RAC

RECM AND CALIBRE

# INTEGRATED ANNUAL REPORT 2022

# 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 was previously 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. As at year-end, Regarding Capital Management (Pty) Ltd is the sole investment manager after RAC and RAC Advisory (Pty) Ltd mutually agreed to terminate their mandate. 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** (59)

*Executive Director*

*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. Mr Viljoen is also a Non-Executive Director of Astoria Investments Ltd.

**JOHANNES (Jan) CORNELIS VAN NIEKERK** (47)

*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 as an owner and CEO of the RECM Group. Mr van Niekerk is also a Non-Executive Director of Astoria Investments Ltd.

**ZANELE MATLALA** (59)

*Independent Non-Executive Director and Chairperson*

*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** (54)

*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.

**SOMASUNDRAN (Danny) NAIDOO** (48)

*Independent Non-Executive Director*

*BCompt (Hons), CA(SA)*

Appointed: 28 July 2021

Danny is a Chartered Accountant and a partner at a national audit, tax and advisory professional services firm, Mazars South Africa. He has over 20 years' experience in the professional services environment. Danny has been involved in several governance and strategic roles, both internally as well as at external organisations. He held positions as an independent member of the Audit Committee of Wesgro (Western Cape's Investment and Trade Promotion Agency) and as an independent member of the Audit Committee of the Saldanha Bay IDZ Licensing Company (SOC) Ltd. Danny has also served as a member on two sub-committees within the Independent Regulatory Board for Auditors (IRBA). He was a trustee of a non-profit organisation involved in promoting and supporting climate change initiatives both locally and globally. Danny was also a Board member of ABASA Western Cape (Association for the Advancement of Black Accountants of South Africa).

# Shareholders' letter

**To our fellow shareholders**

On 31 March 2022, RAC's Net Asset Value ("NAV") per share (ordinary and participating preference shares) amounted to R14,48. This represents a decrease of 0,4% over the financial year, adjusting for the distribution of Astoria shares. The JSE All Share (Total Return) index increased by 18,6% over the period.

As at 31 March 2022, the make-up of our NAV on a look-through basis consists of:

| | | | Directors Fair Value at 31 March (R'mn) | | |
|---|---|---|---|---|---|
| | % ownership | % of total assets | **2022** | 2021 | 2020 |
| **Core investments** | | **92,3** | **961,2** | 940,0 | 858,1 |
| Goldrush | 58,8 | 92,3 | **961,2** | 940,0 | 858,1 |
| **Portfolio investments** | | **4,4** | **45,8** | 441,3 | 393,1 |
| Astoria Investments | 9,9 | 2,9 | **30,3** | 38,1 | 6,5 |
| Other investments | | 1,5 | **15,5** | 403,2 | 386,6 |
| **Cash and receivables** | | 3,3 | **34,9** | 9,8 | 43,7 |
| **Total assets** | | | **1041,9** | 1391,1 | 1 294,9 |
| CGT and other liabilities | | | **(51,0)** | (49,9) | (4,9) |
| Funding | | | **(250,0)** | (250,0) | (250,1) |
| **Net assets** | | | **740,9** | 1091,2 | 1 039,9 |
| **Net asset value per share ("R")** | | | **14,48** | 21,33 | 20,33 |
| **Astoria shares distributed** | | | **–** | (347,1) | – |
| **Net assets ex Astoria distribution** | | | **740,9** | 744,1 | 20,33 |
| **Net asset value per share ex Astoria distribution ("R")** | | | **14,48** | 14,54 | 20,33 |

## DECREASE IN NAV PER SHARE

The 0,4% reduction in NAV per share over the year equates to a loss of R3mn and can be broken down as follows:

| | **2022 R** | 2021 R |
|---|---|---|
| Interest and dividends received | **22 369 810** | 16 027 717 |
| Adjustments to fair value of assets | **4 889 214** | 121 765 162 |
| Realised gain/(loss) on sale of assets | **5 931 110** | (888 553) |
| Tax paid | **(1 103 236)** | (2 900 476) |
| Tax provided for | **(2 408 219)** | (45 672 010) |
| Financing expenses | **(18 098 541)** | (19 856 238) |
| Investment advisory fee | **(11 437 471)** | (12 761 956) |
| Operating expenses | **(3 184 954)** | (4 311 386) |
| Net increase/(decrease) in NAV ex Astoria distribution | **(3 042 287)** | 51 402 260 |
| Distribution of Astoria shares | **(347 308 500)** | n/a |
| Net (decrease)/increase in NAV | **(350 350 787)** | 51 402 260 |

"Financing expenses", or interest paid, reduced due to our improved funding terms and lower average base rates, while the other main expense, the investment advisory fee, reduced due to the reduction in the value of our portfolio.

# Shareholders' letter

continued

## OUR INVESTMENTS

### Goldrush

RAC's single largest 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 Betting. It serves its customers under the Goldrush (Bingo, LPM and Online Betting), 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 and physical gaming positions across all segments.

*Summary of gaming licenses: Goldrush*

| | | **Mar 2022** | Mar 2021 | Mar 2020 | Mar 2019 | Mar 2018 |
|---|---|---|---|---|---|---|
| Bingo | Licenses Owned | **35** | 35 | 35 | 35 | 33 |
| | Licenses Active | **35** | 34 | 31 | 27 | 25 |
| | EBTs in Operation | **4 270** | 4 105 | 3 865 | 3 543 | 3 112 |
| | Average EBTs per active license | **122** | 121 | 124 | 131 | 124 |
| LPM | Route Licenses | **7** | 6 | 6 | 6 | 6 |
| | Machines Approved | **5 200** | 4 200 | 4 200 | 4 200 | 4 200 |
| | Machines in Operation | **2 665** | 2 412 | 2 198 | 1 882 | 1 671 |
| Sports Betting | Licenses Owned | **33** | 33 | 33 | 33 | 36 |
| | Licenses in Operation | **30** | 29 | 31 | 33 | 28 |
| | Gaming positions/terminals | **535** | 515 | 468 | 488 | 458 |
| | Average Gaming positions per active license | **18** | 18 | 13 | 15 | 16 |
| Total Physical Gaming Positions | | **7 470** | 7 032 | 6 531 | 5 913 | 5 241 |

Goldrush achieved total revenue of R1,39bn for the financial year, up 52% from the previous year. EBITDA increased by 91% to R343mn, which also represents the highest ever level in the group's history and is 41% ahead of the previous high of R242mn. This was effectively achieved in only 11 months of trading, as July 2021 saw most operations closed under COVID regulations. The group generated its first meaningful after-tax profit of R100mn, enabling a maiden dividend of R30mn. As at year-end Goldrush had increased its total number of physical gaming positions to 7 470 (out of a potential 11 000) and has two online betting portals at www.gbets.co.za and www.goldrush.co.za. At the same time the business managed to lower its net debt to R656mn.

### Bingo

During the year Goldrush opened its final Bingo property in Phalaborwa. The focus of the division now shifts to the next phase of organic growth. This entails increasing the number of EBTs from the current 4 270 terminals (of which 2 264 are owned and 2 006 leased), increasing the average revenue per machine and optimising the cost base. This also ends the division's requirement for growth capex. Maintenance capex focuses on improving existing properties, which is being done systematically.

The Bingo division achieved turnover of R847mn for the period, which was still 10% below its pre-pandemic levels, despite the number of EBTs having increased by 10% since then. This is due to the Bingo properties having operated under various levels of curfews up to 31 December 2021, which required portions of the EBT fleet to be switched off and the number of patrons to be restricted. The effects were most severe over busy week-end trading periods and during the summer holiday season. Utilisation of the Bingo properties continues to improve steadily.

Goldrush has the capacity to increase the number of EBTs to 5 000 over the next two years.

Subsequent to year-end, a Bingo license under dispute in the North West province, was confirmed to Goldrush by the courts and brings the total number of Bingo licenses to 36.

# Shareholders' letter

continued

### LPM

The LPM division accelerated the growth in the number of machines over the past year. The team both increased the number of machines and grew the average revenue per machine, leading to revenue of R367mn, 7% ahead of its pre-pandemic levels of R342m. It appears the proximity of this form of entertainment to Goldrush customers, together with smaller, intimate venues led to the improvements.

In December 2021, Goldrush obtained access to an additional route operator licence in the Free State, increasing the total number of potential LPMs to 5 200.

Given the favourable marginal economics of additional LPMs, this division will be the focus area of growth capex over the foreseeable future as the team aims to roll out the full allocation of LPMs.

### Sports Betting

The Retail Sports Betting division closed two stores, opened three and expanded another to a super-store format which provides 59 betting positions. The team now operates 30 stores (27 owned and 3 on behalf of a third party) with a combined 535 betting positions.

Sports Betting revenue grew by 51% to R172mn in the year.

Despite online sports betting being widely available, growing in popularity and offering virtually the same bets as the retail shops, physical retail stores experienced strong growth in revenue, confirming that the format provides a convenient and communal space for customers. The strong recovery in trade led to previously marginal stores turning decisively profitable. Retail Sports Betting is likely to grow organically in the medium term, with the team aiming to open 4 more outlets in the next two years while expanding the gaming positions/terminals of the most profitable stores.

Online Betting, which forms part of the Sports Betting division, grew revenue over the year, particularly during the July-lockdown period. This market remains fiercely competitive as more operators enter the market, offering ever-more sophisticated bets and games. During the year, a second gaming portal was launched under www.goldrush.co.za to complement www.gbets.co.za.

*Selected financial information for the Goldrush Group*

| | **Mar 2022 R'mn** | Mar 2021 R'mn | Mar 2020 R'mn | Mar 2019 R'mn | Mar 2018 R'mn |
|---|---|---|---|---|---|
| Total Revenue | **1 386** | 911 | 1 396 | 1 319 | 1 080 |
| – Bingo Division | **847** | 567 | 943 | 905 | 738 |
| – LPM Division | **367** | 230 | 342 | 319 | 277 |
| – Sports Betting | **172** | 114 | 111 | 96 | 66 |
| Sustainable EBITDAR | **n/a** | n/a | n/a | 350 | 300 |
| Sustainable EBITDA | **n/a** | 331 | 284 | 254 | n/a |
| EBITDA | **343** | 180 | 242 | n/a | n/a |
| Net Debt | **656** | 663 | 614 | 598 | 437 |
| Net Profit after tax | **100** | n/a | n/a | n/a | n/a |

## Valuation

For the first time since RAC's investment in Goldrush, the group has reached a level of maturity that allows us to use EBITDA as the yardstick to calculate the value of the business. (In prior years we used Sustainable EBITDA – which was a way of indicating the profitability of the underlying business during its aggressive growth phase). For the 2021 financial year, sustainable EBITDA of R331mn was calculated by annualising the EBITDA of the second half and removing certain once-off positive accounting entries to compensate for the various levels of disruption.

We take comfort from the fact that the level of profitability that was achieved in 11 months of active trading is ahead of the sustainable level that was estimated for the full year last year.

The valuation multiple of 7 times EBITDA remains unchanged. As a result, the equity value of Goldrush comes to R1,636bn – up 2,3% from last year.

Goldrush enters the new financial year in a healthy position, having declared a maiden dividend, with ample room to grow its existing operations into full maturity, as well as through further organic growth of both physical gaming positions and the online offerings.

## Astoria

Astoria is a Mauritian-domiciled investment company which is listed in South Africa (JSE) and Mauritius (SEM). Astoria owns interests in Outdoor Investment Holdings, Trans Hex, Vehicle Care Group, ISA Carstens, Afrimat and RAC. More information about Astoria can be found at www.astoria.mu.

During April 2021, RAC distributed 90,1% of its shareholding in Astoria to RAC shareholders and retained ownership of 9,9% of Astoria. At the time of the distribution, Astoria's NAV per share was R6,79 and since then has grown by 51% to R10,23 at 31 March 2022. In RAC's NAV, Astoria is carried at its listed price, being R5,40 per share.

Despite Astoria's share price having grown by 32% since the distribution, the share is currently more undervalued than at the time of distribution. As an investment company, RAC's aim is to realise the highest per-share value for RAC shareholders. It therefore does not make sense for RAC to sell these shares at the current market price.

In the best interest of its shareholders, RAC intends to distribute the remaining Astoria shares to its shareholders. The distribution will allow RAC shareholders to exercise their own discretion on the timing of realising the value of their investment in Astoria, if so desired. The distribution is subject to the usual regulatory approvals but is expected to conclude in the next two months.

## RECM Flexible Value Prescient QI Hedge Fund

Five years ago, on 1 May 2017, RAC contributed four of its small and illiquid investments, being unlisted agricultural Co-op KLK Landbou, JSE listed property investment company Putprop, timber producer York Timber Holdings and engineering company ELB Group, towards the seed portfolio of the fund and in exchange received units in the fund.

On 28 February 2022, RAC sold its last holding of units in the fund in a single large transaction. Over the period of the investment, the fund achieved a return which matched that of the JSE All Share (Total Return) Index – a feat which very few funds were able to achieve. It outperformed both RAC's 'contributed portfolio' and the remaining portfolio as well as RAC's cost of funding over that period. This goes to show that a fund with a flexible mandate and timeframe aligned investors can indeed generate good returns for its investors.

For the year to March, the fund gained 26,5%, of which RAC received 21,4% due to the February redemption. The result was driven by strong movements in smaller cap South African-focused companies as well as several energy-related investments and once-off special situations. The credit investments in the fund also contributed meaningfully.

The fund's investment portfolio is managed by the same team that has responsibility for capital allocation at RAC. For those that are interested in the future progress of the fund, regular updates are available at https://recm.co.za/recm-flexible-value-prescient-qi-hedge-fund/. As the fund's name suggest – one needs to be a qualified investor as per the regulations to invest in the fund.

### Flexible financing arrangement

RAC’s bank finance has been renegotiated to reduce its funding cost and provide maximum flexibility for RAC to grow its per-share value.

The maturity date is extended to 31 March 2027 and the dividend rate reduced to 90% of the prime rate. The arrangement explicitly provides RAC with the ability to buy back its own shares and/or to declare dividends.

### The Future

Our aim remains to grow RAC’s NAV per share, and with it RAC’s share price, faster than the JSE.

This is based on a simple strategy. RAC will use all proceeds from its investments – either liquidation proceeds from any investments sold or dividends from Goldrush, to reduce debt, buy back shares, or pay dividends to RAC shareholders (in that order). Goldrush itself has several 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’ 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 27 July 2022 via a Microsoft Teams Webinar.** We also have a few seats available for those shareholders that wish to attend in person. We shall be in the RAC Boardroom, on the 1st Floor of The Barracks, 50 Bree Street, Cape Town.

For those planning on joining us in person – Bree Street is renowned for its great coffee and food establishments. So although you will have to endure our company, at least the refreshments will be top-class.

In order to attend – online or in person – please use this link to register, or alternatively you can also register for the meeting on our website at www.racltd.co.za. Email info@racltd.co.za to request any help.

As always, we will answer all your questions, even if it takes all day. This is the one opportunity in the year that our fellow shareholders have to ask questions of us. 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 a current or prospective interest in RAC.

**Piet Viljoen**
*Executive Director*

**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 2022. 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 which is chaired by Zanele Matlala, an independent Non-Executive Director.

As of 31 March 2022, the Board of RAC comprised five Directors, including one black female Director and one black male Director. The Board has two Executive Directors and three Independent Non-Executive Directors which leads to an appropriate balance of Executive and 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 | 17 June 2021 | 19 October 2021 | 22 February 2022 |
|---|---|---|---|
| Piet Viljoen | – | Present | Present |
| Jan van Niekerk | Present | Present | Present |
| Zanele Matlala | Present | Present | Present |
| Trent Rossini | Present | Present | Present |
| Danny Naidoo | n/a | Present | Present |
| Theunis de Bruyn | Present | Resigned | Resigned |
| Gerhard Swiegers | Present | Resigned | Resigned |

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, Danny Naidoo (Chairperson), Zanele Matlala and Trent Rossini. A detailed report by the Audit and Risk Committee is set out on pages 14 to 17.

## NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises Piet Viljoen and Danny Naidoo. The Committee met once during the period – Piet Viljoen and Gerhard Swiegers, the members at the time of the meeting, were present. The Committee is satisfied that it has discharged its obligations during the period. 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 the Committee does not need to comply with the composition requirements 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. The Board remains satisfied as to the performance, 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 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.

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 prior year RECM streamlined its IT infrastructure without compromising security – physical infrastructure was 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 2022

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 18 to 21.

The annual financial statements set out on pages 22 to 49, which have been prepared on the going concern basis, were approved by the Board of Directors on 23 June 2022 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 22 to 49, 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.

There were no instances in the current financial year that needed to be disclosed to the audit committee and the auditors.

*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*

23 June 2022
Cape Town

# Report of the Audit and Risk Committee

for the year ended 31 March 2022

This report, in respect of the financial year ended 31 March 2022, 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. As at 31 March 2022, the Committee is chaired by Danny Naidoo, who is a Chartered Accountant. Gerhard Swiegers preceded Danny as Chairperson. The Committee 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 | 17 June 2021 | 19 October 2021 | 22 February 2022 |
|---|---|---|---|
| Gerhard Swiegers *(Chairperson)* | Present | Resigned | Resigned |
| Danny Naidoo *(Chairperson)* | n/a | 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 Financial Director, Executive Director, 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 2022 financial year.

The Committee approves the nature and extent of non-audit services that the external auditor may provide the Company. No non-audit services were provided during the current financial year.

# Report of the Audit and Risk Committee

for the year ended 31 March 2022

continued

The Committee has nominated, for election at the annual general meeting, Ernst & Young Inc., as the external audit firm and Ms J Allison as the designated auditor responsible for performing the functions of the auditor, for the 2023 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").

## 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 12 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 a 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 12 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.<br>Effective management of the portfolio resulting in growth of NAV per share and therefore the improved ability of the Company to raise equity and/or debt financing.<br>Stronger focus on dividends from its more mature investments. |
| Valuation of investments | Valuations of investments and the assumptions applied could influence the decisions of users of the financial statements.<br>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.<br>Changes in valuation of underlying investee businesses directly impacts the financial position of the Company. | The shareholders have appointed an appropriately experienced Board of Directors to manage the risks of the valuation of investments.<br>Volatility of valuations of unlisted investments is managed through the application of consistent valuation methodologies.<br>Disclosure of inputs into valuation calculations. |

# Report of the Audit and Risk Committee

for the year ended 31 March 2022

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 Company can invest in direct equity or debt instruments of companies on a global basis across all industries. This enables the Company 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.<br><br>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 Company 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.<br><br>Fines and public censures.<br><br>Reputational risk. | Active monitoring by the corporate sponsors.<br><br>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 2022

continued

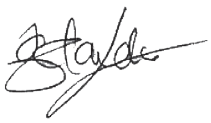
### 10. INTERNAL FINANCIAL AND ACCOUNTING CONTROL

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.



**Danny Naidoo**
*Chairperson of the Audit and Risk Committee*

23 June 2022

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Co. Reg. No. 2005/002308/21

# 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 23 to 49, which comprise of the statement of financial position as at 31 March 2022, 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 2022, 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.

| Key Audit Matter (KAM) | How the matter was addressed in the audit |
|---|---|
| **Fair value estimation of level 3 financial assets carried at fair value** | |
| As at 31 March 2022, the value of the company's investments in unlisted financial assets was R741,432,820 (2021: R1,091,349,712).<br><br>Refer to Note 3 of the financial statements on pages 33 to 38 and the section on fair value estimation in Note 1.1 Significant judgements and sources of estimation uncertainty on page 28. | Our audit included the following procedures, with the assistance from our valuation specialists:<br><br>• We assessed the appropriateness of the valuation methodology against accounting standards and generally accepted industry principles;<br>• We evaluated the judgement applied by management in the application of the selected valuation methodology by performing the |

# 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 colspan="2">Fair value estimation of level 3 financial assets carried at fair value</td></tr>
<tr><td>The company measures financial assets at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The unlisted financial assets are considered to be level 3 financial assets in terms of the fair value hierarchy.<br><br>The unlisted investment held in Goldrush Group (Pty) Ltd ('Goldrush') through RAC Investment Holdings ('RIH') makes up 94.84% of the total investment value (2021:69.05%) in terms of fair value hierarchy.<br><br>Financial assets that are classified as level 3 in the fair value hierarchy will have a significant element of estimation uncertainty inherent in their value, which by their nature are unobservable.<br><br>Management determined the fair value of Goldrush using a price earnings multiple which is then applied to the sustainable earnings of Goldrush (actual achieved EBITDA). This valuation technique requires significant management judgement regarding the estimation and assumptions of inputs used in this valuation technique.<br><br>In determining the applicable multiple, management applied judgement to assumptions such as peer group comparable, multiple adjustments and marketability discounts as well as the relative future growth prospects of the Goldrush Group.<br><br>We considered this to be a key audit matter due to the significance of the value of the Goldrush investment, the extent of our procedures performed over this individual investment, the necessary use of specialists, the complexity of inputs and assumptions into the valuation, and the sensitivity of this financial asset to these primary inputs and assumptions.</td><td>following in respect of the price earnings multiple used:<br>- We evaluated the peer group applied by management by considering the size, industry, geography, accounting policies and capital structure of Goldrush against the entities in the peer group;<br>- 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) applied by management.<br>• We recalculated the mathematical accuracy of the valuation model used and compared the recalculated fair value to the valuation determined by management; and<br>• 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>

*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the 53-page document titled "RECM and Calibre Integrated Annual Report 2022", which includes the Directors' report, the Report of the Audit and Risk Committee and the Certificate by Company Secretary as required by the Companies Act of South Africa, 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 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.

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 9 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

23 June 2022

# Directors' report

for the year ended 31 March 2022

The Directors submit their report for the year ended 31 March 2022.

## 1. REVIEW OF ACTIVITIES

### Main business and operations

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

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

Net loss of the Company was R3 042 287 (2021: income of R51 402 260), after taxation of R3 048 (2021: R7 085).

## 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 2022 are:

| | Ordinary shares | | | | Preference shares | | | |
|---|---|---|---|---|---|---|---|---|
| | **2022 Number** | **2022 %** | 2021 Number | 2021 % | **2022 Number** | **2022 %** | 2021 Number | 2021 % |
| Piet Viljoen | **2 500 001** | **66,67** | 2 500 001 | 66,67 | **1 914 252** | **4,04** | 2 684 750 | 5,66 |
| Jan van Niekerk | **1 249 999** | **33,33** | 1 249 999 | 33,33 | **166 600** | **0,35** | 672 410 | 1,42 |
| Trent Rossini | **–** | **–** | – | – | **1 500 000** | **3,20** | 1 500 000 | 3,20 |
| **Total** | **3 750 000** | **100,00** | 3 750 000 | 100,00 | **3 580 852** | **7,55** | 4 857 160 | 10,25 |

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

## 5. DIRECTORS' INTEREST IN CONTRACTS

Piet Viljoen and Jan van Niekerk are Directors of Regarding Capital Management (Pty) Ltd and 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 appointed RECM to administer its affairs and to manage its investment portfolio – as at year-end Regarding Capital Management (Pty) Ltd is the sole investment manager. Piet Viljoen 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 Memorandum of Incorporation during the year under review.

# Statement of financial position

at 31 March 2022

| | Notes | 2022<br>R | 2021<br>R |
|---|---|---|---|
| **ASSETS** | | | |
| **Non–current assets** | | **741 432 820** | 1 091 349 712 |
| Investments | 3 | **741 432 820** | 1 091 349 712 |
| **Current assets** | | **367 129** | 787 057 |
| Investments | 3 | **342 989** | 736 642 |
| Trade and other receivables | | **–** | 41 511 |
| Cash and cash equivalents | 5 | **24 140** | 8 904 |
| **Total assets** | | **741 799 949** | 1 092 136 769 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | **740 896 086** | 1 091 246 873 |
| Share capital – ordinary shareholders | 6 | **18 206 250** | 18 206 250 |
| Share capital – preference shareholders | 6 | **506 296 000** | 506 296 000 |
| Retained income | | **216 393 836** | 566 744 623 |
| **Liabilities** | | | |
| **Current liabilities** | | **903 863** | 889 896 |
| Trade and other payables | 8 | **899 625** | 886 004 |
| Current tax payable | | **4 238** | 3 892 |
| **Total equity and liabilities** | | **741 799 949** | 1 092 136 769 |
| **Net asset value** | | | |
| Net asset value attributable to ordinary shareholders | 7 | **54 317 895** | 80 003 436 |
| Net asset value attributable to preference shareholders | 7 | **686 578 191** | 1 011 243 437 |
| Net asset value per ordinary share (cents) | 7 | **1 448** | 2 133 |
| Net asset value per preference share (cents) | 7 | **1 448** | 2 133 |

# Statement of comprehensive income

for the year ended 31 March 2022

| | Notes | **2022**<br>**R** | 2021<br>R |
|---|---|---|---|
| **Income** | 10 | **1 511 847** | 1 526 347 |
| Operating expenses | | **(1 942 694)** | (1 526 090) |
| **Operating (loss)/profit** | | **(430 847)** | 257 |
| Fair value (loss)/gain on subsidiary | 12 | **(2 608 392)** | 51 409 088 |
| **(Loss)/profit before taxation** | | **(3 039 239)** | 51 409 345 |
| Taxation | 11 | **(3 048)** | (7 085) |
| **(Loss)/profit for the year** | | **(3 042 287)** | 51 402 260 |
| Other comprehensive (loss)/income for the year net of taxation | | **–** | – |
| **Total comprehensive (loss)/income** | | **(3 042 287)** | 51 402 260 |
| **(Loss)/earnings per share** | | | |
| *Per share information (ordinary and preference)* | | | |
| Basic and diluted (loss)/earnings per share (cents) | 13 | **(6)** | 100 |

# Statement of changes in equity

for the year ended 31 March 2022

| | Ordinary share capital R | Preference share capital R | Retained income R | Total shareholders' equity R |
|---|---|---|---|---|
| **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** |
| Total comprehensive loss | **–** | **–** | **(3 042 287)** | **(3 042 287)** |
| Distribution in specie | **–** | **–** | **(347 308 500)** | **(347 308 500)** |
| **Balance at 31 March 2022** | **18 206 250** | **506 296 000** | **216 393 836** | **740 896 086** |
| Notes | 6 | 6 | | |

# Statement of cash flows

for the year ended 31 March 2022

| | Notes | 2022<br>R | 2021<br>R |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash utilised in operations | 14 | **(1 887 562)** | (1 608 259) |
| Interest received | | **500** | 28 |
| Dividends received | | **1 500 000** | 1 500 000 |
| Tax paid | 15 | **(2 702)** | (4 213) |
| **Net cash outflow from operating activities** | | **(389 764)** | (112 444) |
| **Cash flows from investing activities** | | | |
| Sale of investments | | **985 000** | 1 080 000 |
| Purchase of investments | | **(580 000)** | (980 000) |
| **Net cash inflow from investing activities** | | **405 000** | 100 000 |
| **Net movement in cash and cash equivalents** | | **15 236** | (12 444) |
| **Cash and cash equivalents at the beginning of the year** | | **8 904** | 21 348 |
| **Cash and cash equivalents at the end of the year** | 5 | **24 140** | 8 904 |

# Notes to the annual financial statements

for the year ended 31 March 2022

## GROUP STRUCTURE

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

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

Given that the majority of investments are held through RIH, RAC has provided the fair value disclosure in two parts in note 3. Notes 3.1 and 3.3 disclose the investment in RIH as required by IFRS and notes 3.2 and 3.4 provide additional disclosures that the Directors deem useful by looking through RIH and RIH's wholly owned subsidiary Astoria Investments Ltd (in the prior year) 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. 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 is 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

No material new and revised IFRS statements, interpretations and amendments applicable to the Company were adopted during the current financial year.

### 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:<br>• What is meant by a right to defer settlement.<br>• That a right to defer must exist at the end of the reporting period.<br>• That classification is unaffected by the likelihood that an entity will exercise its deferral right.<br>• 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.<br>The changes are not expected to have a significant impact on the Company. |

| | | 2022<br>R | 2021<br>R |
|---|---|---|---|
| **3.** | **INVESTMENTS** | | |
| | **Fair value hierarchy of financial assets** | | |
| | ***Level 2*** | | |
| | Class 4 – Money market fund – designated at FVTPL | **342 989** | 736 642 |
| | | **342 989** | 736 642 |
| | ***Level 3*** | | |
| | Class 5 – Unlisted shares – Unquoted – mandatorily at FVTPL | **741 432 820** | 1 091 349 712 |
| | | **741 432 820** | 1 091 349 712 |
| | **Total financial assets at fair value** | **741 775 809** | 1 092 086 354 |
| | Total assets at fair value through profit or loss | **741 775 809** | 1 092 086 354 |
| | Non-current assets – fair value through profit or loss | **741 432 820** | 1 091 349 712 |
| | Current assets – fair value through profit or loss | **342 989** | 736 642 |
| | **Total investments** | **741 775 809** | 1 092 086 354 |
| | Management classifies money market fund as current and other investments as non-current. | | |
| | **Level 3 reconciliation** | | |
| | Opening balance | **1 091 349 712** | 1 039 940 624 |
| | Distribution in specie | **(347 308 500)** | – |
| | (Loss)/gain on investments recognised in profit or loss | **(2 608 392)** | 51 409 088 |
| | **Closing balance** | **741 432 820** | 1 091 349 712 |

## 3. INVESTMENTS continued

**Level 1**

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

**Level 2**

Class 3 financial assets are valued based on the price of the underlying assets.

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

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

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

**Level 3**

Class 5 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 subsidiary, RIH (and Astoria Investments Ltd ("Astoria") in the prior year) 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 2022

continued

## 3. INVESTMENTS continued

| | 2022<br>R | 2021<br>R |
|---|---|---|
| **Fair value hierarchy of financial assets held by RAC Investment Holdings (Pty) Ltd (and Astoria Investments Ltd prior year)** | | |
| ***Level 1*** | | |
| Class 1 – Listed shares – Quoted | **42 636 959** | 5 657 749 |
| | **42 636 959** | 5 657 749 |
| ***Level 2*** | | |
| Class 3 – Hedge fund | **–** | 43 944 971 |
| Class 3 – Equity swaps | **–** | 50 400 002 |
| Class 4 – Money market fund | **9 600 368** | 457 223 |
| | **9 600 368** | 94 802 196 |
| ***Level 3*** | | |
| Class 5 – Unlisted shares – Unquoted – fair value through profit or loss | **961 217 113** | 1 260 936 388 |
| | **961 217 113** | 1 260 936 388 |
| **Total financial assets at fair value** | **1 013 454 440** | 1 361 396 333 |
| Non-current assets | **1 003 854 072** | 1 311 336 390 |
| Current assets | **9 600 368** | 50 059 943 |
| **Total investments** | **1 013 454 440** | 1 361 396 333 |
| ***Summary of Net Asset Value of RIH (and Astoria prior year)*** | | |
| Total investments from above | **1 013 454 440** | 1 361 396 333 |
| Loans and receivables | **20 806 320** | 6 830 608 |
| Cash and cash equivalents | **7 303 308** | 25 181 434 |
| Deferred tax | **(48 229 928)** | (46 481 477) |
| Loans and payables | **(1 901 320)** | (5 565 827) |
| Preference shares | **(250 000 000)** | (250 011 359) |
| **Net Asset Value of RIH and Astoria** | **741 432 820** | 1 091 349 712 |

# Notes to the annual financial statements

for the year ended 31 March 2022
continued

## 3. INVESTMENTS continued

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

**31 March 2022**

| | Valuation technique | Fair value Rm | Significant unobservable inputs | Range | Sensitivity |
|---|---|---|---|---|---|
| **RAC Investment Holdings ("RIH")** | NAV | 741,4 | Earnings and multiple of the underlying investments (refer to breakdown below) | N/A | A change in the valuation techniques as documented below would result in a change in fair value of approximately R201,7m. |

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

| | | | | | |
|---|---|---|---|---|---|
| **Goldrush Group ("Goldrush")** | Multiple | 961,2 | EBITDA | 7 | An increase or decrease in the EBITDA multiple by 1 would result in a change in fair value of approximately R201,7m. |
| **IASeminars SA** | Multiple | – | NAV | N/A | The business is currently recovering from the severe impact that COVID-19 had on its operations and is still being valued at Rnil and therefore no sensitivity has been calculated. |
| **Other level 3 investments** | | **–** | | | |
| **Total** | | **961,2** | | | |

# Notes to the annual financial statements

for the year ended 31 March 2022

continued

## 3. INVESTMENTS continued

### 3.3 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. |

### 3.4 The below table shows the sensitivities per underlying investment held by RIH 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-19 and therefore has been valued at Rnil and no sensitivity is calculated. |
| **Other level 3 investments** | | **–** | | | |
| **Total** | | **1 260,9** | | | |

## 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 trading was impacted by COVID-19 and corresponding lockdowns far less than in the prior year. This is the best indication of the company's ongoing earnings and therefore the valuation of Goldrush is based on actual achieved EBITDA (earnings before interest, tax, depreciation and amortisation) for the year.

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.

The chosen EBITDA multiple of 7 times is retained taking into account that Goldrush is unlisted and is still in a growth phase. The multiple remains:

- lower than the 25-year average EBITDA multiples of comparable listed South African gaming operators, which range between 7.1 and 8.3;
- 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 All Share Index as a whole.

# Notes to the annual financial statements

for the year ended 31 March 2022

continued

## 4. FINANCIAL ASSETS BY CATEGORY

The categorisation of financial assets is as follows:

| | Amortised cost R | Financial assets at fair value through profit or loss R | Total R |
|---|---|---|---|
| **2022** | | | |
| Cash and cash equivalents | **24 140** | **–** | **24 140** |
| Investments | **–** | **741 775 809** | **741 775 809** |
| | **24 140** | **741 775 809** | **741 799 949** |
| 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 |

| | **2022 R** | 2021 R |
|---|---|---|
| **5. CASH AND CASH EQUIVALENTS** | | |
| Cash and cash equivalents consist of: | | |
| Bank balances | **24 140** | 8 904 |
| **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) | **24 140** | 8 904 |

| | | 2022<br>R | 2021<br>R |
|---|---|---|---|
| **6.** | **SHARE CAPITAL** | | |
| | **Authorised** | | |
| | 5 000 000 ordinary voting 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 (2021: 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 (2021:47 400 000) non-cumulative redeemable participating preference shares | **506 296 000** | 506 296 000 |

The economic interests of the ordinary and non-cumulative redeemable participating preference shares are exactly the same, although only the ordinary shares have voting power.

| | | 2022<br>R | 2021<br>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 | **54 317 895** | 80 003 436 |
| | Net asset value attributable to preference shareholders | **686 578 191** | 1 011 243 437 |
| | Net asset value per ordinary share (cents) | **1 448** | 2 133 |
| | Net asset value per preference share (cents) | **1 448** | 2 133 |
| **8.** | **TRADE AND OTHER PAYABLES** | | |
| | Audit fee payable | **314 026** | 255 001 |
| | Trade payables | **103** | 1 013 |
| | Directors' fees payable (refer to note 17) | **585 496** | 629 990 |
| | | **899 625** | 886 004 |

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

## 9. FINANCIAL LIABILITIES BY CATEGORY

| | Financial liabilities at amortised cost<br>R | Total<br>R |
|---|---|---|
| **2022** | | |
| Trade and other payables | **899 625** | **899 625** |
| | **899 625** | **899 625** |
| 2021 | | |
| Trade and other payables | 886 004 | 886 004 |
| | 886 004 | 886 004 |

# Notes to the annual financial statements

for the year ended 31 March 2022

continued

| | | 2022<br>R | 2021<br>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 * | **500** | 28 |
| | Money market fund | **11 347** | 26 319 |
| | Total interest income | **11 847** | 26 347 |
| | Total income | **1 511 847** | 1 526 347 |
| | * *This interest is recognised using the effective interest rate method.* | | |
| **11.** | **TAXATION** | | |
| | Major components of the tax expense | | |
| | **Current** | | |
| | Income tax – current period | **3 048** | 7 085 |
| | **Deferred** | | |
| | Current period | **–** | – |
| | | **3 048** | 7 085 |
| | **Reconciliation of the tax expense** | | |
| | **Reconciliation between accounting profit and tax expense** | | |
| | Accounting (loss)/profit | **(3 039 239)** | 51 409 345 |
| | Tax at the applicable tax rate of 28% (2021: 28%) | **(850 987)** | 14 394 617 |
| | **Tax effect of adjustments on taxable income** | | |
| | Non-taxable income | **(420 000)** | (420 000) |
| | Non-taxable fair value adjustments | **730 350** | (14 394 545) |
| | Non-tax deductible expenses | **543 669** | 427 013 |
| | | **3 032** | 7 085 |

| | | Gross R | Tax R | Net R |
|---|---|---|---|---|
| **12.** | **FAIR VALUE GAIN/(LOSS) ON SUBSIDIARY** | | | |
| | **2022** | | | |
| | Loss arising during the year: | | | |
| | Unlisted shares – subsidiary | **(2 608 392)** | **–** | **(2 608 392)** |
| | | **(2 608 392)** | **–** | **(2 608 392)** |
| | 2021 | | | |
| | Gains arising during the year: | | | |
| | Unlisted shares – subsidiary | 51 409 088 | – | 51 409 088 |
| | | 51 409 088 | – | 51 409 088 |

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 R200 100 274 (2021: R202 708 666). 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 2022

continued

| | | 2022 | 2021 |
|---|---|---|---|
| **13.** | **(LOSS)/EARNINGS AND HEADLINE (LOSS)/EARNINGS PER SHARE** | | |
| | (Loss)/earnings and headline (loss)/earnings per shares are based on the (loss)/profit attributable to ordinary and preference shareholders in issue during the year. | | |
| | **Number of shares in issue at year-end** | | |
| | Ordinary shares | **3 750 000** | 3 750 000 |
| | Preference shares | **47 400 000** | 47 400 000 |
| | **Reconciliation of issued shares to weighted average number of shares** | | |
| | Ordinary shares (opening and closing balance) | **3 750 000** | 3 750 000 |
| | Preference shares (opening and closing balance) | **47 400 000** | 47 400 000 |
| | **Total weighted average number of shares** | **51 150 000** | 51 150 000 |
| | **Earnings** | | |
| | Net (loss)/profit after tax | **(3 042 287)** | 51 402 260 |
| | **Headline (loss)/earnings** | **(3 042 287)** | 51 402 260 |
| | Basic and diluted (loss)/earnings per ordinary and preference shares (cents) | **(6)** | 100 |
| | Basic and diluted headline (loss)/earnings per ordinary and preference shares (cents) | **(6)** | 100 |
| **14.** | **CASH UTILISED IN OPERATIONS** | | |
| | (Loss)/profit before taxation | **(3 039 239)** | 51 409 345 |
| | **Adjustments for:** | | |
| | Dividends income | **(1 500 000)** | (1 500 000) |
| | Interest income | **(11 847)** | (26 347) |
| | Unrealised (gain)/loss on investments | **2 608 392** | (51 409 088) |
| | **Changes in working capital:** | | |
| | Trade and other receivables | **41 511** | (41 511) |
| | Trade and other payables | **13 621** | (40 658) |
| | | **(1 887 562)** | (1 608 259) |
| **15.** | **TAX PAID** | | |
| | Balance at the beginning of the year | **(3 892)** | (1 020) |
| | Current tax for the year recognised in profit or loss | **(3 048)** | (7 085) |
| | Balance at the end of the year | **4 238** | 3 892 |
| | | **(2 702)** | (4 213) |

## 16. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

**Subsidiary**

As at year-end, RAC has a single equity investment being a 100% (2021: 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, please refer to note 3.

### RIH holds the following investments as at 31 March 2022

**Subsidiaries**

As at year-end, RIH has a 58,8% (2021: 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% (2021: 58,8%) of the voting rights as at year-end and Goldrush is therefore considered to be a subsidiary.

As at the prior year-end, RIH had a 100% 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 controlled 100% of the voting rights in Astoria it was considered to be a subsidiary as at 31 March 2021. During the current financial year, RIH bought back 430 of its issued shares from RAC and settled the buy back through the distribution of 51 150 000 Astoria shares to RAC. RAC distributed these shares to its shareholders on a one for one basis in April 2021. As at 31 March 2022, RIH owns 9,9% of the issued shares of Astoria and Astoria is therefore no longer considered to be a subsidiary.

### As at 31 March 2021, Astoria held the following investments

**Subsidiaries**

- CNA Holdings (Pty) Ltd
- JB Private Equity Investors Partnership
- Astoria Treasury and Management (Pty) Ltd

**Associates**

- Outdoor Investment Holdings (Pty) Ltd
- ISA Carstens (Pty) Ltd
- Vehicle Care Group (Pty) Ltd
- Trans Hex Group (Pty) Ltd

For additional information on the investments held by Astoria Investments Ltd, as at 31 December 2021 (Astoria`s latest financial year-end), please refer to their website: www.astoria.mu.

## 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<br>Goldrush Group (Pty) Ltd |
| *Members of key management* | JC Van Niekerk; PG Viljoen |
| *Common directorships* | Regarding Capital Management (Pty) Ltd (Investment Manager)<br>RAC Advisory (Pty) Ltd (Investment Manager up until 30 November 2021)<br>Counterpoint Asset Management (Pty) Ltd ("CPAM") |

Messrs PG Viljoen and JC Van Niekerk 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. Non-Executive Directors' fees are disclosed in note 18.

| | **2022 R** | 2021 R |
|---|---|---|
| **Related party transactions** | | |
| *Income received from related parties* | | |
| RAC Investment Holdings (Pty) Ltd – dividend | **1 500 000** | 1 500 000 |
| CPAM (prior year: RECM) Money Market Fund – interest | **11 347** | 26 319 |
| **Related party balances** | | |
| Directors fees payable | **585 496** | 629 990 |
| Investment in CPAM Money Market Fund | **342 989** | 736 642 |

**RAC Directors with material interests in contracts entered into by RAC or RIH**

Mr PG Viljoen is a Director of Regarding Capital Management (Pty) Ltd, RAC, RIH and Astoria. Mr JC Van Niekerk is a Director of RAC, RIH, RAC Advisory (Pty) Ltd and Astoria.

## 18. DIRECTORS' EMOLUMENTS

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

| | **2022 R** | 2021 R |
|---|---|---|
| Gerhard Swiegers | **100 811** | 290 800 |
| Danny Naidoo | **201 621** | – |
| Trent Rossini | **164 840** | 158 500 |
| Zanele Matlala | **164 840** | 158 500 |

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

# Notes to the annual financial statements

for the year ended 31 March 2022

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, the following Risk Management disclosures have where relevant also been completed looking through RIH 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% (2021: 10%) in the market price would have an estimated R4,3m (2021: R0,6m) 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% (2021: 10%) change in the fair value of RIH would have a profit or loss impact of R74,1m (2021: R109m).

***Interest rate risk***

As the Company, through its investment in RIH, 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 2022 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 (2021: R0,1m) 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 (2021: R2,5m) 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 2022** | | |
| Trade and other payables | **899 625** | **–** |
| At 31 March 2021 | | |
| Trade and other payables | 886 004 | – |

The maturity groupings for RIH are as follows:

| **RIH and Astoria (31 March 2021)** | Less than 1 year R | 1 to 2 years R | 2 to 5 years R | More than 5 years R | Total R |
|---|---|---|---|---|---|
| **At 31 March 2022** | | | | | |
| Loans and payables | **19 894 427** | **268 939 703** | **–** | **–** | **288 834 130** |
| At 31 March 2021 | | | | | |
| Loans and payables | 22 285 215 | 17 757 162 | 267 658 463 | – | 307 700 840 |

**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. This would include loans and receivables from RIH to underlying investees of R63,7m (2021: R54,8m). 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 (2021: 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 R32,1m (2021: R19,7m) against the loan receivable amount of R63,7m 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 2022.

## 20. GUARANTEE, CESSION AND PLEDGE

As at year-end RIH has issued 250 (2021: 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 the 31 March 2024. After year-end, the preference dividend rate was reduced to 90% of prime and the term of funding was extended with minimum capital payments being R50m on 31 March 2025, R50m on 31 March 2026 and R150m on 31 March 2027. Any additional capital payments made prior to these dates, will reduce the next required capital payment accordingly.

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 R19m (2021: R17,8m) within 1 year, R268,9m (2021: R35,5m) within 2 years and Rnil (2021: R267,7m) within 5 years. For updated repayment terms agreed subsequent to year-end, please refer to the first paragraph of this note.
- RIH pledged its shares held in Goldrush, which have a carrying amount of R961,2m as at 31 March 2022 to Absa.
- RIH pledged its shares held in Astoria which have a carrying amount of R30,3m as at 31 March 2022 to Absa.

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

At year-end, both the value of RAC's pledged shares in RIH as well as RIH's pledged shares in Goldrush 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 declared dividends totalling R1,5m to RAC.
- The terms of the preference shares issued by RIH to Absa were updated, the details of which are disclosed in note 20.

## 23. NON-CASH TRANSACTIONS

RAC earned interest income totalling R11 347 (2021: R26 319) on its investment in the CPAM Money Market Fund. This interest was re-invested directly into the CPAM Money Market Fund and therefore is not included in the statement of cash flows.

RIH distributed 51 150 000 Astoria Shares with a carrying value of R347,3m to RAC in settlement of a share buy back that it implemented during the current financial year. Refer to note 16 for additional information.

RAC distributed 51 150 000 Astoria Shares with a carrying value of R347,3m to its shareholders on a 1 for 1 basis as a distribution in specie. Refer to note 16 for additional information.

# Shareholder information

as at 31 March 2022

As at 31 March 2022, three million seven hundred and fifty thousand (3 750 000) ordinary shares were in issue. The beneficial interests as at 31 March 2022 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:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| **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** | | | | |
| Astoria Investments Ltd | **7 255 398** | **15,3** | – | – |
| Theunis de Bruyn | **2 898 400** | **6,1** | 2 898 400 | 6,1 |
| Rozendal Flexible Prescient QI Hedge Fund | **2 694 186** | **5,7** | 2 694 186 | 5,7 |
| Steyn Capital SNN QI Hedge Fund | **1 803 134** | **3,8** | 1 803 134 | 3,8 |
| TNT Trust (T Rossini) | **1 500 000** | **3,2** | 1 500 000 | 3,2 |

| **Public shareholders analysis** | **2022** | | 2021 | |
|---|---|---|---|---|
| **Security holders analysis** | **Number** | **%** | Number | % |
| **Ordinary shares** | | | | |
| Non-public | **4** | **100,0** | 4 | 100,0 |
| **Preference shares** | | | | |
| Public | **771** | **98,1** | 761 | 97,1 |
| Non-public | **15** | **1,9** | 23 | 2,9 |

# Invitation to Preference Shareholders' meeting with Executive Directors

RECM AND CALIBRE

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

This year the meeting of RAC preference shareholders with Executive Directors will be held at 11:00 on Wednesday, 27 July 2022 via a Microsoft Teams Webinar. You don't need to be a shareholder to attend.

In order to attend, please register on the RAC website: www.racltd.co.za. You don't have to have Microsoft Teams installed on your computer. You will have an option to join in your web browser.

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**

Z Matlala *(Independent Non-Executive Director, Chairperson)*

T Rossini *(Independent Non-Executive Director)*

S Naidoo *(Independent Non-Executive Director)*

JC van Niekerk *(Executive Financial Director)*

PG Viljoen *(Executive Director)*

**COMPANY SECRETARY**

G Simpson

**FINANCIAL STATEMENTS INTERNALLY COMPILED BY**

D Schweizer – Chartered Accountant (S.A.)

**REGISTERED OFFICE AND BUSINESS ADDRESS**

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50 Bree Street
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**AUDITORS**

Ernst & Young Inc.
3rd floor, Waterway House
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**

Cliffe Dekker Hofmeyr
11 Buitengracht Street
Cape Town 8001
South Africa

(PO Box 695, Cape Town, 8000)

**FINANCIAL SERVICES PROVIDERS**

Regarding Capital Management (Pty) Ltd
1st Floor, The Barracks
50 Bree Street
Cape Town
8001

(PO Box 44, Greenpoint, 8001)

GRAPHICULTURE