

# **RAC**

**RECM AND CALIBRE**

**RECM AND CALIBRE LIMITED**

Incorporated in the Republic of South Africa

(Registration number 2009/012403/06)

Preference share code: RACP

ISIN: ZAE000145041

("RAC" or "the Company")

**UNAUDITED UNREVIEWED CONDENSED INTERIM  
FINANCIAL RESULTS**

**for the six months ended  
30 September 2016**

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# Commentary

During the period under review, RAC's NAV per share (ordinary and preference) increased by 14% to R22,42. This compares to a gain of 1% for the All Share index for the same period.

As at 30 September 2016, the make-up of our NAV on a look-through basis consists of:

|  | %<br>ownership | Cost<br>Rm   | Directors'<br>fair value<br>30 September<br>2016<br>Rm | Directors'<br>fair value<br>31 March<br>2016<br>Rm |
|--|----------------|--------------|--|--|
| <b>Gaming</b>  |                | <b>431,7</b> | <b>740,6</b>   | <b>446,8</b>                                       |
| Goldrush #   | 55,2           | 431,7        | 740,6  | 446,8  |
| <b>Mining and Engineering</b>                              |                | <b>231,3</b> | <b>289,0</b>   | <b>281,1</b>                                       |
| West Coast Resources                                       | 27,2           | 39,1         | 108,9  | 112,4  |
| Trans Hex  | 25,0           | 94,2         | 100,2  | 94,6   |
| JB Private Equity Investors Partnership                    | 90,0           | 69,6         | 64,7   | 60,9   |
| ELB Group  | 2,5            | 28,4         | 15,2   | 13,2   |
| <b>Retail</b>  |                | <b>72,5</b>  | <b>209,7</b>   | <b>224,6</b>                                       |
| Fledge Holdings  | 50,0           | 30,5         | 148,9  | 167,7  |
| Safari and Outdoor   | 28,3           | 42,0         | 60,8   | 56,9   |
| <b>Food and Beverage</b>                                   |                | <b>49,5</b>  | <b>72,4</b>  | <b>86,2</b>  |
| Sovereign Food   | 2,7            | 11,4         | 17,9   | 57,5   |
| KWV  | 5,1            | 32,3         | 42,1   | 19,3   |
| KLK Landbou  | 6,0            | 5,8          | 12,4   | 9,4  |
| <b>Other investments</b>                                   |                | <b>64,0</b>  | <b>106,4</b>   | <b>93,2</b>  |
| Conduit Capital  | 7,0            | 20,9         | 44,6   | 44,6   |
| Excellerate Holdings                                       | 5,5            | 14,7         | 33,4   | 26,3   |
| College SA   | 84,7           | 28,4         | 28,4   | 22,3   |
| <b>Non-core investments</b>                                |                | <b>35,3</b>  | <b>27,9</b>  | <b>22,3</b>  |
| <b>Cash and receivables</b>                                |                |              | <b>99,0</b>  | <b>3,3</b>   |
| <b>Liabilities (payables and contingent consideration)</b> |                |              | <b>(143,4)</b>   | <b>(47,9)</b>                                      |
| <b>Capital Gains Tax – deferred taxation</b>               |                |              | <b>(80,8)</b>  | <b>(76,5)</b>                                      |
| <b>Preference shares issued to ABSA</b>                    |                |              | <b>(150,6)</b>   | <b>(50,0)</b>                                      |
| <b>Net asset value</b>                                     |                |              | <b>1 170,2</b>   | <b>983,1</b>                                       |
| <b>Total shares (preference and ordinary) (“million”)*</b> |                |              | <b>52,2</b>  | <b>50,0</b>  |
| <b>NAV per share (“R”)</b>                                 |                |              | <b>22,42</b>   | <b>19,66</b>                                       |

# The 55,2% ownership is made up of a 52,2% direct holding and 3% indirect holding through a management and staff funding structure which is not controlled by RAC.

\* The total number of shares used to calculate the NAV per share includes the shares issued on 21 October 2016. Please refer to notes 6 and 11 for further information.

# Commentary

continued

## INCREASE IN NAV

The NAV per share growth of 14% for the 6 months equates to an increase of R187,1m. The composition of the increase on a look-through basis is as follows:

|  | <b>Unaudited<br/>six months<br/>ended<br/>30 September<br/>2016<br/>R</b> | Unaudited<br>six months<br>ended<br>30 September<br>2015<br>R |
|--|---|---|
| Interest and dividends                         | <b>4 984 797</b>  | 11 022 642  |
| Realised profits on sale of assets             | <b>4 314 384</b>  | 990 175   |
| Adjustments to fair value of assets net of tax | <b>144 879 152</b>  | 60 930 419  |
| Less: Financing expenses                       | <b>(7 857 640)</b>  | –   |
| Less: Operating expenses                       | <b>(10 180 135)</b>   | (7 058 377)   |
| Total comprehensive income                     | <b>136 140 558</b>  | 65 884 859  |
| Other equity reserve                           | <b>50 996 000</b>   | –   |
| Net increase in NAV                            | <b>187 136 558</b>  | 65 884 859  |

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

Where we have held the investment for longer than 12 months, we tend to value the investment towards the lower end of our fair value range.

We explicitly take account of the impact of capital gains tax, where applicable. We properly account for, and disclose this very real reduction in net realisable value in our intrinsic value calculation.

Investors should also take our fee structure into account when considering RAC's intrinsic value. RAC pays 1,14% (including VAT) p.a. of the portfolio value for investment management services. There are many views in the marketplace as to the capital value of such a contractual payment. We suggest you deduct your opinion of this value from our stated intrinsic value.

## GAMING

Revenue growth at **Goldrush** continues unabated. Year-on-year growth in underlying profit exceeded 20% and was driven mainly by strong growth in existing stores in the Bingo segment, with new stores also starting to contribute more meaningfully in the period. During the period, Goldrush was awarded a further 4 Bingo licenses in Northwest, Mpumalanga and Limpopo, bringing to 35 the total number of licenses in the group, post the Boss Gaming Transaction.

The Limited Pay-out Machine ("LPM") division had a slow period as regulatory complications held back the roll-out of more machines. Of the 4 800 LPM machines licensed to the group, about 1 100 have been rolled out.

The Sports Betting segment opened two physical stores in the period to complement the online sports betting business, [www.gbets.co.za](http://www.gbets.co.za), and our existing retail business. The Group now operates 18 sports betting outlets, of which a further 2 were rolled out in this period and a further 6 are under construction for opening in the second half of the year. The initial sports betting stores confirmed the investment thesis and the group is increasing the pace of roll-out in this area. The group has a total of 36 licenses for physical sports betting stores in addition to the online license.

Both the Crazy Slots and Boss Gaming transactions have been approved by the Competition Commission and now only remain subject to final regulatory approvals, which at this stage have become a matter of administration. We expect the approval process to be completed in the near future.

# Commentary

continued

As reported in our year-end results, RAC had entered into a transaction with the founders of Goldrush (the Hipkin family) to acquire control of Goldrush. The transaction became effective on 25 July 2016. As at 30 September, the transaction was partially implemented. The portion of the payment that is settled through the issue of 2 200 000 RAC Participating Preference Shares was done on 21 October 2016.

The valuation for Goldrush does not include earnings from either Crazy Slots or Boss Gaming as these will be included only once the transactions have become unconditional.

As the Group is able to re-invest cash flows from operations at exceptional rates of return, Goldrush at this stage continues to invest aggressively in expanding its business through acquiring new licenses, opening new stores and optimising existing stores.

## MINING AND ENGINEERING

**Trans Hex (TSX)** returned to profitability in the period, generating net profits of R32,5m for the 6 months. Both the Lower Orange River and Angolan operations contributed to this profit, while **West Coast Resources (WCR)** made a further small loss. Over the past 6 months TSX's NAV per share increased by 34 cents per share to R5,40 per share.

Results from WCR continue to be below our initial expectations, but it is still early days. Alluvial diamond mining generates lumpy income streams, and WCR is no different. We maintain our view that the project will deliver good cash flows over time. To reflect the current operating environment, we have reduced the valuation of this investment by a small amount.

Trans Hex published their interim results in early November. Please refer to these for more detail.

RAC, in concert with entities aligned to Dr Christo Wiese, have made an offer to buy out the minorities of TSX, at a price of R3,94 per share. Subsequent to the offer, it is possible that we will delist the company from the stock exchange. As we have stated in the past, we prefer to invest in private companies, where management can get on with the job of running the business, and not be influenced by market noise. This is especially true for a business with lumpy earnings such as alluvial diamond mining.

The **JB Private Equity Investors Partnership** (of which RAC owns 90%) owns 36,2% of Sentula as its only asset. Sentula remains on track to complete an aggressive restructuring exercise, which has included closing, merging, recapitalising and expanding affected businesses in its portfolio. Market conditions remain difficult but management is confident that the turnaround is progressing according to plan.

For the year ended June 2016, the **ELB Group** generated a loss of R148m. This was as a result of low growth, delayed and cancelled contracts and a litigious operating environment. Fortunately, the business has managed its financial affairs conservatively over the years, and is thus able to withstand current adversity. As the cycle eventually turns for the better, the group will be a beneficiary. It has budgeted for a return to profitability in the current financial year. Over the past 6 months, the market price has stabilised at a significant discount to its own NAV. RAC has increased its holding in the group during the period under review.

## RETAIL

**Outdoor Investment Holdings (OIH)** wholly owns the retailer Safari & Outdoor, as well as the wholesalers Formalito and Inyathi. OIH has had a stable year in an otherwise challenged industry. In line with its ambitious growth strategy, OIH acquired Formalito for cash during the last calendar year. This fifty-one year old wholesaling business is now fully integrated into the group and will contribute significantly to a healthy and stable growth trajectory.

Safari & Outdoor's expansion plans include the opening of a fourth mega store in early 2017.

As at 30 September we valued our indirect stake in Dischem to take account of profit growth over the period, as well as dividend payments to **Fledge Holdings**, the leveraged structure through which we own our stake. This methodology is the same as that applied in our year-end results.

Subsequent to the date of the interim results, the founders of Dischem announced their intention to list their business. As part of the process, Dischem bought back its shares held in the Fledge structure in order to place these shares in the listing.

# Commentary

continued

## FOOD AND BEVERAGE

**Sovereign Foods** has been embroiled in a protracted take-over battle with unlisted Country Bird holdings. Given RAC's transaction pipeline, we decided to sell 75% of our shareholding to Country Bird for cash, at R8,75 per share in September.

As discussed in our year-end results, effective 1 October 2015, **KWV** has sold its operating assets for R16,91 per share. In addition, it still retains some valuable non-operating assets. RAC carries KWV at its last traded price of R12,00 per share. On 17 October, KWV changed its name to La Concorde Holdings (LCH). Niveus Holdings is the controlling shareholder of LCH. In turn, Niveus is controlled by the investment entity HCl. Over time HCl/Niveus have earned a reputation of being good allocators of capital. We await guidance on their future plans with this cash rich structure with interest.

Profit at **KLK Landbou** has not been immune to the constrained economic environment, and declined by 5% over the 6-month period to end August. However, its over-the-counter share price, which we use to value our interest in the company, has increased by 22% over the same period. At the current R12 per share, KLK is trading on a P/E of less than 4, and a 25% discount to book value. We have a high regard for management, and increased our holding in this company during the period under review.

## OTHER INVESTMENTS

**Conduit Capital** is in the process of acquiring two significant investment entities, in a transaction funded by issuing new shares. As such, our interest will be diluted. We think the transactions create value for Conduit, as it adds scale to the business. Although the acquired entities are related parties to Conduits' management, shareholders are being fairly treated.

**Excellerate Holdings** is in the process of buying back 20% of its shares from certain shareholders. This transaction is being done at R2,80 per share, which is the price at which we now value our holding in Excellerate. This represents a P/E ratio of around 6, and equates to a 27% increase in value from year-end.

We rate the management team of Excellerate highly. Under their leadership and since delisting, the business has transformed from an investment holding company to a focused property management company. Over this 5-year period it has grown earnings per share by over 20% p.a. We think they are well positioned to continue growing. This underlines RAC's preference for investing in private, unlisted businesses.

**College SA (CSA):** Our education focused investments now incorporate three major brands for our students in 2017: College SA, Tabaldi Online Accounting Classroom and IASeminars. College SA currently serves a student base of over 9 000 active students.

We stepped up our investment during the period under review. The business expanded its management team in order to build capacity for further streams of education. It is in the final stages of acquiring UK-based IASeminars, which focuses primarily on international training and continuous professional development of senior financial professionals, large international corporates and regulators in different countries. RAC provided the funding for this acquisition, through subscribing for new shares. We continue to value the equity of this business at our cost.

In the aftermath of the student riots at major public universities, College SA, through its subsidiary Tabaldi Education, has been able to facilitate online access to the final parts of syllabus for some of these institutions – all prepared on very short notice and delivered electronically. We are encouraged that the tangible benefit of online education has been proven in this way to the existing education system.

Our management team will continue expanding its capacity with further investment in teaching technologies, academic staff, content development and accreditation of programs in relationship with different professional bodies.

Student funding remains a major hurdle, not only in South Africa, but globally. Whichever party solves this issue, will unlock a major benefit to society.

## NON-CORE INVESTMENTS

This grouping consists of investments we are exiting, such as American Homes and Gooderson, or of holdings that we are in the process of building up. We do not think it is in shareholders best interests that we disclose these separately.

# Commentary

continued

## UPDATE ON NET ASSET VALUE (“NAV”)

As at close of business on 18 November, the NAV per share of RAC has increased to R26,52.

The sale of our indirect stake in Dischem marked a significant milestone for RAC. This concludes one of our investments and we thought it instructive to highlight the extent of the benefit to our shareholders.

The net proceeds of the transaction is R327m, which is R188m more than our valuation on 30 September. This represents an increase in NAV of R3,61 per share, as our non-controlling interest in an unlisted, illiquid structure has been realised – for cash – at the market value of a liquid, listed asset.

As with KVV earlier in the year, this is another transaction where significant value accrued to our shareholders. The source of value is predominantly from buying at the right price, while partnering with the right management. The only value RAC added was the ability to be a patient shareholder. We are of the firm belief that our current portfolio of businesses contains a few more gems, and that our ability to find more gems grows with each passing year.

This NAV per share, taking into account all subsequent events and movements in the price of listed investments changed as follows:

|   | R             |
|---|---------------|
| NAV as at 30 September 2016                                   | 1 170 237 874 |
| Increase in NAV due to sale of Dischem shares at market value | 188 182 189   |
| Increase in NAV due to mark-to-market of listed shares        | 25 816 767    |
| NAV as at 18 November 2016                                    | 1 384 236 830 |
| Preference shares in issue as at 18 November 2016             | 47 200 000    |
| Ordinary shares in issue as at 18 November 2016               | 5 000 000     |
| Total shares in issue as at 18 November 2016                  | 52 200 000    |
| NAV per share (ordinary and participating preference)         | 26,52         |

After the realisation of our Dischem investment, available cash has increased to R372m. However, in terms of the Hipkin transaction for control of Goldrush, a further net R80m has to be paid in due course. Net of this liability, our cash available for investing amounts to over R290m.

## CHANGE IN DIRECTORS' RESPONSIBILITIES

When RAC was established in 2010, it was set up as a collaborative effort between Regarding Capital Management (“RECM”) and Calibre Capital (“Calibre”). The ordinary shares were held in equal parts by Calibre and RECM.

During 2011, the group of companies controlled by the principals of both RECM and Calibre were restructured. This culminated with the introduction of Jan van Niekerk as a partner in the various businesses. To facilitate this, the ordinary shares in RAC were unbundled to the various shareholders after which further transactions led to the current structure with Piet Viljoen, Theunis de Bruyn and Jan van Niekerk effectively controlling 100% of the ordinary shares in RAC.

At the time of the restructuring, Theunis de Bruyn committed to remaining involved with RAC in an executive capacity until such time that RAC was fully invested, at which time he would review his position. RAC has now reached that milestone. At a board meeting held on 18 November 2016, Theunis confirmed to the board of RAC that he wishes to return to Calibre in a full-time executive capacity at the end of the current financial year. Theunis will remain on the board of RAC, as a non-executive director as from 1 April 2017. There are no other changes to the board.

# Commentary

continued

It has been agreed that RAC will be a natural first port of call for Calibre when seeking an investment partner.

Piet, Theunis and Jan remain partners in all of their businesses, however, with a clearer designation of control and responsibility in the various companies.

The board of RAC thanks Theunis for his contributions as an executive of the company, and looks forward to continuing the relationship with him, in a non-executive role.

## PROSPECTS

Our external investment pipeline looks interesting, although we execute on only a very few out of the possible transactions we are presented with. Our hurdle rate, which was high to start off with, has increased even further in line with the quality of our existing investments. Fortunately, these are generating healthy internal cash flows, which they can use to make acquisitions to help them grow further. If we are lucky, they will find targets which are too big and then RAC can step in and help with financing.

Our investment strategy remains simple. We aim to buy good businesses, managed by good people, at good prices. If you are involved in any business that meets these criteria, and needs expansion or replacement capital, please give us a call. We can't promise to add management expertise to your business (we most likely have none) but we can promise to be solid partners. And, if the phone were to ring, we definitely can promise a quick answer.

Signed on behalf of the board



**Piet Viljoen**

Cape Town  
21 November 2016



**Jan van Niekerk**

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### Directors:

PG Viljoen (Chairman), T de Bruyn, Z Matlala, T Rossini, JG Swiegers, JC van Niekerk

**Company Secretary:** G Simpson

**Financial results preparer:** D Schweizer CA(SA)

### Registered Office:

6th Floor Claremont Central, 8 Vineyard Road, Claremont, 7700 South Africa

### Transfer Secretaries:

Link Market Services South Africa (Pty) Ltd, 13th Floor, Rennie House, 19 Arneschoff Street, Braamfontein, 2004

### Sponsor:

Questco (Pty) Ltd, First Floor, Yellowwood House, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston

# Statement of financial position

|   | Notes | Unaudited<br>30 September<br>2016<br>R | Audited<br>31 March<br>2016<br>R | Unaudited<br>30 September<br>2015<br>R |
|---|-------|--|----------------------------------|--|
| <b>ASSETS</b>   |       |  |                                  |  |
| <b>Non-current assets</b>                               |       | <b>1 168 035 386</b>                   | 983 290 784                      | 995 630 978                            |
| Investments   | 2     | <b>1 168 035 386</b>                   | 983 290 784                      | 995 630 978                            |
| <b>Current assets</b>                                   |       | <b>2 861 324</b>                       | 1 381 153                        | 2 661 441                              |
| Investments   | 2     | <b>2 704 177</b>                       | –                                | –                                      |
| Loans and other receivables                             |       | <b>75 530</b>                          | –                                | 2 241                                  |
| Cash and cash equivalents                               |       | <b>81 617</b>                          | 1 381 153                        | 2 659 200                              |
| <b>Total assets</b>                                     |       | <b>1 170 896 710</b>                   | 984 671 937                      | 998 292 419                            |
| <b>EQUITY AND LIABILITIES</b>                           |       |  |                                  |  |
| <b>Equity</b>   |       |  |                                  |  |
| Share capital – ordinary shareholders                   | 4     | <b>50 000 000</b>                      | 50 000 000                       | 50 000 000                             |
| Share capital – preference shareholders                 | 4     | <b>450 000 000</b>                     | 450 000 000                      | 450 000 000                            |
| Other equity reserve                                    | 11    | <b>50 996 000</b>                      | –                                | –                                      |
| Retained income   |       | <b>619 241 874</b>                     | 483 101 316                      | 492 858 304                            |
| <b>Total equity</b>                                     |       | <b>1 170 237 874</b>                   | 983 101 316                      | 992 858 304                            |
| <b>Liabilities</b>                                      |       |  |                                  |  |
| <b>Current liabilities</b>                              |       | <b>658 836</b>                         | 1 570 621                        | 5 434 115                              |
| Trade and other payables                                |       | <b>658 836</b>                         | 1 504 352                        | 568 045                                |
| Current tax payable                                     |       | –                                      | 66 269                           | 4 866 070                              |
| <b>Total equity and liabilities</b>                     |       | <b>1 170 896 710</b>                   | 984 671 937                      | 998 292 419                            |
| <b>Net asset value</b>                                  |       |  |                                  |  |
| Net asset value attributable to ordinary shareholders   |       | <b>112 091 750</b>                     | 98 310 132                       | 99 285 830                             |
| Net asset value attributable to preference shareholders |       | <b>1 058 146 124</b>                   | 884 791 184                      | 893 572 474                            |
| Net asset value per ordinary share (cents)              | 6     | <b>2 242</b>                           | 1 966                            | 1 986                                  |
| Net asset value per preference share (cents)            | 6     | <b>2 242</b>                           | 1 966                            | 1 986                                  |

# Statement of comprehensive income

| Notes  | <b>Unaudited<br/>Six months<br/>ended<br/>30 September<br/>2016<br/>R</b> | Audited<br>Twelve months<br>ended<br>31 March<br>2016<br>R | Unaudited<br>Six months<br>ended<br>30 September<br>2015<br>R |
|--|---|--|---|
| <b>Revenue</b>   | <b>3 568 701</b>  | 6 601 449  | 48 838  |
| Operating expenses   | <b>(1 144 154)</b>  | (1 401 609)  | (950 656)   |
| <b>Operating (loss)/profit</b>   | <b>2 424 547</b>  | 5 199 840  | (901 818)   |
| Other income   | –   | 93 094 588   | 93 094 588  |
| Fair value gains on subsidiaries and associates                                    | <b>133 748 602</b>  | 29 505 129   | 42 174 311  |
| <b>Profit before taxation</b>  | <b>136 173 149</b>  | 127 799 557  | 134 367 081   |
| Taxation   | 5 <b>(32 591)</b>   | 8 278 565  | 11 468 029  |
| <b>Profit after taxation</b>   | <b>136 140 558</b>  | 136 078 122  | 145 835 110   |
| <b>Other comprehensive income:</b>   |   |  |   |
| <i>Items that may be reclassified subsequently to profit or loss:</i>              |   |  |   |
| Realised gain on sale of available-for-sale investments recycled to profit or loss | –   | (93 094 588)   | (93 094 588)  |
| Taxation related to components of other comprehensive income                       | –   | 13 144 337   | 13 144 337  |
| Other comprehensive income for the period net of taxation                          | –   | (79 950 251)   | (79 950 251)  |
| <b>Total comprehensive income</b>  | <b>136 140 558</b>  | 56 127 871   | 65 884 859  |
| <b>Earnings and headline earnings per share</b>                                    |   |  |   |
| <i>Per share information (ordinary and preference)</i>                             |   |  |   |
| Basic and diluted earnings per share (cents)                                       | 7 <b>271</b>  | 272  | 292   |
| Headline and diluted headline earnings per share (cents)                           | 7 <b>271</b>  | 86   | 105   |

## Statement of changes in equity

|                                     | Preference<br>share<br>capital<br>R | Ordinary<br>share<br>capital<br>R | Fair value<br>adjustment<br>assets<br>available-<br>for-sale<br>reserve<br>R | Other<br>equity<br>reserve<br>R | Retained<br>income<br>R | Total<br>shareholders'<br>equity<br>R |
|-------------------------------------|-------------------------------------|-----------------------------------|--|---------------------------------|-------------------------|---------------------------------------|
| <b>Balance at 31 March 2015</b>     | 450 000 000                         | 50 000 000                        | 79 950 251   | –                               | 347 023 194             | 926 973 445                           |
| Profit                              | –                                   | –                                 | –  | –                               | 145 835 110             | 145 835 110                           |
| Other comprehensive income          | –                                   | –                                 | (79 950 251)   | –                               | –                       | (79 950 251)                          |
| <b>Balance at 30 September 2015</b> | 450 000 000                         | 50 000 000                        | –  | –                               | 492 858 304             | 992 858 304                           |
| Loss                                | –                                   | –                                 | –  | –                               | (9 756 988)             | (9 756 988)                           |
| Other comprehensive income          | –                                   | –                                 | –  | –                               | –                       | –                                     |
| <b>Balance at 31 March 2016</b>     | 450 000 000                         | 50 000 000                        | –  | –                               | 483 101 316             | 983 101 316                           |
| Profit                              | –                                   | –                                 | –  | –                               | 136 140 558             | 136 140 558                           |
| Other comprehensive income          | –                                   | –                                 | –  | –                               | –                       | –                                     |
| Equity reserve                      | –                                   | –                                 | –  | 50 996 000                      | –                       | 50 996 000                            |
| <b>Balance at 30 September 2016</b> | 450 000 000                         | 50 000 000                        | –  | 50 996 000                      | 619 241 874             | 1 170 237 874                         |
| Notes                               | 4                                   | 4                                 |  | 11                              |                         |                                       |

## Statement of cash flows

|  | <b>Unaudited<br/>Six months<br/>ended<br/>30 September<br/>2016<br/>R</b> | Audited<br>Twelve months<br>ended<br>31 March<br>2016<br>R | Unaudited<br>Six months<br>ended<br>30 September<br>2015<br>R |
|--|---|--|---|
| <b>Cash flows from operating activities</b>                |   |  |   |
| Cash utilised in operations                                | (1 989 670)   | (728 983)  | (737 350)   |
| Interest income  | 68 701  | 106 824  | 46 597  |
| Dividends received   | 3 500 000   | 6 500 000  | –   |
| Tax paid   | (174 390)   | (7 846 641)  | –   |
| <b>Net cash inflow/(outflow) from operating activities</b> | <b>1 404 641</b>  | <b>(1 968 800)</b>   | <b>(690 753)</b>  |
| <b>Cash flows from investing activities</b>                |   |  |   |
| Purchase of investments                                    | (2 704 177)   | –  | –   |
| <b>Net cash outflow from investing activities</b>          | <b>(2 704 177)</b>  | <b>–</b>   | <b>–</b>  |
| <b>Total cash movement for the period</b>                  | <b>(1 299 536)</b>  | <b>(1 968 800)</b>   | <b>(690 753)</b>  |
| <b>Cash at beginning of period</b>                         | <b>1 381 153</b>  | <b>3 349 953</b>   | <b>3 349 953</b>  |
| <b>Total cash and cash equivalents at end of period</b>    | <b>81 617</b>   | <b>1 381 153</b>   | <b>2 659 200</b>  |

# Notes to the condensed interim results

for the period ended 30 September 2016

## GROUP STRUCTURE

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

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

During the year ended 31 March 2016, all the investments (including the related loans and receivables) to the value of R723 549 474 held by RAC were transferred to the wholly-owned subsidiary RIH for an additional 190 shares in RIH. The loan to RIH in the prior year of R114 059 440 was converted to share capital by RIH issuing an additional 10 shares to RAC. The transfer was primarily to facilitate funding. The transfer had no impact on the NAV of RAC. Given this structure, RAC has provided the fair value disclosure in two parts in note 2. Note 2.1 discloses the investment in RIH as required by IFRS as well as additional disclosures that the directors deem useful by looking through RIH to the underlying investments at the directors fair values. The transfer of the investments (previously held as available-for-sale) to RIH has resulted in unrealised gains of R93 094 558, previously recognised in other comprehensive income, being reclassified to profit or loss during the year ended 31 March 2016. All fair value movements on the investment in RIH are recognised in profit or loss.

## 1. ACCOUNTING POLICIES – PRESENTATION OF CONDENSED INTERIM FINANCIAL STATEMENTS

### Basis of accounting preparation

The accounting policies applied for the six months are consistent, in all material respects, with those used in the Annual Financial Statements for the year ended 31 March 2016 and are in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. In addition, these interim results have been prepared in accordance with the presentation and disclosure requirements of International Accounting Standard 34, Interim Financial Reporting, as well as the Listings Requirements of the JSE and the Companies Act of South Africa.

The interim results have been prepared in accordance with the IFRS and IFRIC interpretations at the time of the preparation of the information. As these standards and interpretations are the subject of ongoing review, they may be amended between the date of this report and the finalisation of the annual financial statements for the year ending 31 March 2017.

### Assessment as investment entity

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

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

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

# Notes to the condensed interim results continued

for the period ended 30 September 2016

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

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

## Segmental analysis

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

|   | <b>Unaudited<br/>Six months<br/>ended<br/>30 September<br/>2016<br/>R</b> | Audited<br>Twelve months<br>ended<br>31 March<br>2016<br>R | Unaudited<br>Six months<br>ended<br>30 September<br>2015<br>R |
|---|---|--|---|
| <b>2. INVESTMENTS</b>   |   |  |   |
| <b>Fair value hierarchy of financial assets</b>                                 |   |  |   |
| <b>Level 2</b>  |   |  |   |
| Class 3 – Unit trusts – money market fund                                       | 2 704 177   | –  | –   |
|   | <b>2 704 177</b>  | –  | –   |
| <b>Level 3</b>  |   |  |   |
| Class 5 – Unlisted shares – Unquoted – fair value through profit and loss – RIH | 1 168 035 386   | 983 290 784  | 995 630 978   |
|   | <b>1 168 035 386</b>  | 983 290 784  | 995 630 978   |
| <b>Total financial assets at fair value</b>                                     | <b>1 170 739 563</b>  | 983 290 784  | 995 630 978   |
| Non-current assets  | 1 168 035 386   | 983 290 784  | 995 630 978   |
| Current assets  | 2 704 177   | –  | –   |
| <b>Total investments</b>  | <b>1 170 739 563</b>  | 983 290 784  | 995 630 978   |

## Available cash

Cash within the Group is held both directly and indirectly on call, along with indirectly through a money market unit trust investment.

The cash holdings are reflected in Class 3 above, where applicable.

# Notes to the condensed interim results continued

for the period ended 30 September 2016

|  | <b>Unaudited<br/>Six months<br/>ended<br/>30 September<br/>2016<br/>R</b> | Audited<br>Twelve months<br>ended<br>31 March<br>2016<br>R | Unaudited<br>Six months<br>ended<br>30 September<br>2015<br>R |
|--|---|--|---|
| <b>2. INVESTMENTS (continued)</b>                                      |   |  |   |
| <b>Level 3 reconciliation</b>  |   |  |   |
| Opening balance  | <b>983 290 784</b>  | 441 731 147  | 441 731 147   |
| Acquisitions (including capital contribution in current period to RIH) | <b>50 996 000</b>   | 836 735 038  | 837 680 226   |
| Assets transferred to RIH  | –   | (324 680 530)  | (325 954 706)   |
| Gains on investments recognised in profit and loss                     | <b>133 748 602</b>  | 29 505 129   | 42 174 311  |
| <b>Closing balance</b>   | <b>1 168 035 386</b>  | 983 290 784  | 995 630 978   |

Please refer to the group structure note above which explains the transfer of investments to RIH.

## Level 2

Class 3 financial assets are valued at the net asset value of the unit trust.

## Level 3

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

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

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

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

In terms of IFRS, RAC is an Investment Entity, and therefore no consolidated results are required to be prepared. IFRS requires the fair value disclosure to be prepared at the Unit of Account Level (i.e. at the level of shares that RAC owns and those are shown above). The Board of Directors has decided to provide the following voluntary disclosures looking through the 100% held subsidiary, RIH, to 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 condensed interim results continued

for the period ended 30 September 2016

|  | Unaudited<br>Six months<br>ended<br>30 September<br>2016<br>R | Audited<br>Twelve months<br>ended<br>31 March<br>2016<br>R | Unaudited<br>Six months<br>ended<br>30 September<br>2015<br>R |
|--|---|--|---|
| <b>2. INVESTMENTS (continued)</b>  |   |  |   |
| <b>Fair value hierarchy of financial assets held by RIH</b>                  |   |  |   |
| <b>Level 1</b>   |   |  |   |
| Class 1 – Listed shares – Quoted   | 193 708 663   | 218 701 832  | 221 304 327   |
| Class 2 – Unlisted shares – Quoted   | 68 046 300  | 28 723 525   | 29 842 286  |
|  | <b>261 754 963</b>  | <b>247 425 357</b>   | <b>251 146 613</b>  |
| <b>Level 2</b>   |   |  |   |
| Class 3 – Unit Trust – money market fund                                     | 44 291 111  | 63 715   | –   |
|  | <b>44 291 111</b>   | <b>63 715</b>  | <b>–</b>  |
| <b>Level 3</b>   |   |  |   |
| Class 5 – Unlisted shares – Unquoted – available-for-sale                    | 45 081 286  | 71 393 813   | 60 640 115  |
| Class 5 – Unlisted shares – Unquoted – fair value<br>through profit and loss | 1 082 827 457   | 753 455 736  | 641 530 525   |
|  | <b>1 127 908 743</b>  | <b>824 849 549</b>   | <b>702 170 640</b>  |
| <b>Total financial assets at fair value</b>                                  | <b>1 433 954 817</b>  | <b>1 072 338 621</b>                                       | <b>953 317 253</b>  |
| Non-current assets   | 1 250 889 389   | 1 042 743 917  | 953 317 253   |
| Current assets   | 183 065 428   | 29 594 704   | –   |
| <b>Total investments</b>   | <b>1 433 954 817</b>  | <b>1 072 338 621</b>                                       | <b>953 317 253</b>  |
| <b>Summary of net asset value of RIH</b>                                     |   |  |   |
| Total investments from above   | 1 433 954 817   | 1 072 338 621  | 953 317 253   |
| Loans and receivables  | 103 802 715   | 82 037 280   | 81 660 481  |
| Cash and cash equivalents  | 4 767 304   | 1 798 625  | 67 158 526  |
| Deferred tax   | (80 807 975)  | (76 469 122)   | (65 297 813)  |
| Accruals and contingent consideration  | (143 063 047)   | (19 129 854)   | (41 207 469)  |
| Loans and payables   | (150 618 428)   | (77 284 766)   | –   |
| <b>Net asset value of RIH</b>  | <b>1 168 035 386</b>  | <b>983 290 784</b>   | <b>995 630 978</b>  |

# Notes to the condensed interim results continued

for the period ended 30 September 2016

## 2. INVESTMENTS (continued)

### Description of significant unobservable inputs and their sensitivities

30 September 2016

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

|   | Valuation technique   | Fair value R'm | Significant unobservable inputs  | Range     | Sensitivity   |
|---|-----------------------|----------------|--|-----------|---|
| RAC Investment Holdings ("RIH")   | NAV                   | 1 168          | EBITDAR of substantial underlying investments in RIH   | 5 – 7     | A change in the EBITDAR multiple of the underlying investment by 1 would result in an increase or decrease in fair value of approximately R110m.  |
| <b>The below table shows the sensitivities per underlying investment as if these were held directly by RAC (level 3 investment)</b> |                       |                |  |           |   |
| Retail: Safari and Outdoor; Fledge (excluding non-equity investments)   | Multiples             | 188,6          | EBITDA   | 4 – 8     | A change in multiple up by 1 would result in an increase in fair value of approximately R35m.   |
|   |                       |                | Discount for lack of marketability and liquidity to listed entity                                | 35% – 45% | A change in discount rate of 10% would result in a change in fair value of approximately R41m.  |
| Goldrush Group  | Multiples             | 740,6          | EBITDAR  | 5 – 7     | A change in the EBITDAR multiple by 1 would result in an increase or decrease in fair value of approximately R100m.   |
| Excellerate   | Last observable price | 33,4           | n/a  | 280 cents |   |
|   |                       |                | P/E Multiple, as check on last traded price  | 6 – 8,5   | Using a multiple of 6 to 8.5 would result in a price of 222 to 314 cents per share, before applying a discount for liquidity.   |
|   |                       |                | Discount for lack of marketability and liquidity on P/E Multiple as a check on last traded price | 25% – 30% | A change in discount rate of 10% would result in a change in fair value of approximately R3,2m. A 25% discount is currently being applied for lack of liquidity.  |
| JB Private Equity Investors Partnership   | NAV                   | 64,7           | n/a  | n/a       | The NAV of the JB Private Equity Investors Partnership is directly linked to the underlying investment in Sentula Mining Limited which is listed on the JSE and is not currently significantly impacted by any fair value adjustment to trade and other payables and therefore NAV of the JB Private Equity Investors Partnership is considered to be fair value. A 10% movement in the Sentula share price would have a R7,2m impact on the Partnership NAV. |

# Notes to the condensed interim results continued

for the period ended 30 September 2016

## 2. INVESTMENTS (continued)

### Description of significant unobservable inputs and their sensitivities

30 September 2016

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

|   | Valuation technique | Fair value R'm | Significant unobservable inputs | Range | Sensitivity  |
|---|---------------------|----------------|---------------------------------|-------|--|
| Mining: West Coast resources (excluding non-equity investments) | NAV                 | 69,8           | Valuation of mining rights      | 10%   | A multi-period excess earnings method was used to calculate the mining rights in WCR. There are numerous unseen inputs into this calculation. A change in the value of the mining rights by 10% would result in a R14m change in the NAV of WCR. |
| Education: SA College (excluding non-equity investments)        | Multiples           | 26,9           | EBITDA                          | 4 – 6 | A change in multiple up by 1 would result in an increase in fair value of approximately R4 million.  |
| Other level 3 investments                                       |                     | 3,9            |                                 |       |  |
| <b>Total</b>  |                     | <b>1 127,9</b> |                                 |       |  |

31 March 2016

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

|  | Valuation technique | Fair value R'm | Significant unobservable inputs                                       | Range     | Sensitivity  |
|--|---------------------|----------------|---|-----------|--|
| RAC Investment Holdings ("RIH")  | NAV                 | 983,3          | Fair values of the underlying investments (refer to breakdown below). | n/a       | A 10% increase/decrease in the fair value of the underlying investments would result in an increase/decrease in value of R98m. |
| The below table shows the sensitivities per underlying investment as if these were held directly by RAC (level 3 investment) |                     |                |   |           |  |
| Retail: Safari and Outdoor; Fledge (excluding non-equity investments)  | Multiples           | 192,1          | EBITDA  | 4 – 8     | A change in multiple up by 1 would result in an increase in fair value of approximately R35m.                                  |
|  |                     |                | Discount for lack of marketability and liquidity to listed entity     | 35% – 45% | A change in discount rate of 10% would result in a change in fair value of approximately R66m.                                 |

# Notes to the condensed interim results continued

for the period ended 30 September 2016

## 2. INVESTMENTS (continued)

### 2.2 Description of significant unobservable inputs and sensitivities of RAC (level 3 investment) (continued)

31 March 2016

|   | Valuation technique   | Fair value R'm | Significant unobservable inputs  | Range     | Sensitivity   |
|---|-----------------------|----------------|--|-----------|---|
| Goldrush Group  | Multiples             | 446,8          | EBITDAR  | 5 – 7     | A decrease in the EBITDAR multiple by 1 would result in a decrease in fair value of approximately R56m and an increase in the EBITDAR multiple by 1 would result in an increase fair value of approximately R94m.   |
| Excellerate   | Last observable price | 26,3           | n/a  | 220 cents |   |
|   |                       |                | Discount for lack of marketability and liquidity on latest available NAV as a check on last traded price | 1,50%     | A change in discount rate to 10% would result in a change in fair value of approximately R2,3m.   |
| JB Private Equity Investors Partnership                         | NAV                   | 61             | n/a  | n/a       | The NAV of the JB Private Equity Investors Partnership is directly linked to the underlying investment in Sentula Mining Limited which is listed on the JSE and is not currently significantly impacted by any fair value adjustment to trade and other payables and therefore NAV of the JB Private Equity Investors Partnership is considered to be fair value. A 10% movement in the Sentula share price would have a R6,7m impact on the Partnership NAV. |
| Mining: West Coast resources (excluding non-equity investments) | NAV                   | 73,5           | Valuation of mining rights   | 10%       | A multi-period excess earnings method was used to calculate the mining rights in WCR. There are numerous unseen inputs into this calculation. A change in the value of the mining rights by 10% would result in a R14m change in the NAV of WCR.  |
| Education: SA College   | Multiples             | 21,2           | EBITDA   | 4 – 6     | A change in multiple up by 1 would result in an increase in fair value of approximately R4m.  |
| Other level 3 investments                                       |                       | 3,9            |  |           |   |
| <b>Total</b>  |                       | <b>824,8</b>   |  |           |   |

# Notes to the condensed interim results continued

for the period ended 30 September 2016

## 2. INVESTMENTS (continued)

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

## 3. RELATED PARTY TRANSACTIONS

- During the current reporting period, the company received dividend income totalling R3,5m from RIH.
- Apart from the above, there were no other significant changes to related parties or related party transactions since the year ended 31 March 2016.

|  | <b>Unaudited<br/>Six months<br/>ended<br/>30 September<br/>2016<br/>R</b> | Audited<br>Twelve months<br>ended<br>31 March<br>2016<br>R | Unaudited<br>Six months<br>ended<br>30 September<br>2015<br>R |
|--|---|--|---|
|--|---|--|---|

## 4. SHARE CAPITAL

### Authorised

|   |               |        |        |
|---|---------------|--------|--------|
| 5 000 000 ordinary shares of R0,01 each   | 50 000        | 50 000 | 50 000 |
| 200 000 000 non-cumulative redeemable participating preference shares of no par value | -             | -      | -      |
| 250 000 000 redeemable preference shares of no par value                              | -             | -      | -      |
| 1 500 000 000 perpetual preference shares of no par value                             | -             | -      | -      |
|   | <b>50 000</b> | 50 000 | 50 000 |

The 250 000 000 redeemable preference shares will have the rights and privileges, restrictions and conditions as determined by the Directors upon issue thereof, but which are intended to rank in priority to the participating preference shares, the perpetual preference shares and ordinary shares in respect of dividends and on winding up.

The 1 500 000 000 perpetual preference shares will have the rights and privileges, restrictions and conditions as determined by the Directors upon issue thereof, but which are intended to rank in priority to the participating preference shares and ordinary shares in respect of dividends and on winding up.

### Issued

|  |                    |             |             |
|--|--------------------|-------------|-------------|
| 5 000 000 ordinary shares of R0,01 each                              | 50 000             | 50 000      | 50 000      |
| Share premium  | 49 950 000         | 49 950 000  | 49 950 000  |
|  | <b>50 000 000</b>  | 50 000 000  | 50 000 000  |
| 45 000 000 non-cumulative redeemable participating preference shares | 450 000 000        | 450 000 000 | 450 000 000 |
|  | <b>450 000 000</b> | 450 000 000 | 450 000 000 |

# Notes to the condensed interim results continued

for the period ended 30 September 2016

## 5. CURRENT AND DEFERRED TAXATION

|   | <b>Unaudited<br/>Six months<br/>ended<br/>30 September<br/>2016<br/>R</b> | Audited<br>Twelve months<br>ended<br>31 March<br>2016<br>R | Unaudited<br>Six months<br>ended<br>30 September<br>2015<br>R |
|---|---|--|---|
| <b>Taxation expense</b>   |   |  |   |
| Current taxation  | <b>(32 591)</b>   | (27 923)   | –   |
| Current taxation – prior year under accrual and interest  | –   | (7 745 795)  | (4 726 878)   |
| Deferred taxation   | –   | 16 052 283   | 16 194 907  |
| <b>Taxation expense</b>   | <b>(32 591)</b>   | 8 278 565  | 11 468 029  |
| <b>Reconciliation of deferred tax liability</b>   |   |  |   |
| At beginning of year  | –   | 29 196 620   | 29 196 620  |
| Temporary difference on receivables and payables  | –   | 71 312   | 71 312  |
| Temporary difference on fair value gains through profit and loss  | –   | (16 123 595)   | (16 123 595)  |
| Temporary difference on available-for-sale instruments through other comprehensive income   | –   | (13 144 337)   | (13 144 337)  |
|   | –   | –  | –   |
| Deferred tax has not been recognised on the fair value gains on the investment in RIH as the manner of expected recovery of the investment is unlikely to result in future tax consequences. Temporary differences not recognised in terms of IAS 12 amount to R279 410 472 (March 2016: R145 661 870; September 2015: R199 508 498).<br>Deferred tax has been recognised in RIH on the investments that it expects to incur taxes on when realising their value. |   |  |   |
| <b>6. NET ASSET VALUE</b>   |   |  |   |
| Net asset value attributable to ordinary shareholders   | <b>112 091 750</b>  | 98 310 132   | 99 285 830  |
| Net asset value attributable to preference shareholders   | <b>1 058 146 124</b>  | 884 791 184  | 893 572 474   |
| <b>Number of shares</b>   |   |  |   |
| Ordinary shares   | <b>5 000 000</b>  | 5 000 000  | 5 000 000   |
| Preferences shares *  | <b>47 200 000</b>   | 45 000 000   | 45 000 000  |
| Net asset value per ordinary share (cents)  | <b>2 242</b>  | 1 966  | 1 986   |
| Net asset value per preference share (cents)  | <b>2 242</b>  | 1 966  | 1 986   |

\* The 2 200 000 preference shares which were issued on 21 October 2016 were no longer subject to any outstanding conditions as from 31 August 2016. Consistent with IAS 33, these shares have been taken into account in the number of shares for NAV purposes (refer to note 11).

# Notes to the condensed interim results continued

for the period ended 30 September 2016

## 7. EARNINGS AND HEADLINE EARNINGS PER SHARE

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

|   | <b>Unaudited<br/>Six months<br/>ended<br/>30 September<br/>2016<br/>R</b> | Audited<br>Twelve months<br>ended<br>31 March<br>2016<br>R | Unaudited<br>Six months<br>ended<br>30 September<br>2015<br>R |
|---|---|--|---|
| <b>Number of shares in issue</b>                                      |   |  |   |
| Ordinary shares   | <b>5 000 000</b>  | 5 000 000  | 5 000 000   |
| Preferences shares #  | <b>45 183 333</b>   | 45 000 000   | 45 000 000  |
| <b>Earnings</b>   |   |  |   |
| Net profit after tax  | <b>136 140 558</b>  | 136 078 122  | 145 835 110   |
| <i>Adjusted to headline earnings as follows:</i>                      |   |  |   |
| Profit on asset disposal  | –   | (93 094 588)   | (93 094 588)  |
| <b>Headline earnings</b>  | <b>136 140 558</b>  | 42 983 534   | 52 740 522  |
| Basic and diluted earnings per ordinary and preference shares (cents) | <b>271</b>  | 272  | 292   |
| Headline earnings per ordinary and preference shares (cents)          | <b>271</b>  | 86   | 105   |

# The 2 200 000 preference shares which were issued on 21 October 2016, were no longer subject to any outstanding conditions as from 31 August 2016. As a result, IAS 33 requires that they be taken into account on a time weighted basis as from 31 August 2016.

## 8. EVENTS AFTER THE REPORTING PERIOD

On 21 October 2016, RAC issued 2 200 000 preference shares to the Hipkin Family in terms of the call option agreement that was exercised by RIH. At the same time, RAC was issued another 50 ordinary shares in RIH in exchange for RAC having issued the preference shares to the Hipkin Family for the additional shares that RIH acquired in Goldrush. As the issue of the preference shares were no longer subject to any outstanding conditions as from 31 August 2016, as required by IFRS, they have been recognised as part of equity (refer to note 11) and treated as issued for earnings per share and net asset value per share purposes as at 30 September 2016.

The underlying investment in the Fledge Structure, Dischem, has listed at an enterprise value of R18bn. The listing has resulted in an increase in the value of our investment in Fledge Holdings amounting to R188m. For further details, please refer to the commentary.

Apart from the above, the directors are not aware of any matter or circumstance arising since the end of the reporting period.

## 9. DIVIDENDS

No dividend has been declared.

# Notes to the condensed interim results continued

for the period ended 30 September 2016

## 10. GUARANTEE, CESSION AND PLEDGE

During the current period, RIH issued another 100 preference shares at R1m each to ABSA Bank Limited ("ABSA"). As at 30 September 2016 the capital balance of R150m was outstanding. A preference dividend is payable on the preference shares on 31 March and 30 September each year at a rate equivalent to 115% of the prime overdraft rate and they are redeemable in December 2018 (R50m), May 2019 (R50m) and August 2019 (R50m).

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; and
- RIH pledged its shares held in Goldrush to ABSA.

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

As at 30 September 2016, both the value of RAC's pledged shares in RIH as well as RIH's pledged shares in Goldrush exceeded the value of the preference shares issued to ABSA. The directors of RAC foresee the possibility of RAC needing to make any payments under the guarantee as being highly remote.

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

## 11. OTHER EQUITY RESERVE

The other equity reserve relates to the non-cumulative redeemable participating preference shares which are to be issued in terms of the exercise of the call option on the purchase of the additional Goldrush shares acquired on 31 August 2016. In terms of IAS 32, if the number of equity instruments to be delivered as well as the consideration for them is fixed, the instrument should be classified as an equity instrument. Given that RAC has an obligation to deliver 2 200 000 non-cumulative redeemable participating preference shares at a fixed price of 2 318 cents per share, the requirements for it to be recognised as part of equity have been met. The 2 200 000 non-cumulative redeemable participating preference shares have therefore been included in calculating the NAV per share as at 30 September 2016. As from 21 October 2016, the reserve has been transferred into the Preference Share Capital account.