RECM AND CALIBRE

RECM AND CALIBRE LIMITED

Incorporated in the Republic of South Africa

(Registration number 2009/012403/06)

Preference share code: RACP

ISIN: ZAE000145041

("RAC")

UNAUDITED UNREVIEWED CONDENSED INTERIM FINANCIAL RESULTS

for the six months ended

30 September 2018

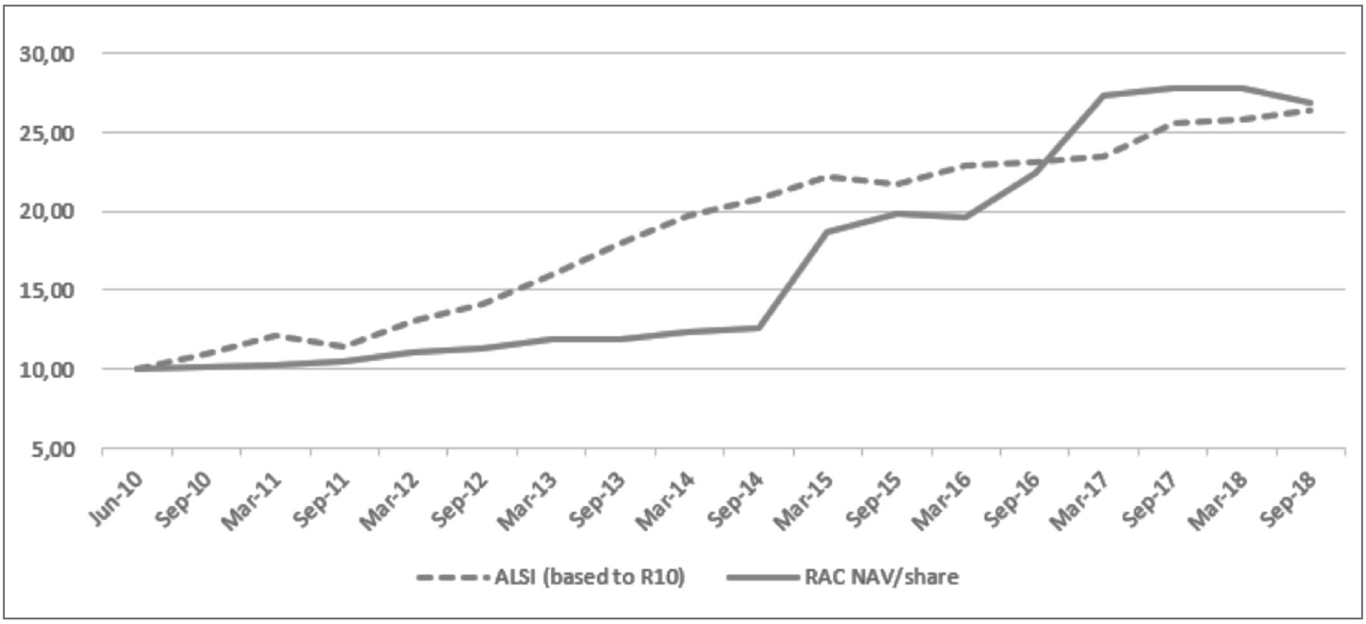
Contents

Letter to shareholders

At 30 September 2018, RAC's Net Asset Value ("NAV") per share (ordinary and participating preference) amounted to R26,86. This represents a decrease of 3,3% over the first six months of the financial year, and a decrease of 3,6% over the last 12 months. This compares to gains of 2,3% and 3,3% for the All Share (Total Return) index over the same periods.

The following chart shows our progression against the JSE All Share Index, including dividends. R10 invested in RAC participating preference shares in June 2010 has grown to R26,86 in NAV after all fees and taxes. The same amount invested in the JSE All Share Index would have grown to R26,37.

Despite a few historical capital allocation mistakes by the management of RAC, we are proud of our businesses' ability to outperform the average company in South Africa.



As at 30 September 2018, the make-up of our NAV on a look-through basis consists of:

	% ownership	% of total assets	Directors Fair Value (R'm) Unaudited 30 September 2018	Audited 31 March 2018	Unaudited 30 September 2017
Core investments		**84**	**1 749,2**	1 567,6	1 134,3
Goldrush	51,0	50	**1 038,0**	941,1	896,4
Astoria Investments	28,7	21	**444,9**	386,4	–
Outdoor Investment Holdings	28,6	4	**85,5**	82,5	59,9
JB Private Equity Investors Partnership (Unicorn Capital Partners)	90,0	3	**71,7**	106,1	112,9
College SA	96,6	3	**58,9**	51,5	65,1
ISA Carstens	49,0	2	**50,2**	–	–
Portfolio investments		**10**	**215,3**	318,1	387,8
Trans Hex	31,6	4	**87,5**	114,4	74,6
West Coast Resources	–	–	**–**	–	48,6
RECM Flexible Value Fund	–	2	**45,0**	42,4	43,0
Conduit	2,3	1	**30,3**	38,9	39,2
Hosken Passenger Logistics (HPL&R)	1,9	1	**26,8**	–	–
La Concorde	5,1	1	**16,6**	43,9	35,1
DAWN	16,8	0	**9,1**	78,5	112,7
Excellerate	–	–	**–**	–	34,6
Other investments		3	**65,2**	22,2	337,9
Cash and receivables		2	**41,7**	123,1	62,9
Total assets			**2 071,4**	2 031,0	1 922,9
CGT and other liabilities		(8)	**(155,4)**	(132,4)	(134,5)
Bank funding		(26)	**(542,3)**	(477,9)	(363,2)
Net assets			**1 373,7**	1 420,7	1 425,2
Net asset value per share ("R")			**26,86**	27,77	27,86

DECREASE IN NAV

The decrease in NAV per share of 3.3% for the 6 months equates to a decrease in monetary value of R47m. The composition of the decrease on a look-through basis is as follows:

	Unaudited Six months ended 30 September 2018 R	Unaudited Six months ended 30 September 2017 R
Opening NAV	**1 420 679 967**	1 398 789 332
Increase in NAV – Per SCI	**(47 016 782)**	26 446 481
Interest and dividends	**39 350 926**	10 517 774
Realised profits on sale of assets and other income	**239 340**	9 676 517
Adjustments to fair value of assets	**(56 092 004)**	49 785 371
Less: Tax paid	**(1 627 507)**	(9 131 918)
Less: Tax provided for	**7 041 028**	(10 727 371)
Less: Financing expenses	**(21 300 055)**	(13 119 686)
Less: Operating expenses	**(14 628 510)**	(10 554 206)
Closing NAV	**1 373 663 185**	1 425 235 813

Our valuation method remains unchanged. All listed assets are held at market price, while unlisted assets are held 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 influential stakes in unlisted, untraded assets, this range is necessarily quite wide. Since inception, RAC management has consistently valued the investments towards the lower end of this range. Our track record shows that all realisations have been priced above their holding value.

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. RAC management regards 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 intrinsic value. RAC pays 1,15% (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.

CORE INVESTMENTS

Goldrush

Goldrush continues to perform well. Total revenue for the past twelve months exceeded R1,1bn, compared to R836m a year ago.

Goldrush owns 32 Bingo licences, of which a further 2 were rolled out this period, bringing the total number of operating Bingo properties to 26. Existing Bingo operations saw healthy growth in Gross Gaming Revenue, with the exception being our Atterbury property, which is still suffering from a new casino in the vicinity. The properties that were opened in the last 18 months have achieved expected profitability levels. The roll-out of remaining Bingo licences continues and should be completed in the next two years.

Goldrush owns 9 Route and ISO licences to operate Limited Payout Machines, with a total of 4 200 machines approved under these licences. Our LPM business managed to accelerate the roll-out of machines in this period, after a hiatus of some time, mostly due to improved efficiency from a number of gambling boards. This brought the total number of machines in operation to 1 792, up from 1 671 six month earlier. Apart from an increase in machines in the field, we have also achieved higher average revenue per machine.

Goldrush owns 36 retail sports betting licences, of which 28 have been rolled out. It also operates the online sports betting site www.gbets.co.za. The sports betting division has now achieved critical mass, with the retail stores significantly complementing our online offering.

In all three divisions of the business, Goldrush management continues to develop new properties as the group still has a large number of licenced opportunities to roll out. However, the existing operations are also being managed to optimise performance.

The gaming industry, like the rest of the entertainment industry in South Africa, still faces a potential negative impact from the proposed changes in smoking legislation. This piece of legislation is currently making its way through the various stages of the process it needs to follow, which could still take a number of years to conclude.

Astoria Investments Limited ("Astoria")

The Astoria share price gained 14,5% during the period under review. Despite continuing to underperform the MSCI World index, the value of the underlying portfolio increased by even more than this, on the back of a weaker local currency and steady global markets.

RAC's NAV did not participate in this increase of the underlying portfolio of Astoria, as the discount at which its share price trades to its underlying value, increased to its widest level since listing. Our partial hedges on the position also accrued mark-to-market losses over this period.

Frustratingly, RAC has not been able to present its offer for the remaining shares in Astoria to the other shareholders of the company, as the Astoria Board has brought a court case in Mauritius to stop RAC from making its offer. This case is scheduled to be heard in November.

RAC management is working with the Mauritian regulator, the board of Astoria as well as engaging other shareholders to resolve the delay in the process.

Astoria is a listed business, and further information can be found at http://www.astoria.mu/

The JB Private Equity Partnership

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

The challenges UCP faced during the 2017 financial year were all about aggressive restructuring, closing, merging and recapitalising affected businesses and addressing the historical debt burden. The 2018 financial year was different. It was about keeping cash flow momentum in the restructured businesses, pursuing new contracts in heavy mobile crane lifting, drilling, blasting and exploration drilling, and developing and expanding our anthracite mine.

The end result was very encouraging, as UCP earned a net profit of R17 million. The first annual profit since 2011.

UCP is a listed business, and further information can be found at https://www.unicorncapital.co.za/

Outdoor Investment Holdings

Outdoor Investment Holdings (OIH) and its subsidiaries Safari Outdoor, Formalito and Inyathi Sporting Supplies have performed above expectation in an increasingly competitive industry. Safari Outdoor is set to open the doors of its 5th store in November 2018.

College SA

College SA has seen a modest return of prior students, which stopped their academic pursuits after the announcements of 'Free Education" late last year. The disillusionment with the promised Free Education has set in, and more individuals accept that they have to take responsibility for their own education. However, affordability remains a stumbling block for most students.

The March-to-September period is traditionally not a strong period for new enrolments, with most South Africans still accepting that the new calendar year is the natural start for a new academic year. However, College SA has been able to maintain enrolments and student numbers over this period.

ISA Carstens

During the period under review, RAC became a 49% shareholder of ISA Carstens Holdings, a private tertiary education institution which provides tuition for students who wish to follow a career in the health and wellness industry.

ISA Carstens was established in 1978 and has grown under the custodianship of the founding family to become one of the cornerstone training institutions in its industry in South Africa. ISA Carstens alumni are well sought after in the industry, not only in South Africa, but also overseas. Students which have finished their training with ISA Carstens are imminently marketable and generally find gainful employment straight away.

ISA Carstens provides tuition at its two campuses in Stellenbosch and Pretoria, and also provides boarding facilities for its students. The Pretoria campus is the newer of the two campuses, which means that our student numbers in this facility still have scope to grow.

Our investment into ISA Carstens provides the group with capital which will facilitate an increase in its footprint and an increase in the range of courses it delivers. We are particularly excited about the opportunity to become partners with the founding family and grow the business together.

Since the transaction concluded during this period, the investment is valued at our original purchase price which we feel represents the fair value of our investment.

PORTFOLIO INVESTMENTS

Trans Hex Group Limited ("Transhex")

After selling its Lower Orange River operations earlier this year, Transhex now owns and manages three operations: Shallow water mining, 67% of West Coast Resources ("WCR") and 33% of Somiluana in Angola. The shallow water operations are a very small contributor to profitability. WCR continues to struggle due to a lack of mining flexibility. Somiluana's production is in line with expectations, but it remains challenging to repatriate foreign currency from Angola. Transhex's fortunes, by nature, are particularly sensitive to Rand movements.

Transhex is a listed business, and further information can be found at https://www.transhex.co.za/

RECM Flexible Value Fund

Our investment in the RECM Flexible Value Fund gained just over 6% during the period under review. The fund's benchmark, the JSE All Share Index, generated a total return of 2,3%. Since the inception of our investment, the fund has gained 9,5% compared to benchmark return of 5,7%.

In this period, the portfolio benefited from unlocking value in a number of cheap, illiquid opportunities in South Africa. The fund also benefited from having a short book primarily in economically and interest rate sensitive sectors. Many of these positions remain expensive relative to underlying fundamentals.

Pervasive levels of investor pessimism are creating fertile hunting ground for this fund, both on the long and short side.

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

Conduit Capital

Conduit Capital, whose major asset is Constantia Insurance, continues in its efforts to build a high quality diversified insurance business, supported by a value orientated, non-insurance related investment portfolio. Recent financial results show that the strategy is starting to bear fruit, with NAV per share growing by 13% to R1,98 and the float growing by 17%, over the past year.

Conduit is a listed business, and further information can be found at https://www.conduitcapital.co.za/

La Concorde Holdings ("LCH")

LCH has become a holding company. It recently unbundled HPL&R – the listed holding company for Golden Arrow Bus Services – being its last operating business, and now only holds some development property, art and cash.

Hosken Passenger Logistics and Rail ("HPL&R")

HPL&R is an investment entity tailored to consolidate and expand opportunities in the mobility and logistics sectors. The current portfolio is rooted in the commuter bus and luxury coach segments. The stock is tightly held and, since it listed, has not yet gone through a financial reporting period. As such, we do not think the quoted share price is an accurate reflection of the intrinsic value of the business.

HPL&R is a listed business, and further information can be found at http://www.hplr.co.za/

Distribution and Warehousing Network Limited ("DAWN")

RAC owns 16,8% of DAWN, a listed building supplies business. DAWN was the result of a roll-up strategy pursued by previous management, which started coming apart for well documented reasons.

When we invested into the business, we hoped we could help with the subsequent turnaround effort. A lot has been done, but a weakening economic environment and legacy issues remain significant headwinds.

We continue to put a lot of time and energy into assisting management with the potential turnaround.

DAWN is a listed business, and further information can be found at http://www.dawnltd.co.za/

PROSPECTS

Our investments have exciting prospects, with the exception of our businesses exposed to mining and construction. Fortunately, these represent less than 5% of our total assets. Of course, when we initially made these investments, they formed a larger portion of the asset base. By the end of September, the market had – correctly so – penalized us by marking the value of these investments down substantially. This is reflected in our current NAV as it stands. Going forward they will play a small role in the NAV of RAC.

Our core investments now make up over 84% of our asset base. We have two things going in our favour in these businesses – they have good growth prospects, and their valuations are conservatively struck. These two factors set RAC up for continued strong NAV growth.

RAC currently carries more debt than usual and more than we would normally aim for. Our outside funding comprises long-term debt in the form of redeemable preference shares issued to our bankers of R350m, and additional term-debt of R191m, which is mostly as a result of our contemplated offer to Astoria shareholders. RAC Investment Holdings obtained an arm's length loan of R30,5m from our sister company, Calibre Treasury and Management Services, to fund a specific early-stage investment which is currently classified under "other investments". Our cash-flow and covenants have been agreed and managed in conjunction with our financiers, who remain an integral part of the process.

Given our asset base of over R2bn, the current debt burden, albeit above our own self-imposed limits, is quite comfortable.

We are confident that the Astoria situation should be resolved sooner rather than later, and given the price we paid for our stake, any resolution should result in an uplift in RAC's NAV.

We are constantly evaluating new investment opportunities.

Despite the bleak local economic environment, we have a high level of confidence in our businesses and their management teams to continue creating value for our shareholders.

STRATEGY

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 reliable partners. And, if the phone were to ring, we can promise a quick answer.

Signed on behalf of the board

Piet Viljoen

Jan van Niekerk

Cape Town
19 October 2018

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, 1st Floor, Yellowwood House, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston, 2021

Statement of financial position

	Notes	**Unaudited 30 September 2018 R**	Audited 31 March 2018 R	Unaudited 30 September 2017 R
ASSETS				
Non–current assets		**1 373 864 410**	1 420 152 165	1 424 074 846
Investments	2	**1 373 864 410**	1 420 152 165	1 424 074 846
Current assets		**220 104**	1 350 670	1 572 553
Investments	2	**137 148**	1 094 061	1 341 591
Loans and other receivables		**–**	–	–
Current tax receivable		**–**	221 365	218 802
Cash and cash equivalents		**82 956**	35 244	12 160
Total assets		**1 374 084 514**	1 421 502 835	1 425 647 399
EQUITY AND LIABILITIES				
Equity				
Share capital – ordinary shareholders	4	**18 206 250**	18 206 250	18 206 250
Share capital – preference shareholders	4	**506 296 000**	506 296 000	506 296 000
Retained income		**849 160 935**	896 177 717	900 733 563
Total equity		**1 373 663 185**	1 420 679 967	1 425 235 813
Current liabilities		**421 329**	822 868	411 586
Trade and other payables		**421 045**	822 868	411 586
Current tax payable		**284**	–	–
Total equity and liabilities		**1 374 084 514**	1 421 502 835	1 425 647 399
Net asset value				
Net asset value attributable to ordinary shareholders		**100 708 445**	104 155 423	104 489 429
Net asset value attributable to preference shareholders		**1 272 954 740**	1 316 524 544	1 320 746 384
Net asset value per ordinary share (cents)	6	**2 686**	2 777	2 786
Net asset value per preference share (cents)	6	**2 686**	2 777	2 786

Statement of comprehensive income

	Notes	**Unaudited Six months ended 30 September 2018 R**	Audited Twelve months ended 31 March 2018 R	Unaudited Six months ended 30 September 2017 R
Revenue		**513 643**	110 219	65 508
Operating expenses		**(1 000 679)**	(1 463 996)	(797 877)
Operating (loss)/profit		**(487 036)**	(1 353 777)	(732 369)
Fair value (losses)/gains on subsidiary		**(46 303 887)**	23 275 241	27 197 922
Profit before taxation		**(46 790 923)**	21 921 464	26 465 553
Taxation	5	**(225 859)**	(30 829)	(19 072)
(Loss)/profit after taxation		**(47 016 782)**	21 890 635	26 446 481
Other comprehensive income for the period net of taxation		**–**	–	–
Total comprehensive (loss)/income		**(47 016 782)**	21 890 635	26 446 481
Earnings and headline earnings per share				
Per share information (ordinary and preference)				
Basic and diluted earnings per share (cents)	7	**(92)**	43	52
Headline and diluted headline earnings per share (cents)	7	**(92)**	43	52

Statement of changes in equity

	Preference share capital R	Ordinary share capital R	Retained income R	Total shareholders' equity R
Balance at 31 March 2017	506 296 000	18 206 250	874 287 082	1 398 789 332
Profit	–	–	26 446 481	26 446 481
Balance 30 September 2017	506 296 000	18 206 250	900 733 563	1 425 235 813
Profit	–	–	(4 555 846)	(4 555 846)
Balance 31 March 2018	**506 296 000**	**18 206 250**	**896 177 717**	**1 420 679 967**
Profit	**–**	**–**	**(47 016 782)**	**(47 016 782)**
Other comprehensive income	**–**	**–**	**–**	**–**
Balance 30 September 2018	**506 296 000**	**18 206 250**	**849 160 935**	**1 373 663 185**
Note	4	4		

Statement of cash flows

	Unaudited Six months ended 30 September 2018 R	Audited Twelve months ended 31 March 2018 R	Unaudited Six months ended 30 September 2017 R
Cash flows from operating activities			
Cash utilised in operations	**(1 402 502)**	(1 410 178)	(1 155 341)
Interest income	**556**	672	431
Dividends received	**500 000**	–	–
Tax paid	**(4 210)**	(28 887)	(14 567)
Net cash inflow/(outflow) from operating activities	**(906 156)**	(1 438 393)	(1 169 477)
Cash flows from investing activities			
Sale of investments	**970 000**	1 425 000	1 133 000
Purchase of investments	**(16 132)**	–	–
Net cash outflow from investing activities	**953 868**	1 425 000	1 133 000
Total cash movement for the period	**47 712**	(13 393)	(36 477)
Cash at beginning of period	**35 244**	48 637	48 637
Total cash and cash equivalents end of period	**82 956**	35 244	12 160

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"), Livingstone Investments (Pty) Ltd ("Livingstone"), or directly.

Given that the majority of investments are held through RIH, RAC has provided the fair value disclosure in two parts in note 2. 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 and RIH's wholly owned subsidiary Livingstone to the underlying investments. All fair value movements on the investment in RIH are recognised in profit or loss.

1. ACCOUNTING POLICIES – PRESENTATION OF CONDENSED INTERIM FINANCIAL STATEMENTS

Basis of accounting preparation

Except for the adoption of IFRS 9 and IFRS 15 as from 1 April 2018, which have had no material impact on the results or disclosures of the Company, 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 2018. The accounting policies continue to be in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. In addition, these interim results have been prepared in accordance with the presentation and disclosure requirements of International Accounting Standard 34, Interim Financial Reporting, as well as the Listings Requirements of the JSE and the Companies Act of South Africa.

The interim results have been prepared in accordance with the IFRS and IFRIC interpretations at the time of the preparation of the information. As these standards and interpretations are the subject of ongoing review, they may be amended between the date of this report and the finalisation of the annual financial statements for the year ending 31 March 2019.

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.

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

	Unaudited Six months ended 30 September 2018 R	Audited Twelve months ended 31 March 2018 R	Unaudited Six months ended 30 September 2017 R
2. INVESTMENTS			
Fair value hierarchy of financial assets			
Level 2			
Class 4 – Money market fund	**137 148**	1 094 061	1 341 591
	137 148	1 094 061	1 341 591
Level 3			
Class 5 – Unlisted shares - Unquoted - fair value through profit or loss	**1 373 864 410**	1 420 152 165	1 424 074 846
	1 373 864 410	1 420 152 165	1 424 074 846
Total financial assets at fair value	**1 374 001 558**	1 421 246 226	1 425 416 437
Non-current assets – fair value through profit or loss	**1 373 864 410**	1 420 152 165	1 424 074 846
Current assets – fair value through profit or loss	**137 148**	1 094 061	1 341 591
Total investments	**1 374 001 558**	1 421 246 226	1 425 416 437

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.

Level 3 reconciliation			
Opening balance	**1 420 152 165**	1 396 876 924	1 396 876 924
Acquisitions (including capital contribution in current period to RIH)	**16 132**	–	–
(Losses)/gains on investments recognised in profit and loss	**(46 303 887)**	23 275 241	27 197 922
Closing balance	**1 373 864 410**	1 420 152 165	1 424 074 846

2. INVESTMENTS (continued)

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 and Livingstone have continued to be valued based on their 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 subsidiaries, RIH and Livingstone, to the underlying investments. In addition, a summary of the NAV of RIH and Livingstone as well as the underlying valuation techniques and sensitivities have been provided.

2. INVESTMENTS (continued)

	Unaudited Six months ended 30 September 2018 R	Audited Twelve months ended 31 March 2018 R	Unaudited Six months ended 30 September 2017 R
Fair value hierarchy of financial assets held by RIH and Livingstone			
Level 1			
Class 1 – Listed shares – Quoted	**558 620 069**	565 781 986	219 552 537
Class 2 – Unlisted shares – Quoted	**16 567 120**	43 874 788	35 099 830
	575 187 189	609 656 774	254 652 367
Level 2			
Class 3 – Derivative instruments	**–**	–	337 931 666
Class 3 – Hedge Fund	**44 976 114**	42 401 775	42 958 457
Class 4 – Money market fund	**7 279 488**	72 433 269	56 680 906
Class 6 – Unlisted shares – last traded price – available-for-sale	**–**	–	34 629 034
	52 255 602	114 835 044	472 200 063
Level 3			
Class 5 – Unlisted shares – Unquoted – available-for-sale	**4 893 784**	4 597 611	4 306 964
Class 5 – Unlisted shares – Unquoted – fair value through profit or loss	**1 277 030 634**	1 165 762 769	1 107 545 096
	1 281 924 418	1 170 360 380	1 111 852 060
Total financial assets at fair value	**1 909 367 209**	1 894 852 198	1 838 704 490
Non-current assets	**1 457 164 421**	1 822 418 929	1 782 023 584
Current assets	**452 202 788**	72 433 269	56 680 906
Total investments	**1 909 367 209**	1 894 852 198	1 838 704 490
Summary of net asset value of RIH and Livingstone			
Total investments from above	**1 909 367 209**	1 894 852 198	1 838 704 490
Loans and receivables	**111 311 294**	68 016 765	78 705 924
Cash and cash equivalents	**34 174 329**	49 047 493	3 951 779
Deferred tax	**(119 174 301)**	(126 589 276)	(130 797 666)
Contingent consideration and options	**19 331 015**	16 209 881	–
Trade and other payables	**(7 641 044)**	(3 481 483)	(3 250 772)
Preference shares issued to ABSA	**(350 320 664)**	(350 340 778)	(363 238 909)
Loan from ABSA	**(192 044 181)**	(127 562 635)	–
Loan from Calibre Treasury and Management Services	**(31 139 247)**	–	–
Net asset value of RIH	**1 373 864 410**	1 420 152 165	1 424 074 846

2. INVESTMENTS (continued)

Description of significant unobservable inputs and their sensitivities

30 September 2018

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

	Valuation technique	Fair value Rm	Significant unobservable inputs	Input value	Sensitivity
RIH	NAV	1 373,9	Earnings and multiple of the underlying investments (refer to the breakdown below)	N/A	A change in the valuation techniques as documented below would result in a change in fair value of appoximately R159m.

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

Outdoor Investment Holdings	Multiple	85,5	PBIT	6	A change in multiple by 1 would result in an change in fair value of approximately R17,5m.
Goldrush Group	Multiple	1 038	EBITDAR	7	A change in the EBITDAR multiple by 1 would result in an increase or decrease in fair value of approximately R167,7m.
JB Private Equity Investors Partnership	NAV	58,9	N/A	N/A	The NAV of the JB Private Equity Investors Partnership is directly linked to the underlying investment in Unicorn Capital which is listed on the JSE and is not currently significantly impacted by any fair value adjustment to trade and other payables and therefore NAV of the JB Private Equity Investors Partnership is considered to be fair value. A 10% movement in the Unicorn Capital share price would have a R5,9m impact on the Partnership NAV.
SA College	Multiple	58,9	EBIT, Sales, PE	0,8 – 5	A change in multiple up or down by 10% would result in a change in fair value of approximately R5,2m.
ISA Carstens (equity investment)	Multiple	35,2	PAT	3	A change in multiple up or down by 1 would result in a change in fair value of approximately R5m.
	Capitalisation rate		Rent received	9%	A change in the capitalisation rate up or down by 1% would result in a change in fair value of approximately R3,8m.
Other level 3 investments		5,4			
Total		**1 281,9**			

2. INVESTMENTS (continued)

31 March 2018

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

	Valuation technique	Fair value Rm	Significant unobservable inputs	Input value	Sensitivity
RIH	NAV	1 420	Earnings and multiple of the underlying investments (refer to breakdown below)	N/A	A change in the valuation techniques as documented below would result in an increase in fair value of R177,8m or decrease in fair value of 184,9m.

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

Outdoor Investment Holdings	Multiple	82,5	PBIT	6	A change in multiple by 1 would result in an change in fair value of approximately R17,8m.
Goldrush Group	Multiple	941,1	EBITDAR	7	An increase or decrease in the EBITDAR multiple by 1 would result in a change in fair value of approximately R152,6m.
JB Private Equity Investors Partnership	NAV	94,3	N/A	N/A	The NAV of the JB Private Equity Investors Partnership is directly linked to the underlying investment in Unicorn Capital Partners Limited (which is listed on the JSE) and is not currently significantly impacted by any fair value adjustment to trade and other payables and therefore NAV of the JB Private Equity Investors Partnership is considered to be fair value. A 10% upward movement in the Unicorn Capital Partners share price would have a R2,3m impact on the Partnership NAV, whereas a 10% downward movement in the share price would have a R9,4m impact on NAV.
SA College (excluding non-equity investments)	Multiple	47,9	Sales	0,8 – 1	A change in multiple by 10% would result in a change in fair value of approximately R4,4m.
	NAV		N/A	N/A	A change in 10% of the underlying businesses would have a fair value impact of R0,7m.
Other level 3 investments		4,6			
Total		**1 170,4**			

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 as disclosed in the annual financial statements for the year ended 31 March 2018.

	Unaudited Six months ended 30 September 2018 R	Audited Twelve months ended 31 March 2018 R	Unaudited Six months ended 30 September 2017 R
4. SHARE CAPITAL			
Authorised			
5 000 000 Ordinary shares of R0,01 each	**50 000**	50 000	50 000
200 000 000 non-cumulative redeemable participating preference shares of no par value	**–**	–	–
250 000 000 redeemable preference shares of no par value	**–**	–	–
1 500 000 000 perpetual preference shares of no par value	**–**	–	–
	50 000	50 000	50 000
The 250 000 000 redeemable preference shares will have the rights and privileges, restrictions and conditions as determined by the Directors upon issue thereof, but which are intended to rank in priority to the participating preference shares, the perpetual preference shares and ordinary shares in respect of dividends and on winding up.			
The 1 500 000 000 perpetual preference shares will have the rights and privileges, restrictions and conditions as determined by the Directors upon issue thereof, but which are intended to rank in priority to the participating preference shares and ordinary shares in respect of dividends and on winding up.			
Issued			
3 750 000 (March 2018: 3 750 000, September 2017: 3 750 000) Ordinary shares of R0,01 each	**37 500**	37 500	37 500
Share premium	**18 168 750**	18 168 750	18 168 750
	18 206 250	18 206 250	18 206 250
47 400 000 (March 2018: 47 400 000, September 2017: 47 400 000) non-cumulative redeemable participating preference shares	**506 296 000**	506 296 000	506 296 000
	506 296 000	506 296 000	506 296 000

5. CURRENT AND DEFERRED TAXATION

	Unaudited Six months ended 30 September 2018 R	Audited Twelve months ended 31 March 2018 R	Unaudited Six months ended 30 September 2017 R
Taxation expense			
Current taxation	**(225 859)**	(30 829)	(19 072)
Taxation expense	**(225 859)**	(30 829)	(19 072)

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 R484 420 005 (March 2018: R531 527 251, September 2017: R535 449 932). Deferred tax has been recognised in RIH on the investments that it expects to incur taxes on when realising their value.

6. NET ASSET VALUE

	Unaudited Six months ended 30 September 2018 R	Audited Twelve months ended 31 March 2018 R	Unaudited Six months ended 30 September 2017 R
NAV attributable to ordinary shareholders	**100 708 445**	104 155 423	104 489 429
NAV attributable to preference shareholders	**1 272 954 740**	1 316 524 544	1 320 746 384
Number of shares in issue			
Ordinary shares	**3 750 000**	3 750 000	3 750 000
Preferences shares	**47 400 000**	47 400 000	47 400 000
NAV per ordinary share (cents)	**2 686**	2 777	2 786
NAV per preference share (cents)	**2 686**	2 777	2 786

7. EARNINGS AND HEADLINE EARNINGS PER SHARE

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

	Unaudited Six months ended 30 September 2018 R	Audited Twelve months ended 31 March 2018 R	Unaudited Six months ended 30 September 2017 R
Number of shares in issue			
Ordinary shares	**3 750 000**	3 750 000	3 750 000
Preferences shares	**47 400 000**	47 400 000	47 400 000
Earnings			
Net profit after tax	**(47 016 782)**	21 890 635	26 446 481
Headline earnings	**(47 016 782)**	21 890 635	26 446 481
Basic and diluted earnings per ordinary and preference share (cents)	**(92)**	43	52
Headline and diluted headline earnings per ordinary and preference share (cents)	**(92)**	43	52

The Company has no dilutive instruments in issue as at 30 September 2018.

8. EVENTS AFTER THE REPORTING PERIOD

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

9. DIVIDENDS

No dividend has been declared.

10. GUARANTEE, CESSION AND PLEDGE

As at 30 September 2018, RIH has issued 350 preference shares for R1 000 000 each to ABSA Bank Limited. The preference shares pay a preference dividend on 31 March and 30 September each year at a rate equivalent to 115% of prime and are redeemable in 7 equal tranches on 5 December 2018, 30 May 2019, 30 August 2019, 31 July 2020, 31 August 2020, 30 September 2020 and 30 October 2020.

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

- RAC pledged its shares held in RIH to ABSA
- RAC provided a guarantee in favour of ABSA for the full, complete and punctual payment and performance by RIH of all its obligations under the Preference Share Agreement amounting to R184,1m (2017: R42,3m) within 1 year, R172,1m (2017: R184,9m) within 2 years and R50,5m (2017: R223,2m) within 5 years.
- 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 2018, 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.

As at 30 September 2018 Livingstone Investments (Pty) Ltd ("Livingstone"), a wholly owned subsidiary of RIH, had a loan from ABSA totalling R191,3m. In terms of the loan agreement, the following securities were provided to ABSA:

- Livingstone pledged its shares held in Astoria as well as its bank accounts, claims and other related rights to ABSA
- RIH pledged its shares held in Livingstone to ABSA.
- Livingstone is required to repay the loan and total interest to ABSA, amounting to R228,5m by the 29 March 2019, failing which all assets held by RAC will become pledged to ABSA.

At year-end, both the value of Livingstone's pledged shares in Astoria as well as RIH's pledged shares in Livingstone exceeded the value of the loan and accumulated interest owing to ABSA. The directors of RAC foresee the possibility of RAC needing to make any payments under the guarantee as being highly remote.