

# **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 2017**

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# Commentary

At 30 September, RAC's NAV per share (ordinary and participating preference) came to R27,86. This represents a gain of 1,9% over the first six months of the financial year, and 24,3% over the last 12 months. This compares to gains of 8,5% and 10,2% for the All Share Total Return index over the same periods.

As at 30 September 2017, the make-up of our NAV on a look-through basis consists of:

	% ownership	Cost Rm	Directors' fair value Rm	% of net asset value
<b>Core investments</b>		<b>729,4</b>	<b>1 257,5</b>	<b>88,2</b>
Goldrush	53,3	386,9	896,4	62,9
Trans Hex	25,5	103,2	74,6	5,2
JB Private Equity Investors Partnership	90,0	83,3	112,9	7,9
West Coast Resources	27,2	39,7	48,6	3,4
Outdoor Investment Holdings	28,3	41,1	59,9	4,2
College SA	88,1	75,2	65,1	4,6
<b>Portfolio investments</b>		<b>209,3</b>	<b>264,6</b>	<b>18,6</b>
Conduit	3,0	20,9	39,2	2,8
La Concorde	5,1	32,3	35,1	2,5
Excellerate	6,2	14,7	34,6	2,4
DAWN	16,8	100,6	112,7	7,9
RECM Flexible Value Hedge Fund		40,8	43,0	3,0
<b>Non-core investments</b>		<b>326,5</b>	<b>337,9</b>	<b>23,7</b>
<b>Receivables</b>			<b>0,9</b>	<b>0,1</b>
<b>Cash and money market fund</b>			<b>62,0</b>	<b>4,3</b>
<b>Liabilities (mainly CGT)</b>			<b>(134,5)</b>	<b>(9,4)</b>
<b>Preference shares issued to ABSA</b>			<b>(363,2)</b>	<b>(25,5)</b>
<b>Net asset value</b>			<b>1 425,2</b>	<b>100,0</b>
<b>NAV per share ("R")</b>	<b>27,86</b>			

# Commentary

continued

## INCREASE IN NAV

The NAV per share growth of 1,9% for the 6 months equates to an increase of R26,4m. The composition of the increase on a look-through basis is as follows:

	<b>Unaudited six months ended 30 September 2017 R</b>	Unaudited six months ended 30 September 2016 R
Opening NAV	<b>1 398 789 332</b>	983 101 316
Increase in NAV	<b>26 446 481</b>	136 140 558
Interest and dividends	<b>10 517 774</b>	4 984 797
Realised profits on sale of assets and other income	<b>9 676 517</b>	4 314 384
Adjustments to fair value of assets	<b>49 785 371</b>	152 332 460
Less: Tax paid	<b>(9 131 918)</b>	(2 107 543)
Less: Tax provided for	<b>(10 727 371)</b>	(5 345 765)
Less: Financing expenses	<b>(13 119 686)</b>	(7 857 640)
Less: Operating expenses	<b>(10 554 206)</b>	(10 180 135)
Share Issue	–	50 996 000
Closing NAV	<b>1 425 235 813</b>	1 170 237 874

We have not changed our valuation method. All listed assets are held at market price, while unlisted assets are 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 International Financial Reporting Standards (“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 still approximates 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. As an aside, our gains include the associated tax effects, while the gains on the index we use for comparative purpose (the JSE ALSI total return index), doesn't. Please bear in mind that we regard tax as a significant cost of doing business. As with all other costs we manage our exposure very carefully.

Investors should also take our fee structure into account when estimating RAC's 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 own estimate of this value from your opinion of our overall value – bearing in mind our consistently conservative approach to establishing a fair value for our assets.

## CORE INVESTMENTS

### Goldrush

The past six months saw the opening of the Menlyn Maine Casino – the second largest casino in South Africa by number of slot machines, in Pretoria. This impacted our three Pretoria properties significantly – as expected. During this period, we closed down one of these properties (Centurion Lake) and moved the license to the Morula complex. In the process we incurred some relocation expenses as the license was phased in at its new location. However, the relocation has now been completed and Goldrush at Morula, with 460 machines, is trading well. The other two Pretoria properties are still feeling the effect of the Casino.

# Commentary

continued

The acquisition of Boss Gaming, a predominantly Eastern Cape operator with six operational Bingo properties became fully unconditional during the period. The business and team has been integrated into Goldrush and has already contributed to the group.

The other significant development since our last communication has been that the KZN Provincial Government passed legislation late in September, which allows for the operation of Electronic Bingo Terminals in the Province. This opens up another large growth opportunity for Goldrush.

Goldrush is currently in the process of rolling out more than 30 new Bingo and Sports betting properties. The rollout of LPM machines continues at a steady pace, although slower than the other parts.

## **Transhex/West Coast Resources**

Transhex's (TSX) main mining asset, the Lower Orange River Operations, which include the Baken and Bloedrif mines have come to the end of their useful life. The mines are being placed on care and maintenance at significant cost. Rehabilitation costs have been provided for. At West Coast Resources (WCR), recoveries have improved, but are not yet at desired levels. The mine is receiving a lot of attention from management. RAC has agreed to sell its stake in WCR to TSX, in return for additional TSX shares. The transaction should close over the next few months. After this, RAC will still have a loan outstanding to WCR, but its main mining exposure will be through TSX. Somilua, the operation in Angola in which TSX has a 33% interest, is doing well. Cash repatriation has become somewhat easier, but still not completely frictionless.

## **The JB Private Equity Partnership**

The JB Private Equity Partnership (JB PE), of which RAC owns 90%, has Unicorn Capital Partners Limited (previously Sentula Mining Limited) as its only asset. JB PE added to its holding during the period under review, and it now owns 37,4% of Unicorn. Unicorn's operating subsidiaries are performing in line with expectations while the last remnants of its contract mining operations have been exited successfully. Nkomati Anthracite remains on track to complete the re-opening of its underground mine and commissioning of its new wash plant in Q1 2018. Following the successful restructuring and ring-fencing of the operating subsidiaries, management will concentrate on growing and expanding Unicorn's investment portfolio.

## **Outdoor Investment Holdings**

Outdoor Investment Holdings (OIH) and its subsidiaries Safari Outdoor, Formalito and Inyathi Sporting Supplies have been trading well in a very challenging environment. The roll out of Safari's fourth mega store was successfully concluded and this group's profitability continues to improve. Safari will continue its drive to open more stores with two additional stores planned for the next 18 months.

## **College SA**

This group can be split roughly into three divisions:

- SA College of Home Study (Pty) Ltd (College SA), a registered private Technical and Vocational Education and Training (TVET) college offers qualifications and courses across a broad range of subjects via distance-learning. Over the past six months we have focused on cleaning up course material, strengthening the academic team, and increasing the efficiency of the sales and support teams. Students are feeling the pinch of a struggling economy, which has affected student completion rates.
- Tabaldi Online Accounting Classroom, houses the tuition support and teaching for students studying towards professional accountancy designations. We have built and trained an experienced academic team for successful online course delivery and support. The business will roll out its first full suite of products for the 2018 academic year.
- IASeminars, specialises in international accounting training for senior executives in financial centers across the globe (including IFRS, IPSAS, US GAAP). Business has been strong with high recurring business, and given increasing first time adoption of IPSAS (public accounting standards) across the world.

RAC continues to build on this business organically and has invested more capital into the business during the period under review.

# Commentary

continued

## PORTFOLIO INVESTMENTS

**Conduit Capital** continues in its efforts to build a high quality diversified insurance business, supported by a value orientated, non-insurance related investment portfolio over the long-term. In this regard, it has recently announced a rights offer of R350m to fund its vision.

**La Concorde Holdings** (LCH) has become a cash shell since it sold its operating assets for in excess of R16 per share. Its ultimate holding company, HCI, recently proposed a transaction where it will inject Golden Arrow Bus Services (GABS) into this shell, in return for cash and shares. The GABS asset represents R10 per LCH share, while a dividend of up to R7 per LCH share will be paid as part of the transaction. LCH also paid a R1 dividend to shareholders recently. We value LCH at R10 per share, as per the OTC market price. The proposed transaction indicates an appreciably higher value.

**Excellerate Holdings**, the private facilities management business continues to generate good results. In its financial year to June 2017, earnings per share grew by 28% (aided by a 20% share buyback earlier in the year). We value our holding at R2,90 per share, the price of the last known transaction – the buyback. At this price, Excellerate is valued on a P/E of five times.

RAC acquired a 17% shareholding in listed building support company **DAWN** by underwriting an emergency rights issue earlier this year. DAWN is a turnaround situation, similar to Sentula/Unicorn. Since we acquired the stake, new management has been appointed, the company has sold some assets, used the proceeds to repay the majority of debt and a restructuring process has been implemented. We think the turnaround process, like most others will be difficult, and take longer than expected. RAC acquired its shares at a price which we believe discounts these risks. We value DAWN at its listed market price of R1,12 per share. We are not sure what DAWN is worth, but the listed price is almost certainly wrong.

Since year-end, RAC also invested in a new hedge fund managed by RECM, the **RECM Flexible Value Prescient QI Hedge Fund**. This is a deep value fund which is able to take long or short positions. RAC obtained its units by vending its holdings of ELB Engineering, KLK Landbou, York Timbers and Putprop, for units in the fund. This is in line with RAC's strategy of focusing on acquiring influential stakes in unlisted businesses, and disposing of passive minority holdings. The fund is off to a good start, gaining 5,3% during its first five months of operation.

## PROSPECTS

For almost the first time since listing, we are seeing more investment opportunities than we have available capital. This is due to the negative sentiment surrounding the political and economic situation in South Africa.

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 it 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  
20 November 2017



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 Ameshoff Street, Braamfontein, 2004

**Sponsor:** Questco Corporate Advisory (Pty) Ltd, First Floor, Yellowwood House, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston

# Statement of financial position

	Notes	Unaudited 30 September 2017 R	Audited 31 March 2017 R	Unaudited 30 September 2016 R
<b>ASSETS</b>				
<b>Non-current assets</b>		<b>1 424 074 846</b>	1 396 876 924	1 168 035 386
Investments	2	<b>1 424 074 846</b>	1 396 876 924	1 168 035 386
<b>Current assets</b>		<b>1 572 553</b>	2 681 458	2 861 324
Investments	2	<b>1 341 591</b>	2 409 514	2 704 177
Loans and other receivables		–	–	75 530
Current tax receivable		<b>218 802</b>	223 307	–
Cash and cash equivalents		<b>12 160</b>	48 637	81 617
<b>Total assets</b>		<b>1 425 647 399</b>	1 399 558 382	1 170 896 710
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital – ordinary shareholders	4	<b>18 206 250</b>	18 206 250	50 000 000
Share capital – preference shareholders	4	<b>506 296 000</b>	506 296 000	450 000 000
Other equity reserve		–	–	50 996 000
Retained income		<b>900 733 563</b>	874 287 082	619 241 874
<b>Total equity</b>		<b>1 425 235 813</b>	1 398 789 332	1 170 237 874
<b>Liabilities</b>				
<b>Current liabilities</b>		<b>411 586</b>	769 050	658 836
Trade and other payables		<b>411 586</b>	769 050	658 836
<b>Total equity and liabilities</b>		<b>1 425 647 399</b>	1 399 558 382	1 170 896 710
<b>Net asset value</b>				
Net asset value attributable to ordinary shareholders		<b>104 489 429</b>	102 550 538	112 091 750
Net asset value attributable to preference shareholders		<b>1 320 746 384</b>	1 296 238 794	1 058 146 124
Net asset value per ordinary share (cents)	6	<b>2 786</b>	2 735	2 242
Net asset value per preference share (cents)	6	<b>2 786</b>	2 735	2 242

## Statement of comprehensive income

Notes	<b>Unaudited Six months ended 30 September 2017 R</b>	Audited Twelve months ended 31 March 2017 R	Unaudited Six months ended 30 September 2016 R
<b>Revenue</b>	<b>65 508</b>	30 163 291	3 568 701
Operating expenses	<b>(797 877)</b>	(1 517 457)	(1 144 154)
<b>Operating (loss)/profit</b>	<b>(732 369)</b>	28 645 834	2 424 547
Fair value gains on subsidiary	<b>27 197 922</b>	362 590 140	133 748 602
<b>Profit before taxation</b>	<b>26 465 553</b>	391 235 974	136 173 149
Taxation	5 <b>(19 072)</b>	(50 208)	(32 591)
<b>Profit after taxation</b>	<b>26 446 481</b>	391 185 766	136 140 558
Other comprehensive income for the period net of taxation	-	-	-
<b>Total comprehensive income</b>	<b>26 446 481</b>	391 185 766	136 140 558
<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>52</b>	765	271
Headline and diluted headline earnings per share (cents)	7 <b>52</b>	765	271

## Statement of changes in equity

	Preference share capital R	Ordinary share capital R	Other equity reserve R	Retained income R	Total shareholders' equity R
<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
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
Profit	–	–	–	255 045 208	255 045 208
Share issue	56 296 000	–	(50 996 000)	–	5 300 000
Share buy back	–	(31 793 750)	–	–	(31 793 750)
<b>Balance at 31 March 2017</b>	<b>506 296 000</b>	<b>18 206 250</b>	–	<b>874 287 082</b>	<b>1 398 789 332</b>
Profit	–	–	–	26 446 481	26 446 481
Other comprehensive income	–	–	–	–	–
<b>Balance at 30 September 2017</b>	<b>506 296 000</b>	<b>18 206 250</b>	–	<b>900 733 563</b>	<b>1 425 235 813</b>
Notes	4	4			

## Statement of cash flows

	Unaudited Six months ended 30 September 2017 R	Audited Twelve months ended 31 March 2017 R	Unaudited Six months ended 30 September 2016 R
<b>Cash flows from operating activities</b>			
Cash utilised in operations	(1 155 341)	(2 252 759)	(1 989 670)
Interest income	431	169 541	68 701
Dividends received	–	3 500 000	3 500 000
Tax paid	(14 567)	(339 784)	(174 390)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1 169 477)</b>	1 076 998	1 404 641
<b>Cash flows from investing activities</b>			
Sale of investments	1 133 000	–	–
Purchase of investments	–	(2 409 514)	(2 704 177)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>1 133 000</b>	(2 409 514)	(2 704 177)
<b>Total cash movement for the period</b>	<b>(36 477)</b>	(1 332 516)	(1 299 536)
<b>Cash at beginning of period</b>	<b>48 637</b>	1 381 153	1 381 153
<b>Total cash and cash equivalents at end of period</b>	<b>12 160</b>	48 637	81 617

# Notes to the condensed interim results

for the period ended 30 September 2017

## GROUP STRUCTURE

RAC was established in 2009 as a closed-end investment entity that makes long-term investments, with the objective of generating high real returns. 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. Currently, the majority of investments are held through RAC Investment Holdings (Pty) Ltd.

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. 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 2017 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 2018.

### 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 2017

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

	Unaudited Six months ended 30 September 2017 R	Audited Twelve months ended 31 March 2017 R	Unaudited Six months ended 30 September 2016 R
<b>2. INVESTMENTS</b>			
<b>Fair value hierarchy of financial assets</b>			
<b>Level 2</b>			
Class 4 – Unit trust – money market fund	1 341 591	2 409 514	2 704 177
	<b>1 341 591</b>	2 409 514	2 704 177
<b>Level 3</b>			
Class 5 – Unlisted shares – Unquoted – fair value through profit and loss – RIH	1 424 074 846	1 396 876 924	1 168 035 386
	<b>1 424 074 846</b>	1 396 876 924	1 168 035 386
<b>Total financial assets at fair value</b>	<b>1 425 416 437</b>	1 399 286 438	1 170 739 563
Non-current assets	1 424 074 846	1 396 876 924	1 168 035 386
Current assets	1 341 591	2 409 514	2 704 177
<b>Total investments</b>	<b>1 425 416 437</b>	1 399 286 438	1 170 739 563

## Available cash

Cash 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 4 above, where applicable.

# Notes to the condensed interim results continued

for the period ended 30 September 2017

	<b>Unaudited Six months ended 30 September 2017 R</b>	Audited Twelve months ended 31 March 2017 R	Unaudited Six months ended 30 September 2016 R
<b>2. INVESTMENTS (continued)</b>			
<b>Level 3 reconciliation</b>			
Opening balance	<b>1 396 876 924</b>	983 290 784	983 290 784
Acquisitions (including capital contribution to RIH)	–	50 996 000	50 996 000
Gains on investments recognised in profit and loss	<b>27 197 922</b>	362 590 140	133 748 602
<b>Closing balance</b>	<b>1 424 074 846</b>	1 396 876 924	1 168 035 386

## Level 1

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

Class 2 financial assets are valued at the quoted price based on the latest over the counter trades.

## Level 2

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

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

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

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

## Level 3

Class 5 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.

# Notes to the condensed interim results continued

for the period ended 30 September 2017

## 2. INVESTMENTS (continued)

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

	Unaudited Six months ended 30 September 2017 R	Audited Twelve months ended 31 March 2017 R	Unaudited Six months ended 30 September 2016 R
<b>Fair value hierarchy of financial assets held by RIH</b>			
<b>Level 1</b>			
Class 1 – Listed shares – Quoted	219 552 537	205 119 811	193 708 663
Class 2 – Unlisted shares – Quoted	35 099 830	55 550 183	68 046 300
	<b>254 652 367</b>	<b>260 669 994</b>	<b>261 754 963</b>
<b>Level 2</b>			
Class 3 – Derivative instruments	337 931 666	130 879 183	–
Class 4 – Money market fund	56 680 906	158 886 872	44 291 111
Class 6 – Unlisted shares – last traded price – available for sale	34 629 034	34 031 981	–
Class 6 – Unlisted shares – last traded price – fair value through profit or loss	–	49 736 932	–
Class 3 – Hedge Fund	42 958 457	–	–
	<b>472 200 063</b>	<b>373 534 968</b>	<b>44 291 111</b>
<b>Level 3</b>			
Class 5 – Unlisted shares – Unquoted – available-for-sale	4 306 964	4 038 769	45 081 286
Class 5 – Unlisted shares – Unquoted – fair value through profit and loss	1 107 545 096	993 249 079	1 082 827 457
	<b>1 111 852 060</b>	<b>997 287 848</b>	<b>1 127 908 743</b>
<b>Total financial assets at fair value</b>	<b>1 838 704 490</b>	<b>1 631 492 810</b>	<b>1 433 954 817</b>
Non-current assets	1 782 023 584	1 472 605 938	1 250 889 389
Current assets	56 680 906	158 886 872	183 065 428
<b>Total investments</b>	<b>1 838 704 490</b>	<b>1 631 492 810</b>	<b>1 433 954 817</b>
<b>Summary of net asset value of RIH</b>			
Total investments from above	1 838 704 490	1 631 492 810	1 433 954 817
Loans and receivables	78 705 924	56 749 640	103 802 715
Cash and cash equivalents	3 951 779	4 665 742	4 767 304
Deferred tax	(130 797 666)	(117 389 895)	(80 807 975)
Accruals and contingent consideration	–	(22 123 176)	(143 063 047)
Loans and payables	(3 250 772)	(6 518 197)	(618 428)
Preference shares	(363 238 909)	(150 000 000)	(150 000 000)
<b>Net asset value of RIH</b>	<b>1 424 074 846</b>	<b>1 396 876 924</b>	<b>1 168 035 386</b>

# Notes to the condensed interim results continued

for the period ended 30 September 2017

## 2. INVESTMENTS (continued)

### Description of significant unobservable inputs and their sensitivities

30 September 2017

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

	Valuation technique	Fair value R'm	Significant unobservable inputs	Input value	Sensitivity
RAC Investment Holdings	NAV	1 424,1	Earnings and multiple of the underlying investments (refer to the breakdown below)	n/a	A change in the multiple of the underlying investment by 1 would result in an increase or decrease in fair value of approximately R107m.

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

Retail: Safari and Outdoor (excluding non-equity investments)	Multiples	49,9	EBITDA, Sales, PE	4 – 8	A change in multiple up by 1 would result in an increase in fair value of approximately R14m.
Goldrush Group	Multiples	896,4	EBITDAR	6,5	A change in the EBITDAR multiple by 1 would result in an increase or decrease in fair value of approximately R86,5m.
JB Private Equity Investors Partnership	NAV	102	n/a	n/a	The NAV of the JB Private Equity Investors Partnership is directly linked to the underlying investment in Unicorn Capital Partners Limited (previously called 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 Unicorn Capital share price would have a R8,8m impact on the Partnership NAV.
Mining: West Coast resources (excluding non-equity investments)	NAV	19,7	Valuation of mining rights	19%	A multi-period excess earnings method was used to calculate the mining rights in WCR. A change in the value of the mining rights by 10% would result in a R33m change in the NAV of WCR.

# Notes to the condensed interim results continued

for the period ended 30 September 2017

## 2. INVESTMENTS (continued)

Description of significant unobservable inputs and their sensitivities

30 September 2017

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

	Valuation technique	Fair value R'm	Significant unobservable inputs	Input value	Sensitivity
Education: SA College (excluding non-equity investments)	Multiples	39,6	EBIT, Sales, PE	0,8 – 5	A change in multiple up by 1 would result in an increase in fair value of approximately R37m.
Other level 3 investments		4,3			
<b>Total</b>		<b>1 111,9</b>			

31 March 2017

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

	Valuation technique	Fair value R'm	Significant unobservable inputs	Input value	Sensitivity
RAC Investment Holdings	NAV	1 397	Earnings and multiple of the underlying investments (refer to breakdown below)	n/a	A change in the multiple of the underlying investment by 1 would result in an change in value of R106m.

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

Retail: Safari and Outdoor (excluding non-equity investments)	Multiples	49,9	EBITDA, Sales, PE	4 – 8	A change in multiple up by 1 would result in an increase in fair value of approximately R14m.
Goldrush Group	Multiples	816,4	EBITDAR	6,5	An increase or decrease in the EBITDAR multiple by 1 would result in a change in fair value of approximately R122m.

# Notes to the condensed interim results continued

for the period ended 30 September 2017

## 2. INVESTMENTS (continued)

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

31 March 2017

	Valuation technique	Fair value R'm	Significant unobservable inputs	Input value	Sensitivity
JB Private Equity Investors Partnership	NAV	100,9	n/a	n/a	The NAV of the JB Private Equity Investors Partnership is directly linked to the underlying investment in Sentula Mining Limited which is listed on the JSE and is not currently significantly impacted by any fair value adjustment to trade and other payables and therefore NAV of the JB Private Equity Investors Partnership is considered to be fair value. A 10% movement in the Sentula share price would have a R8,7m impact on the Partnership NAV.
Mining: West Coast resources (excluding non-equity investments)	NAV	26,1	Valuation of mining rights	19% discount rate	A multi-period excess earnings method was used to calculate the mining rights in WCR. A change in the value of the mining rights by 10% would result in a R24,7m change in the NAV of WCR.
Other level 3 investments		4,0			
<b>Total</b>		<b>997,3</b>			

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

## 3. RELATED PARTY TRANSACTIONS

There were no significant changes to related parties or related party transactions since the year ended 31 March 2017.

# Notes to the condensed interim results continued

for the period ended 30 September 2017

	<b>Unaudited Six months ended 30 September 2017 R</b>	Audited Twelve months ended 31 March 2017 R	Unaudited Six months ended 30 September 2016 R
<b>4. SHARE CAPITAL</b>			
<b>Authorised</b>			
5 000 000 ordinary shares of R0,01 each	<b>50 000</b>	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.			
<b>Issued</b>			
3 750 000 (March 2017: 3 750 000, September 2016: 5 000 000) ordinary shares of R0,01 each	<b>37 500</b>	37 500	50 000
Share premium	<b>18 168 750</b>	18 168 750	49 950 000
	<b>18 206 250</b>	18 206 250	50 000 000
47 400 000 (March 2017: 47 400 000, September 2016: 45 000 000) non-cumulative redeemable participating preference shares	<b>506 296 000</b>	506 296 000	450 000 000
	<b>506 296 000</b>	506 296 000	450 000 000

# Notes to the condensed interim results continued

for the period ended 30 September 2017

## 5. CURRENT AND DEFERRED TAXATION

	<b>Unaudited Six months ended 30 September 2017 R</b>	Audited Twelve months ended 31 March 2017 R	Unaudited Six months ended 30 September 2016 R
<b>Taxation expense</b>			
Current taxation	<b>(19 072)</b>	(50 208)	(32 591)
Taxation expense	<b>(19 072)</b>	(50 208)	(32 591)
<p>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 R535 449 932 (March 2017: R508 252 010, September 2016: R279 410 472). Deferred tax has been recognised in RIH on the investments that it expects to incur taxes on when realising their value.</p>			
<b>6. NET ASSET VALUE</b>			
Net asset value attributable to ordinary shareholders	<b>104 489 429</b>	102 550 538	112 091 750
Net asset value attributable to preference shareholders	<b>1 320 746 384</b>	1 296 238 794	1 058 146 124
<b>Number of shares in issue</b>			
Ordinary shares	<b>3 750 000</b>	3 750 000	5 000 000
Preferences shares	<b>47 400 000</b>	47 400 000	47 200 000
Net asset value per ordinary share (cents)	<b>2 786</b>	2 735	2 242
Net asset value per preference share (cents)	<b>2 786</b>	2 735	2 242

# Notes to the condensed interim results continued

for the period ended 30 September 2017

## 7. EARNINGS AND HEADLINE EARNINGS PER SHARE

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

	<b>Unaudited Six months ended 30 September 2017 R</b>	Audited Twelve months ended 31 March 2017 R	Unaudited Six months ended 30 September 2016 R
<b>Number of shares in issue</b>			
Ordinary shares	3 750 000	4 606 164	5 000 000
Preferences shares	47 400 000	46 534 795	45 183 333
<b>Earnings</b>			
Net profit after tax	26 446 481	391 185 766	136 140 558
<b>Headline earnings</b>	<b>26 446 481</b>	<b>391 185 766</b>	<b>136 140 558</b>
Basic and diluted earnings per ordinary and preference share (cents)	52	765	271
Headline and diluted headline earnings per ordinary and preference share (cents)	52	765	271

The Company has no dilutive instruments in issue as at 30 September 2017.

## 8. EVENTS AFTER THE REPORTING PERIOD

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

## 9. DIVIDENDS

No dividend has been declared.

# Notes to the condensed interim results continued

for the period ended 30 September 2017

## 10. GUARANTEE, CESSION AND PLEDGE

During the current period, RIH issued another 200 preference shares at R1m each to ABSA Bank Limited ("ABSA"). As at 30 September 2017 the capital balance of R350m 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 R50m tranches during December 2018, May 2019, August 2019, July 2020, August 2020, September 2020 and October 2020.

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

- RAC pledged its shares held in RIH to ABSA
- RAC provided a guarantee in favour of ABSA for the full, complete and punctual payment and performance by RIH of all its obligations under the Preference Share Agreement
- 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 2017, 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.