best.

Theunis is and remains our partner and fellow shareholder in RAC. Given that RAC will not be pursuing further active investments, Theunis will step down from the RAC board. The three of us will continue to work together as usual.

We welcome Danny Naidoo, who will join the board as an independent, non-executive director. Danny will chair the Audit and Risk Committee and be a member of the Nomination and Remuneration Committee.

In line with the King code, Piet Viljoen will step down as executive chairman, but stay on as an executive director. Zanele Matlala, who has been an independent non-executive board member for the past six years, will take over as Chair of the board from Piet. We are honoured to have someone of her ability ready and willing to take over the reins.

Appreciation

We acknowledge and thank our colleagues, employees, staff and management for the sacrifices they have made in order to steer their businesses through the fall-out from the COVID-19 pandemic. We also acknowledge and thank our suppliers, landlords, bankers, funders and clients for the support they have shown throughout this period.

SHAREHOLDERS' MEETING WITH EXECUTIVE DIRECTORS

This year the customary meeting of RAC participating preference shareholders with the executive directors will be held at 11:00 on 28 July 2021 via a Microsoft Teams Webinar. As always, we will answer all your questions, even if it takes all day. This is the one opportunity that our fellow shareholders have to ask questions of us in the year. We want to make the most of it.

You will be able to post questions live during the webinar. Or better yet – get in front of the queue and send your questions ahead of time to info@racltd.co.za.

You don't need to be a shareholder to attend. We welcome anybody that has an interest in RAC.

In order to attend, please use the following link to register. You don't have to have Microsoft Teams installed on your computer as you will have an option to join in your web browser. The link to register for the meeting is also on our website at www.racltd.co.za or email info@racltd.co.za to request any help.

Piet Viljoen
Executive Chairman

Jan van Niekerk
Executive Financial Director

Corporate governance

This corporate governance section provides details of the Board of Directors of RAC and its committees as at 31 March 2021. However, Shareholders are referred to the SENS announcement published by RAC on 22 June 2021, which contains changes to the Board of RAC and its committees, effective 28 July 2021.

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 delegated as noted on page 1. For this reason there is no need for the Company to appoint a CEO.

Good corporate governance is an integral part of RAC's business (and investment) philosophy. RAC believes strongly in the principles of good corporate citizenship, namely integrity, transparency and accountability. These values govern the way in which RAC interacts with all its stakeholders, including investee companies. RAC believes that this principled approach provides a more enduring safeguard against business failure than the disproportionate focus on compliance.

Having said that, the Board of Directors supports the King IV Report on Corporate Governance ("King Code"). Accordingly, RAC aims to comply with the provisions and the spirit of the King Code to the extent that these are practical and appropriate. RAC has published a register on its website (http://racltd.co.za/governance/), which covers the principles of the King Code and provides a narrative statement as to the application of each principle.

BOARD OF DIRECTORS

RAC has a unitary Board. The Board is chaired by Executive Chairperson, Piet Viljoen. The Board was always of the view that he was best placed to lead the Company despite the requirements of the King Code. Now, while the Company is entering a new phase, the Board has decided that effective 28 July 2021, Zanele Matlala, an independent non-executive director of RAC, will succeed Piet Viljoen as Chairperson of the Board. In addition, long-standing directors, Gerhard Swiegers and Theunis de Bruyn, will retire from the Board and Danny Naidoo will join the Board as an independent non-executive director.

As of 31 March 2021, the Board of RAC comprised six directors with an appropriate balance of executive and non-executive directors, with one black female director. From 28 July 2021, the Board of RAC will comprise five directors – two executive directors and three independent non-executive directors. The Board supports the principles and aims for diversity of the Board and seeks to promote diversity of race, gender, age, independence, skills and experience. RAC's board is sufficiently diversified and there are no gender and/or race quota or age targets. The directors selected are individuals of the highest calibre and credibility, and have the necessary knowledge, 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, with due regard to all stakeholders. The Board of Directors accepts these duties and responsibilities.

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

Name of member	24 July 2020	27 October 2020	2 March 2021
Piet Viljoen (*Chairperson*)	Present	Present	Present
Theunis de Bruyn	Present	Present	Present
Jan van Niekerk	Present	Present	Present
Gerhard Swiegers	Present	Present	Present
Zanele Matlala	Present	Present	Present
Trent Rossini	Present	Present	Present

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

Corporate governance

continued

INTERNAL CONTROLS

Based on:

- the system of risk management within RECM, including the design, implementation and effectiveness of the internal financial controls; and
- considering information and explanations given by management of RECM and discussions with the external auditor on the results of the audit, assessed by the Audit and Risk Committee,

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

AUDIT AND RISK COMMITTEE

The Company has an Audit and Risk Committee comprising of Independent Non-Executive Directors, Gerhard Swiegers (Chairperson), Zanele Matlala and Trent Rossini. A detailed report by the Audit and Risk Committee is set out on pages 15 to 18. From 28 July 2021, the Committee will comprise Independent Non-Executive Directors, Danny Naidoo (Chairperson), Zanele Matlala and Trent Rossini.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises Piet Viljoen and Gerhard Swiegers. From 28 July 2021, the Committee will comprise Piet Viljoen and Danny Naidoo. 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(j) of the JSE Listings Requirements. 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.

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

SOCIAL AND ETHICS COMMITTEE

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

GOING CONCERN

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

COMPANY SECRETARY AND PROFESSIONAL ADVICE

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

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

Corporate governance

continued

AUDITOR INDEPENDENCE

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

ANNUAL GENERAL MEETING

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

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

SUSTAINABILITY

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.

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. During the year RECM streamlined its IT infrastructure without compromising security – physical infrastructure has been replaced with cloud-based solutions. 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.

Audited Annual Financial Statements

Directors' responsibilities and approval of the annual financial statements

for the year ended 31 March 2021

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the Company's annual financial statements. The annual financial statements have been examined by the Company's external auditors and their report is presented on pages 19 to 22.

The annual financial statements set out on pages 23 to 51, which have been prepared on the going concern basis, were approved by the Board of Directors on 22 June 2021 and were signed on their behalf by:

Piet Viljoen
Executive Chairperson

Jan van Niekerk
Executive Financial Director

Statement of responsibility by Chief Financial Officer

I, Jan van Niekerk, hereby confirm that:

(a) the annual financial statements set out on pages 23 to 51, fairly present in all material respects the financial position, financial performance and cash flows of RECM and Calibre Limited in terms of International Financial Reporting Standards;

(b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to RECM and Calibre Limited have been provided to effectively prepare its financial statements; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled my role and function within the combined assurance model pursuant to principle 15 of the King Code.

Where I am not satisfied, I have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

Signed by the CFO

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

22 June 2021
Cape Town

Report of the Audit and Risk Committee

for the year ended 31 March 2021

This report, in respect of the financial year ended 31 March 2021, 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 formal terms of reference which were approved by the Board of Directors and are reviewed regularly. The Committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein.

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

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

Name of member	24 July 2020	27 October 2020	2 March 2021
Gerhard Swiegers (*Chairperson*)	Present	Present	Present
Zanele Matlala	Present	Present	Present
Trent Rossini	Present	Present	Present

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

3. ROLE AND RESPONSIBILITIES

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

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

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

The Audit and Risk Committee executed its duties effectively.

4. EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

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

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

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and audit fees for the 2021 financial year.

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

Report of the Audit and Risk Committee

for the year ended 31 March 2021

continued

The Committee has nominated, for election at the annual general meeting, Ernst & Young Inc., as the external audit firm and Mrs J Allison as the designated auditor responsible for performing the functions of the auditor, for the 2022 financial year. The Audit and Risk Committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and are registered with the Independent Regulatory Board for Auditors ("IRBA"). No non-audit services were provided during the current financial year.

5. FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

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

6. INTERNAL FINANCIAL CONTROLS

The Audit and Risk Committee has evaluated reports on the effectiveness of the Company's system of internal controls and risk management as performed by RECM. The Board Report on the effectiveness of the system of internal controls is included in the Directors' Responsibilities and Approval on page 13 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 13 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.

Risks for RAC

Risk	Impact	Mitigation Strategies
Liquidity risk	Inability to make cash payments when due. Mostly related to dividend payments due on ABSA Preference Shares. This could put RAC in breach of its funding covenants and lead to a forced sale of some of its assets at the wrong time and price.	Constant review of cash flow management and forecasted cash flows. Effective management of the portfolio resulting in growth of NAV per share and therefore the improved ability of the Group to raise equity and/or debt financing. Stronger focus on dividends from its more mature investments.
Valuation of investments	Valuations of investments and the assumptions that go into them could influence the decisions of users of the financial statements. Returns to stakeholders, in terms of net asset value per share growth are reliant on the profitability and growth rates of the underlying investments as well as directors valuation assumptions. Changes in valuation of underlying investee businesses directly impacts the financial position of the Group.	The shareholders have appointed an appropriately experienced board of Directors to manage the risks of the valuation of investments. Volatility of valuations of unlisted investments is managed through the application of consistent valuation methodologies. Disclosure of inputs into valuation calculations.

Report of the Audit and Risk Committee

for the year ended 31 March 2021

continued

Risk	Impact	Mitigation Strategies
Portfolio concentration	The fact that a large part of the portfolio is concentrated in a small number of investments represents a higher risk to potential loss of capital or income.	The Group can invest in direct equity or debt instruments of companies on a global basis across all industries. This enables the Group to achieve diversification where required as it is not restricted in building its investment pool. This risk is closely monitored by the Investment Manager and the Board. It is also specifically disclosed and discussed with investors.
Pandemic	Impact on economy could potentially reduce the value of the underlying investee businesses.	Refer to note 3 in the financial statements which details the impact of COVID-19 on the underlying investees. All of the company's key day to day operational requirements have been executed without impact from outside its office.
Regulatory and compliance risk	Unintentional non-compliance with laws and regulations which can potentially have a negative impact on the Group or on its investment performance since a number of investees operate in regulated industries.	The Board reviews the effectiveness of the risk management framework taking account of recommendations from the auditors and other professional advisors.
JSE Compliance	Suspension or termination of the listing on the JSE Fines and public censures Reputational risk	Active monitoring by the corporate sponsors Completion of annual compliance checklists
BEE Status	Due to its structure, set-up and operation, RAC does not comply sufficiently with BEE regulations in order to be considered a BBBEE investor. As such, to the extent that laws and regulations change over time, there is a risk that RAC's investee companies are negatively impacted by RAC's BEE status.	Ensuring that the BEE investment is done at an appropriate level in the investee companies.

9. INTERNAL AUDIT AND COMPLIANCE

The Audit and Risk Committee relies on RECM and its service providers to monitor their internal controls, 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.

Report of the Audit and Risk Committee

for the year ended 31 March 2021

continued

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 management responsible for the financial function and confirms that appropriate financial reporting procedures have been established and that these procedures are operating.

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

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

Gerhard Swiegers
Chairperson of the Audit and Risk Committee

22 June 2021

Building a better working world

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Co. Reg. No. 2006/018260/07

Independent auditor's 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 ('the company') set out on pages 24 to 51, which comprise the statement of financial position as at 31 March 2021, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 31 March 2021, 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) and other independence requirements applicable to performing audits of financial statements of the company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 auditor's report to the shareholders of RECM and Calibre Limited

continued

<table>
<tr><th>Key Audit Matter (KAM)</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>

Fair value estimation of level 3 financial assets carried at fair value

RECM and Calibre Limited (RAC) is an Investment Entity in terms of IFRS10: Consolidated Financial Statements, in the annual financial statements RAC presents their investments in accordance with IFRS 9: Financial Instruments.

RAC's investments in financial instruments are required to be measured at fair value through profit or loss in accordance with IFRS 9. Of RAC's financial instruments, the unlisted financial instruments are considered to be level 3 investments in terms of the fair value hierarchy and make up 93% of the total investment value (2020: 89%).

The level 3 Financial instruments have a significant element of estimation uncertainty inherent in their value, which by their nature are unobservable.

Management determines the fair value of the level 3 financial instruments using various valuation techniques, including market multiples and the discounted cash flow (DCF) method, both of which require significant management judgements regarding the estimation and assumptions of inputs used in these valuation techniques.

The valuation techniques include assumptions, such as peer group, multiple adjustments, including marketability discounts; as well as future cash flow forecasts and discount rates amongst others, that are based on market conditions existing at the end of the financial year.

Management is not directly involved in the management of the operations of investees in which investments are held and are reliant on financial information from investees in order to prepare investment valuations. This has resulted in significant auditor attention being placed on the audit of the data / inputs and assumptions applied within the investment valuation techniques and in assessing the appropriateness of the various techniques. This requires extensive involvement of internal valuation specialists to assist with assessing the reasonability of the data and assumptions within the various valuation techniques and appropriateness of the techniques themselves. These investments are also held in various industries which are dissimilar but also all continue to be impacted by the changing macro-economic environment as a result of the COVID-19 pandemic in different ways. Additional effort is also required by the audit team to assess subsequent events and additional management data for audited investments where year ends occur prior to RAC's year end.

The use of multiple techniques and the need to assess the input data and the different assumptions across the different investments with our specialists results in extensive audit effort and the need for the audit team to have held extensive discussions with management. These have resulted in us concluding that this matter was a KAM.

The disclosures relating to the valuation of the financial instruments are presented in Note 3, Financial assets at fair value through profit or loss.

</td><td>

Our audit included the following procedures, with the assistance from our valuation specialists:

- We assessed the appropriateness of the valuation methodologies against accounting standards and generally accepted industry principles;
- We evaluated the judgement applied by management in their selection of valuation techniques and methods by performing the following:
  - Where market multiples were used as the valuation technique:
    - We evaluated the peer group applied by management by considering the size, industry, geography, accounting policies, capital structure of the underlying entities against the entities in the peer group;
    - We compared the market and financial data of the peer group used by management to external market data and considered the impact of COVID-19 pandemic on this data;
    - We compared peer multiples at the valuation date to the final multiple used by management and evaluated the rationale for supporting adjustments (such as marketability discounts, and COVID-19 adjustments) applied by management.
  - Where the discounted cash flow (DCF) method was used as the valuation technique:
    - We assessed the appropriateness of the significant inputs and assumptions used in the DCF model for the operations of the underlying entity such as the cashflow projections and discount rate used by comparing the respective information to historical trends (where the focus is on the historical trends after the COVID-19 pandemic started) of the underlying operations, the underlying entity's approved management business plans, and external market data (where available) based on our industry knowledge;
    - Based on our judgement, we performed sensitivity analyses to assess the impact of the changes to the inputs on the valuation of the financial instruments.
- We recalculated the mathematical accuracy of the valuation models used and compared the recalculated fair value to the valuation determined by management; and
- We assessed whether the financial statement disclosures related to the accounting estimates, including the description of estimation uncertainty and management's significant judgments are in accordance with the requirements of IFRS13 Fair Value Measurement, IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures, and that the sensitivity to key inputs appropriately reflect the company's exposure to financial instrument valuation risk.

</td></tr>
</table>

Independent auditor's report to the shareholders of RECM and Calibre Limited

continued

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 55-page document titled "RECM and Calibre Integrated Annual Report 2021", which includes the Directors' Report, the Report of the Audit and Risk Committee and the Certificate by the Company Secretary as required by the Companies Act of South Africa, and the Company profile, the Board of directors, the Shareholders' letter, the Corporate governance report, the Directors' responsibilities and approval of the annual financial statements, the Statement of responsibility by the Chief Financial Officer, the Shareholder information, the Invitation to preference shareholders' meeting with executive directors and the Corporate information. The other information does not include the financial statements and our auditor's reports 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, 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 company'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 company or to cease operations, or have no realistic alternative but to do so.

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 scepticism 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.

Independent auditor's report to the shareholders of RECM and Calibre Limited

continued

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

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

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 8 years.

Ernst & Young Inc.

Ernst & Young Inc.

Director: Joline Allison
Registered Auditor
Chartered Accountant (SA)

3rd floor, Waterway House
3 Dock Road
V&A Waterfront
Cape Town
22 June 2021

Directors' report

for the year ended 31 March 2021

The Directors submit their report for the year ended 31 March 2021.

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 income of the Company was R51 402 260 (2020: loss of R337 118 143), after taxation of R7 085 (2020: R20 024).

2. GOING CONCERN

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

3. EVENTS AFTER THE REPORTING PERIOD

For disclosure relating to events subsequent to the reporting period, please refer to note 22 of the annual financial statements.

4. DIRECTORS' SHAREHOLDING

Direct and indirect beneficial interests of Directors and associates as at 31 March 2021 are:

	Ordinary shares				Preference shares			
	2021 Number	**2021 %**	2020 Number	2020 %	**2021 Number**	**2021 %**	2020 Number	2020 %
Theunis de Bruyn	**–**	**–**	–	–	**2 898 400**	**6.11**	2 290 000	4,8
Piet Viljoen	**2 500 001**	**66,67**	2 500 001	66,67	**2 684 750**	**5,66**	2 437 250	5,14
Jan van Niekerk	**1 249 999**	**33,33**	1 249 999	33,33	**672 410**	**1,42**	628 310	1,33
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	**6 935 560**	**14,6**	6 935 560	14,6

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. Piet Viljoen and Jan van Niekerk are Non-executive Directors of Astoria Investments Ltd ("Astoria"). 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.

8. COMPLIANCE WITH CORPORATE LAWS

RAC has complied with the Companies Act particularly with reference to the incorporation provisions as set out in the Companies Act and has operated in conformity with its MOI during the year under review.

Statement of financial position

at 31 March 2021

	Notes	2021 R	2020 R
ASSETS			
Non–current assets		**1 091 349 712**	1 039 940 624
Investments	3	**1 091 349 712**	1 039 940 624
Current assets		**787 057**	831 671
Investments	3	**736 642**	810 323
Trade and other receivables		**41 511**	–
Cash and cash equivalents	5	**8 904**	21 348
Total assets		**1 092 136 769**	1 040 772 295
EQUITY AND LIABILITIES			
Equity		**1 091 246 873**	1 039 844 613
Share capital – ordinary shareholders	6	**18 206 250**	18 206 250
Share capital – preference shareholders	6	**506 296 000**	506 296 000
Retained income		**566 744 623**	515 342 363
Liabilities			
Current liabilities		**889 896**	927 682
Trade and other payables	8	**886 004**	926 662
Current tax payable		**3 892**	1 020
Total equity and liabilities		**1 092 136 769**	1 040 772 295
Net asset value			
Net asset value attributable to ordinary shareholders	7	**80 003 436**	76 234 942
Net asset value attributable to preference shareholders	7	**1 011 243 437**	963 609 671
Net asset value per ordinary share (cents)	7	**2 133**	2 033
Net asset value per preference share (cents)	7	**2 133**	2 033

Statement of comprehensive income

for the year ended 31 March 2021

	Notes	**2021 R**	2020 R
Income	10	**1 526 347**	1 572 101
Operating expenses		**(1 526 090)**	(1 757 096)
Operating profit/(loss)		**257**	(184 995)
Fair value gain/(loss) on subsidiary	12	**51 409 088**	(336 913 124)
Profit/(loss) before taxation		**51 409 345**	(337 098 119)
Taxation	11	**(7 085)**	(20 024)
Profit/(loss) for the year		**51 402 260**	(337 118 143)
Other comprehensive income/(loss) for the year net of taxation		**–**	–
Total comprehensive income/(loss)		**51 402 260**	(337 118 143)
Earnings per share			
Per share information (ordinary and preference)			
Basic and diluted earnings/(loss) per share (cents)	13	**100**	(659)

Statement of changes in equity

for the year ended 31 March 2021

	Ordinary share capital R	Preference share capital R	Retained income R	Total shareholders' equity R
Balance at 31 March 2019	18 206 250	506 296 000	852 460 506	1 376 962 756
Total comprehensive loss	–	–	(337 118 143)	(337 118 143)
Balance at 31 March 2020	**18 206 250**	**506 296 000**	**515 342 363**	**1 039 844 613**
Total comprehensive income	**–**	**–**	**51 402 260**	**51 402 260**
Balance at 31 March 2021	**18 206 250**	**506 296 000**	**566 744 623**	**1 091 246 873**
Notes	6	6		

Statement of cash flows

for the year ended 31 March 2021

	Notes	2021 R	2020 R
Cash flows from operating activities			
Cash utilised in operations	14	**(1 608 259)**	(1 709 871)
Interest income		**28**	436
Dividends received		**1 500 000**	–
Tax paid	15	**(4 213)**	(21 434)
Net cash outflow from operating activities		**(112 444)**	(1 730 869)
Cash flows from investing activities			
Sale of investments		**1 080 000**	1 731 000
Purchase of investments		**(980 000)**	–
Net cash inflow from investing activities		**100 000**	1 731 000
Net movement in cash and cash equivalents		**(12 444)**	131
Cash and cash equivalents at the beginning of the year		**21 348**	21 217
Cash and cash equivalents at the end of the year	5	**8 904**	21 348

Notes to the annual financial statements

for the year ended 31 March 2021

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 fully owned subsidiaries incorporated in South Africa, being RAC Investment Holdings (Pty) Ltd ("RIH") and Livingstone Investments (Pty) Ltd ("Livingstone") in the prior year, Astoria Investments Ltd in the current year 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 Astoria 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 on the historical cost basis, except as set out below, and incorporate the principal accounting policies set out below. The principal accounting policies applied in the preparation of the financial statements are set out below. They are presented in South African Rands.

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

1.1 Significant judgements and sources of estimation uncertainty

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

Significant judgements include:

Assessment as an investment entity

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

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

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

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

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

Fair value estimation

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

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

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

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

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.

1.2 Financial instruments

Financial instruments

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost

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

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

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

The Company's financial assets at amortised cost includes trade and other receivables and cash and cash equivalents which comprise of cash on hand and demand deposits.

Financial assets at FVTPL

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

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

The Company's financial assets at FVTPL includes all investments.

Derecognition

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

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

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

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

Impairment of financial assets

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or financial liabilities at amortised cost.

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

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

Subsequent measurement

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

Financial liabilities at amortised cost

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

Derecognition

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

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

Offsetting of financial instruments

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

Fair value determination for comparative and current year amounts

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

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

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

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

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

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

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

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

1.3 Tax

Current tax assets and liabilities

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

Tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current tax assets and liabilities are only set off against each other if the Company has a legally enforceable right to set them off.

Deferred tax assets and liabilities

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not recognised on investments in subsidiaries, associates or joint ventures where the Company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax expenses

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

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination (other than the acquisition by an investment entity of a subsidiary that is required to be measured at fair value through profit or loss).

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

1.4 Share capital

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

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

1.5 Income

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
Conceptual framework for financial reporting	1 January 2020	The amendments include a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability as well as clarification on areas such as roles of stewardship, prudence and measurement uncertainty in financial reporting. The amendments did not have a significant impact on the Company.
IAS 1 and IAS 8	1 January 2020	The amendments update the definition of material to read as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. This update of the definition is a clarification in our view and therefore did not have a significant impact on the Company.

2.2 Standards and interpretations not yet effective

The following new and revised IFRS statements, interpretations and amendments applicable to the Company have been issued but are not yet effective. The Company plans to adopt these statements when they become effective.

Standard/ Interpretation	Effective date: Years beginning on or after	Impact
IAS 1 – Amendments to IAS 1 Classification of liabilities as current and non-current	1 January 2023	The amendments specify the requirements for classifying liabilities as current and non-current. The amendments clarify: • What is meant by a right to defer settlement. • That a right to defer must exist at the end of the reporting period. • That classification is unaffected by the likelihood that an entity will exercise its deferral right. • That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The changes are not expected to have a significant impact on the Company.

		2021 R	2020 R
3.	**INVESTMENTS**		
	Fair value hierarchy of financial assets		
	Level 2		
	Class 4 – Money market fund	**736 642**	810 323
		736 642	810 323
	Level 3		
	Class 5 – Unlisted shares – Unquoted – fair value through profit or loss	**1 091 349 712**	1 039 940 624
		1 091 349 712	1 039 940 624
	Total financial assets at fair value	**1 092 086 354**	1 040 750 947
	Total assets at fair value through profit or loss	**1 092 086 354**	1 040 750 947
	Non-current assets – fair value through profit or loss	**1 091 349 712**	1 039 940 624
	Current assets – fair value through profit or loss	**736 642**	810 323
	Total investments	**1 092 086 354**	1 040 750 947

Notes to the annual financial statements

for the year ended 31 March 2021

continued

3. INVESTMENTS continued

	2021 R	2020 R
Management classifies money market fund as current and other investments as non-current.		
Level 3 reconciliation		
Opening balance	**1 039 940 624**	1 376 853 748
Gain/(loss) on investments recognised in profit or loss	**51 409 088**	(336 913 124)
Closing balance	**1 091 349 712**	1 039 940 624

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 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 there is a range of reasonable possible alternative outcomes for the fair values as they are sensitive to indirect and direct quantifiable 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 and Astoria Investments Ltd (“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.

Notes to the annual financial statements

for the year ended 31 March 2021

continued

3. INVESTMENTS continued

	2021 R	2020 R
Fair value hierarchy of financial assets held by RAC Investment Holdings (Pty) Ltd, Livingstone Investments (Pty) Ltd (prior year) and Astoria Investments Ltd		
Level 1		
Class 1 – Listed shares – Quoted	**5 657 749**	8 302 500
	5 657 749	8 302 500
Level 2		
Class 3 – Hedge fund	**43 944 971**	38 089 199
Class 3 – Equity swaps *	**50 400 002**	–
Class 4 – Money market fund	**457 223**	39 609 729
Class 6 – Unlisted shares – Last traded price – fair value through profit or loss	**–**	36 474 981
	94 802 196	114 173 909
Level 3		
Class 5 – Unlisted shares – Unquoted – fair value through profit or loss	**1 260 936 388**	1 022 528 388
	1 260 936 388	1 022 528 388
Total financial assets at fair value		
Non-current assets	**1 311 336 390**	39 609 729
Current assets	**50 059 943**	1 105 395 068
Total investments	**1 361 396 333**	1 145 004 797
Summary of Net Asset Value of RIH, Livingstone and Astoria		
Total investments from above	**1 361 396 333**	1 145 004 797
Loans and receivables	**6 830 608**	81 625 260
Cash and cash equivalents	**25 181 434**	69 905 533
Deferred tax	**(46 481 477)**	(809 467)
Loans and payables	**(5 565 827)**	(5 712 804)
Preference shares	**(250 011 359)**	(250 072 695)
Net Asset Value of RIH, Livingstone (prior year) and Astoria	**1 091 349 712**	1 039 940 624

* *Equity swaps are derivative instruments owned by Astoria which provide exposure to 4,2m RAC Participating Preference Shares.*

Notes to the annual financial statements

for the year ended 31 March 2021
continued

3. INVESTMENTS continued

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

31 March 2021

	Valuation technique	Fair value Rm	Significant unobservable inputs	Range	Sensitivity
RAC Investment Holdings ("RIH")	NAV	1 091,3	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 approximately R281,9m or decrease in fair value of approximately R280,4m.

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

Goldrush Group ("Goldrush")	Multiple	939,9	Sustainable EBITDA	7	An increase or decrease in the EBITDA multiple by 1 would result in a change in fair value of approximately R194,3m.
Outdoor Investment Holdings ("OIH")	Multiple	113,0	PBIT	6	A change in multiple by 1 would result in a change in fair value of approximately R22,3m.
Astoria Treasury and Management ("ATAM")	NAV	85,1	Expected credit losses on the outstanding loan balances	29%	A change in the credit losses of 10% would result in a change in net asset value of ATAM of approximately R9,5m.
JB Private Equity Investors Partnership ("JBPEIP")	NAV	41,3	N/A	N/A	The NAV of the JB Private Equity Investors Partnership is directly linked to the underlying investment in Afrimat Limited (which is listed on the JSE). NAV of the JB Private Equity Investors Partnership is considered to be fair value. A 10% upward or downward movement in the Afrimat share price would have a R7,1m impact on the Partnership NAV.
Trans Hex	NAV	53,5	Discount to NAV	30%	Trans Hex has been valued at a 30% discount to its NAV as at 31 December 2020 to account for a cash flow and liquidity discount. A 10% movement in the discount applied to NAV would have a R7,6m impact on the fair value of the investment.
	Discounted cash flow		Discount rate	26%	A change in the discount rate by 2% would result in a change in fair value of approximately R5m.
			Carats produced per cubic meter of ground mined	0,18	A 10% change in yield of carats per cubic meter of ground mined, would result in a change in fair value of approximately equates to R27,7m.
ISA Carstens (excluding non-equity investments)	Multiple	28,1	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	–	NAV	N/A	The business is currently in a net loss position due to Covid and therefore has been valued at Rnil and no sensitivity is calculated.
Other level 3 investments		**–**			
Total		**1 260,9**			

3. INVESTMENTS continued

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

31 March 2020

	Valuation technique	Fair value Rm	Significant unobservable inputs	Range	Sensitivity
RAC Investment Holdings ("RIH")	NAV	1 039,9	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 approximately R203,4m or decrease in fair value of approximately R201,9m.

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

Outdoor Investment Holdings	Multiple	79,3	PBIT	6	A change in multiple by 1 would result in a 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**			

3. INVESTMENTS continued

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.

Goldrush

Goldrush's valuation is based on its sustainable EBITDA (earnings before interest, tax, depreciation and amortisation) as a reflection of the earnings power of the business. A multiple of 7 is applied to these earnings to determine the enterprise value of the business, after which adjustments are made for the structure of the balance sheet. These balance sheet adjustments entail the addition of non-operating assets and a deduction of net debt and financial liabilities.

As Goldrush's trading was significantly disrupted during the first six months of the year, the sustainable EBITDA for this valuation was calculated as 2 x the actual EBITDA of the second half of the year, after deducting once-off accounting gains which accrued in the second half. This encompasses a six-month period which included two months of restricted trading. This is the best indication of the company's ongoing earnings and has been confirmed by actual trading post year-end.

The chosen EBITDA multiple of 7 times is retained and remains:

- lower than the 25-year average EBITDA multiples of comparable listed South African gaming operators;
- 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.
- lower than the historic EBITDA multiple of the JSE Allshare Index as a whole.

Outdoor Investment Holdings ("OIH")

During the six months post the initial lockdown in South Africa, OIH experienced favorable trading conditions which meant that it was able to repay a portion of its debt during the calendar year ended 31 December 2020. We have valued OIH on a multiple of 6 x PBIT (profit before interest and tax). 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 the ALSI. It takes into account that Safari and Outdoor has matured as well as the potential for the likes of the Family Pet Centre to experience faster growth given it is growing off a relatively small base. Whilst COVID-19 had an initial impact on OIH through stores needing to be closed, the ongoing effects have been less severe than businesses that operate in the food and entertainment industries.

Astoria Treasury and Management ("ATAM")

ATAM is valued based on its NAV, given that it currently has loans receivable against which it has recognised expected credit losses ("ECL"). In essence, the loan balances less ECL are the fair values of the loans receivable. The ECL are constantly reviewed by management of ATAM and updated where required. ECL are set for each loan receivable based on the specific circumstances relating to each counterparty. For each specific reasonable possible ECL, a probability weighting is applied. This process results in an overall ECL for each loan receivable, which ranges up to 35% of the loan balance receivable.

COVID-19 has had no operational impact on the business but it has resulted in an increase in the ECL from pre-COVID levels by 150%.

Notes to the annual financial statements

for the year ended 31 March 2021

continued

3. INVESTMENTS continued

Trans Hex

The main driver of the valuation of Trans Hex is its investment into the Somiluana Mine in Angola. Trans Hex's 33% share in the Somiluana mine is valued on a discounted cash flow basis using a discount rate of 26% in US$ and an expected yield of 0,18 carats per cubic meter mined. The cash flows are based on the average price of diamonds in 2019, being the latest available stable information given the various lockdowns experienced in 2020. We apply a 30% discount to this NAV in calculating the fair value of our ownership stake in Trans Hex to reflect the fact that Astoria holds a minority stake and the inherent risk associated with repatriating dividends from Angola.

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. ISA Carstens last undertook this process as at 31 March 2020. The capitalisation rates used for the valuation of the properties of between 8,5% and 9,5% are within the industry norms and therefore there is no need to make any change to the values of properties as determined by the specialists. Given the undeterminable impact COVID-19 will have on the South African 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 December 2020 off against the value of the properties. For the valuation of the Education Services, we applied a multiple of 6 to PAT (profit after tax). As with OIH, our multiple for ISA Carstens is based on our best estimate of the long-term growth prospects of the business taking into account the overall economy and our required returns on capital.

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
2021			
Cash and cash equivalents	**8 904**	**–**	**8 904**
Investments	**–**	**1 092 086 354**	**1 092 086 354**
	8 904	**1 092 086 354**	**1 092 095 258**
2020			
Cash and cash equivalents	21 348	–	21 348
Investments	–	1 040 750 947	1 040 750 947
	21 348	1 040 750 947	1 040 772 295

Notes to the annual financial statements

for the year ended 31 March 2021
continued

		2021 R	2020 R
5.	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents consist of:		
	Bank balances	**8 904**	21 348
	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)	**8 904**	21 348
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.	**–**	–
	Non-cumulative redeemable participating preference shares of no par value are redeemable at the option of the company and rank equal to ordinary shares in respect of dividends and on winding up.	**–**	–
	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 (2020: 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 (2020:47 400 000) non-cumulative redeemable participating preference shares	**506 296 000**	506 296 000

		2021 R	2020 R
7.	**NET ASSET VALUE PER SHARE**		
	Net asset value per share is calculated by dividing the net asset value attributable to each class of share by the number of shares in issue as at year end. Given the ordinary and preference shares have the same rights to the net asset value of the company, net asset value per share is the same for both classes.		
	Number of shares in issue at year-end		
	Ordinary shares	**3 750 000**	3 750 000
	Preference shares	**47 400 000**	47 400 000
	Net asset value attributable to ordinary shareholders	**80 003 436**	76 234 942
	Net asset value attributable to preference shareholders	**1 011 243 437**	963 609 671
	Net asset value per ordinary share (cents)	**2 133**	2 033
	Net asset value per preference share (cents)	**2 133**	2 033
8.	**TRADE AND OTHER PAYABLES**		
	Audit fee payable	**255 001**	287 590
	Trade payables	**1 013**	7 498
	Directors' fees payable	**629 990**	631 574
		886 004	926 662

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

9. FINANCIAL LIABILITIES BY CATEGORY

	Financial liabilities at amortised cost R	Total R
2021		
Trade and other payables	**886 004**	**886 004**
	886 004	**886 004**
2020		
Trade and other payables	926 662	926 662
	926 662	926 662

Notes to the annual financial statements

for the year ended 31 March 2021

continued

		2021 R	2020 R
10.	**INCOME**		
	Dividend income		
	Unlisted financial assets	**1 500 000**	1 500 000
	Total dividend income	**1 500 000**	1 500 000
	Interest income		
	Bank *	**28**	436
	Money market fund	**26 319**	71 665
	Total interest income	**26 347**	72 101
	Total income	**1 526 347**	1 572 101
	* *This interest is recognised using the effective interest rate method.*		
11.	**TAXATION**		
	Major components of the tax expense		
	Current		
	Income tax – current period	**7 085**	20 024
	Deferred		
	Current period	**–**	–
		7 085	20 024
	Reconciliation of the tax expense		
	Reconciliation between accounting profit/(loss) and tax expense		
	Accounting profit/(loss)	**51 409 345**	(337 098 119)
	Tax at the applicable tax rate of 28% (2020: 28%)	**14 394 617**	(94 387 473)
	Tax effect of adjustments on taxable income		
	Non-taxable income	**(420 000)**	(420 000)
	Non-taxable fair value adjustments	**(14 394 545)**	94 335 675
	Non-tax deductible expenses	**427 013**	491 822
		7 085	20 024

		Gross R	Tax R	Net R
12.	**FAIR VALUE GAIN/(LOSS) ON SUBSIDIARY**			
	2021			
	Gains arising during the year:			
	Unlisted shares – subsidiary	**51 409 088**	**–**	**51 409 088**
		51 409 088	**–**	**51 409 088**
	2020			
	Losses arising during the year:			
	Unlisted shares – subsidiary	(336 913 124)	–	(336 913 124)
		(336 913 124)	–	(336 913 124)

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 R202 708 666 (2020: R151 299 578). 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

for the year ended 31 March 2021
continued

		2021	2020
13.	**EARNINGS AND HEADLINE EARNINGS PER SHARE**		
	Earnings and headline earnings per shares are based on the profit/(loss) attributable to ordinary and preference shareholders in issue during the year.		
	Number of shares in issue at year-end		
	Ordinary shares	**3 750 000**	3 750 000
	Preference shares	**47 400 000**	47 400 000
	Reconciliation of issued shares to weighted average number of shares		
	Ordinary shares (opening and closing balance)	**3 750 000**	3 750 000
	Preference shares (opening and closing balance)	**47 400 000**	47 400 000
	Total weighted average number of shares	**51 150 000**	51 150 000
	Earnings		
	Net profit/(loss) after tax	**51 402 260**	(337 118 143)
	Headline earnings/(loss)	**51 402 260**	(337 118 143)
	Basic and diluted earnings/(loss) per ordinary and preference shares (cents)	**100**	(659)
	Basic and diluted headline earnings/(loss) per ordinary and preference shares (cents)	**100**	(659)
14.	**CASH UTILISED IN OPERATIONS**		
	Profit/(loss) before taxation	**51 409 345**	(337 098 119)
	Adjustments for:		
	Dividends received	**(1 500 000)**	(1 500 000)
	Interest received	**(26 347)**	(72 101)
	Unrealised (gain)/loss on investments	**(51 409 088)**	336 913 124
	Changes in working capital:		
	Trade and other receivables	**(41 511)**	9 860
	Trade and other payables	**(40 658)**	37 365
		(1 608 259)	(1 709 871)
15.	**TAX PAID**		
	Balance at the beginning of the year	**(1 020)**	(2 430)
	Current tax for the year recognised in profit or loss	**(7 085)**	(20 024)
	Balance at the end of the year	**3 892**	1 020
		(4 213)	(21 434)

16. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Subsidiary

As at year-end, RAC has a single equity investment being a 100% (2020: 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 Astoria Investments Ltd, please refer to note 3.

RIH holds the following investments as at 31 March 2021

Subsidiaries

As at year-end, RIH has a 58,8% (2020: 58,8%) economic interest in Goldrush Group (Pty) Ltd ("Goldrush") which is incorporated in South Africa and has interests in Bingo, Limited Pay Out Machine and Sports Betting licences in Southern Africa. RIH has 58,8% (2020: 58,8%) of the voting rights as at year-end and Goldrush is therefore considered to be a subsidiary.

As at year-end, RIH has a 100% (2020: 100% through Livingstone Investments (Pty) Ltd) stake in Astoria Investments Ltd ("Astoria"). Astoria which is listed on the Stock Exchange of Mauritius and the JSE is an investment holding company which has a global investment policy. Given RAC controls 100% of the voting rights in Astoria it is considered to be a subsidiary as at year-end.

As at year-end, RIH has a 97,4% (2020: 97,4%) stake in the ordinary shares of IASeminars SA (Pty) Ltd ("IASeminars"). IASeminars holds 100% of the issued shares of IASeminars Limited, a United Kingdom domiciled company which specialises in the presentation of international accounting seminars and other financial training events. Given the majority stake, IASeminars is considered to be a subsidiary as at year-end.

Astoria holds the following investments as at 31 March 2021

Subsidiaries

As at year-end Astoria has a 70% (2020: 0%) interest in CNA Holdings (Pty) Ltd ("CNA"). CNA operates 165 retail stores across South Africa, which specialise in the supply of books, stationary, magazines, board games and gifting and related items. CNA is incorporated in South Africa and given the shareholding, CNA is considered to be a subsidiary.

As at year-end Astoria has a 90% (2020: 0% as 90% was owned by RIH) interest in the JB Private Equity Investors Partnership. The partnership holds 1% of the issued shares in Afrimat Limited ("Afrimat"). Afrimat is a mining company providing industrial minerals and construction materials across Southern Africa. Afrimat is incorporated in South Africa and is listed on the JSE. Given the holding structure, JB Private Equity Investors Partnership is considered to be a subsidiary.

As at year-end Astoria has a 100% (2020: 0%) interest in Astoria Treasury and Management (Pty) Ltd ("ATAM"). Astoria Treasury, which is incorporated in South Africa, operates as a treasury and management company with its business being to provide loan funding to businesses in South Africa, including loans to investees of Astoria. Given the 100% ownership, Astoria Treasury is considered to be a subsidiary.

Associates and joint ventures

As at year-end, Astoria has a 33% (2020: 0% as 33% was owned by RIH) interest in Outdoor Investment Holdings (Pty) Ltd ("OIH"). OIH 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, Astoria is considered to have significant influence over OIH and it is therefore considered to be an associate.

As at year-end, Astoria has a 49% (2020: 0% as 49% was owned by RIH) interest in ISA Carstens (Pty) Ltd ("ISA Carstens"). ISA Carstens is a private tertiary education institution which provides tuition for students who wish to follow a career in the health and wellness industry. ISA Carstens is domiciled in South Africa with campuses in Stellenbosch and Pretoria. Astoria has 49% of the voting rights under its control and therefore ISA Carstens is considered to be an associate as at year-end.

16. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES continued

As at year-end, Astoria has a 49,9% (2020: 0% as 49,9% was owned by RIH) interest in Vehicle Care Group ("VCG"). VCG provides insurance, warranties and service plans to the vehicle trade (VCG Protect), acting as an intermediary for obtaining finance and insurance for customers of its group of dealer clients (VCG Finsure) and providing long-term motor vehicle rentals to individuals (VCG Flexidrive). VCG is domiciled in South Africa. Astoria has 49,9% of the voting rights under its control and therefore VCG is considered to be an associate as at year-end.

As at year-end, Astoria has a 36% (2020: 0% as 39,5% was owned by RIH) interest in Trans Hex Group (Pty) Ltd ("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 36% holding and therefore voting rights, Transhex is considered to be an associate at year-end.

17. RELATED PARTIES

Relationships

Shareholders with significant influence	Seneca Investments Proprietary Limited (PG Viljoen); TTOW Investments (Pty) Ltd (JC Van Niekerk)
Subsidiaries	RAC Investment Holdings (Pty) Ltd Goldrush Group (Pty) Ltd Astoria Investments Ltd CNA Holdings (Pty) Ltd JB Private Equity Investors Partnership IASeminars SA (Pty) Ltd Astoria Treasury and Management (Pty) Ltd
Associates	Outdoor Investment Holdings (Pty) Ltd Trans Hex Group (Pty) Ltd ISA Carstens (Pty) Ltd Vehicle Care Group (Pty) Ltd
Members of key management	JC Van Niekerk; PG Viljoen
Common directorships	Regarding Capital Management (Pty) Ltd (Investment Manager) RAC Advisory (Pty) Ltd (Investment Manager)

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

Notes to the annual financial statements

for the year ended 31 March 2021

continued

		2021 R	2020 R
17.	**RELATED PARTIES** continued		
	Related party transactions		
	Income received from related parties		
	RAC Investment Holdings (Pty) Ltd – dividend	**1 500 000**	1 500 000
	RECM Money Market Fund – interest	**26 319**	71 665
	Related party balances		
	Investment in RECM Money Market Fund	**736 642**	810 323
	RAC Directors with material interests in contracts entered into by RAC, RIH or Astoria		
	Mr PG Viljoen is a director of Regarding Capital Management (Pty) Ltd, RAC, RIH and Astoria. Mr JC Van Niekerk is a Director of RAC, RIH, RAC Advisory (Pty) Ltd, Astoria and ATAM.		
18.	**DIRECTORS' EMOLUMENTS**		
	Directors' emoluments consist of directors' fees and are considered to be short-term benefits which are paid in the year.		
	Gerhard Swiegers	**290 800**	290 800
	Trent Rossini	**158 500**	158 500
	Zanele Matlala	**158 500**	158 500
	Executive directors and Mr T de Bruyn do not receive any directors fees from the Company and the Company has no employees.		

Notes to the annual financial statements

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continued

19. RISK MANAGEMENT

Risk Management objectives and policies

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

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

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

Market risk

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

Equity price risk

The Company is subject to the risk of adverse movements in the market price of listed securities and unlisted quoted securities in which it has invested. This market risk is managed by the investment adviser by buying assets below their expected value. These investments are monitored on an ongoing basis by the Investment Manager and regularly reported on to the Board of Directors. Significant investments are approved in advance. A decrease or increase of 10% (2020: 10%) in the market price would have an estimated R0,6m (2020: R0,9m) 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 10% (2020: 10%) change in the fair value of RIH would have a profit or loss impact of R109m (2020: R104m).

Interest rate risk

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

Based on the exposure as at 31 March 2021 if interest rates had been 1% higher/lower with all other variables held constant, post-tax loss/profit for the year would have been R0,1m (2020: R0,8m) higher/lower.

As at year-end RIH had funding from Absa Bank Limited ("Absa") in the form of preference shares. The dividend on the funding is linked to prime. A 1% change in prime will result in RIH needing to pay an additional R2,5m (2020: R2,9m) of preference dividends per year.

Liquidity risk

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

19. RISK MANAGEMENT continued

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

RAC	Less than 60 days R	Over 60 days R
At 31 March 2021		
Trade and other payables	**886 004**	**–**
At 31 March 2020		
Trade and other payables	926 662	–

The maturity groupings for RIH and Astoria are as follows:

RIH and Astoria	Less than 1 year R	1 to 2 years R	2 to 3 years R	More than 5 years R	Total R
At 31 March 2021					
Loans and payables	**22 285 215**	**17 757 162**	**267 658 463**	**–**	**307 700 840**
At 31 March 2020					
Loans and payables	268 863 851	–	–	–	268 863 851

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 at amortised cost recognised at the reporting date in RIH and Astoria. This would include loans and receivables from RIH to underlying investees of R54,8m (2020: R110,1m) and Astoria Treasury and Management of R94,9m (2020: Rnil). Whilst no credit limits were exceeded during the reporting period or no amounts were considered to be past due, management of RIH has provided for R28,4m (2020: R28,4m) of capital and interest receivable from an investee company as at year-end as the investee is no longer expected to be able to meet the loan repayments going forward. In addition to this, management of RIH have expected credit losses in terms of IFRS 9 totalling R19,7m (2020: R28,8m) against the loan receivable amount of R54,8m above and ATAM has expected credit losses of R20m against the loan receivable amount of R94,9m above.

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

Foreign exchange risk

The Company is able to operate internationally and foreign exchange risk arising from exposure to foreign currencies may arise from time to time. As at year-end, the Company is not directly exposed to foreign exchange movements however its investment in Astoria may be impacted by movements in the United States Dollar ("USD") and South African Rand exchange. As this investment is an equity investment which is listed on the JSE which is based in South African Rands, no Foreign Exchange sensitivity has been completed for the year ended 31 March 2021.

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20. GUARANTEE, CESSION AND PLEDGE

As at year-end RIH has issued 250 (2020: 250) preference shares for R1 000 000 each to Absa. The preference shares pay a preference dividend on 31 March and 30 September each year at a rate equivalent to 100% of prime and are all redeemable on 31 March 2024.

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 R17,8m (2020: R265m) within 1 year, R35,5m (2020: Rnil) between 1 and 2 years and R267,7m (2020: Rnil) between 2 and 3 years.
- RIH pledged its shares held in Goldrush, which have a carrying amount of R939,9m as at 31 March 2021 to Absa.
- RIH pledged 5 620 357 Astoria shares which have a carrying amount of R38,1m as at 31 March 2021.

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 and Astoria 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.

21. GOING CONCERN

Despite the ongoing impact of COVID-19, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern as the Company has adequate resources to operate for the foreseeable future. The Company has a positive net asset and net current asset position and is expected to maintain this based on the projected cash flows. Funds are expected to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

22. SUBSEQUENT EVENTS

Subsequent to year end the following significant transactions have occurred:

- RIH distributed 51 150 000 Astoria Shares with a carrying value of R347m to RAC.
- RAC distributed 51 150 000 Astoria Shares with a carrying value of R347m to its shareholders on a 1 for 1 basis.
- RIH declared dividends totalling R1,5m to RAC.

23. NON-CASH TRANSACTIONS

RAC earned interest income totalling R26 319 (2020: R71 665) 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.

Shareholder information

as at 31 March 2021

As at 31 March 2021, three million seven hundred and fifty thousand (3 750 000) ordinary shares were in issue. The beneficial interests as at 31 March 2021 are shown below. The Company also had forty seven million four hundred thousand (47 400 000) preference shares in issue. Shareholders with beneficial interests of 3% or greater as at year end are listed below:

	2021		2020	
Beneficial shareholder name	**Number**	**%**	Number	%
Ordinary shares				
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
Preference shares				
Peresec Prime Brokers (Pty) Ltd	**4 314 122**	**9,1**	40 006	0,1
Theunis de Bruyn	**2 898 400**	**6,1**	2 290 000	4,8
Piet Viljoen	**2 684 750**	**5,7**	2 437 250	5,1
Rozendal Flexible Prescient QI Hedge Fund	**2 694 186**	**5,7**	1 544 220	3,3
Steyn Capital SNN QI Hedge Fund	**1 803 134**	**3,8**	1 058 452	2,2
Counterpoint Worldwide Flexible Fund	**1 531 477**	**3,2**	–	–
SBSA ITF RECM Global Flexible Fund	**–**	**–**	1 531 477	3,2
SBSA ITF Nedgroup Investment Stable Fund	**1 500 000**	**3,2**	1 500 000	3,2
TNT Trust (T Rossini)	**1 500 000**	**3,2**	1 500 000	3,2

Public shareholders analysis	**2021**		2020	
Security holders analysis	**Number**	**%**	Number	%
Ordinary shares				
Non-public	**4**	**100,0**	4	100,0
Preference shares				
Public	**761**	**97,1**	819	97,0
Non-public	**23**	**2,9**	25	3,0

Invitation to Preference Shareholders' meeting with Executive Directors

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" or "the Company")

This year the meeting of RAC preference shareholders with executive directors will be held at 11:00 on Wednesday, 28 July 2021 via a Microsoft Teams Webinar. You don't need to be a shareholder to attend.

In order to attend, please use the following link at the appropriate time. You don't have to have Microsoft Teams installed on your computer. You will have an option to join in your web browser.

The link to the meeting is also on our website at www.racltd.co.za or email info@racltd.co.za to request a link to join.

As always, we will answer all your questions, even if it takes all day. This is the one opportunity that our fellow shareholders have to ask questions of us in the year. We want to make the most of it.

You will be able to post questions live during the webinar, or you can send your questions before the time to info@racltd.co.za.

G Simpson
Company Secretary

Corporate information

RECM AND CALIBRE LIMITED

("RAC" or "the Company")

COUNTRY OF INCORPORATION AND DOMICILE

South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Investments as principal activities

COMPANY REGISTRATION NUMBER

2009/012403/06

PREFERENCE SHARE CODE

RACP

ISIN

ZAE000145041

DIRECTORS

T de Bruyn (*Non-Executive Director*)

Z Matlala (*Independent Non-Executive Director*)

T Rossini (*Independent Non-Executive Director*)

JG Swiegers (*Lead Independent Non-Executive Director*)

JC van Niekerk (*Executive Financial Director*)

PG Viljoen (*Executive Chairperson*)

COMPANY SECRETARY

G Simpson

FINANCIAL STATEMENTS INTERNALLY COMPILED BY

D Schweizer – Chartered Accountant (S.A.)

REGISTERED OFFICE AND BUSINESS ADDRESS

10th Floor, The Terraces
34 Bree Street
Cape Town
8001

POSTAL ADDRESS

PO Box 44

Greenpoint

8001

EMAIL ADDRESS

info@recm.co.za

WEBSITE

www.racltd.co.za

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3 Dock Road
V&A Waterfront
Cape Town 8001

(PO Box 656, Cape Town, 8000)

SPONSOR

Questco Corporate Advisory (Pty) Ltd
Ground Floor, Block C
Investment Place
10th Road
Hyde Park 2196

(PO Box 98956, Sloane Park, 2152)

TRANSFER SECRETARIES

JSE Investor 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

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Cape Town 8001
South Africa

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GRAPHICULTURE