

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")

UNAUDITED UNREVIEWED CONDENSED INTERIM FINANCIAL RESULTS

for the six months ended
30 September 2021

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Letter to shareholders

Dear fellow shareholders

At 30 September 2021, RAC's Net Asset Value ("NAV") per share (both ordinary and participating preference shares) amounted to R14,22. This represents a decrease in NAV per share of 2,3% over the first six months of the financial year, after adjusting for the distribution of Astoria shares to RAC's shareholders. The JSE All Share (Total Return) index decreased by 0,8% over the period.

GENERAL COMMENTARY

Shortly after year-end, RAC distributed 90,1% of the shares it held in Astoria Investments Ltd, the equivalent of R6,79 of NAV per share, to its shareholders. RAC now has one major asset, being its 58,8% shareholding in the Goldrush Group (Pty) Ltd, and a small portfolio of remaining assets that are being wound down or sold, which, upon completion, will leave Goldrush as its core asset.

As at 30 September 2021, the make-up of our NAV on a look-through basis consists of:

	% ownership	% total assets	Directors fair value * (R'm)		
			30 September 2021	31 March 2021	30 September 2020
Core investments		94,8	957,7	978,1	1 165,2
Goldrush	58,8	92,3	932,4	940,0	795,9
Astoria Investments	9,9	2,5	25,3	38,1	58,8
Outdoor Investment Holdings		–	–	–	113,0
JB Private Equity Investors Partnership		–	–	–	79,2
ISA Carstens		–	–	–	43,1
Vehicle Care Group		–	–	–	38,8
Trans Hex		–	–	–	36,5
Astoria Investments for distribution	90,1	–	–	347,1	–
Portfolio investments		3,2	32,8	43,9	41,0
RECM Flexible Value Prescient QI Hedge Fund	N/A	3,2	32,8	43,9	41,0
Other investments		1,6	16,5	12,2	13,0
Cash and receivables		0,0	2,8	9,8	8,2
Total assets			1 009,8	1 391,1	1 227,5
CGT and other liabilities			(32,5)	(49,9)	(4,7)
Bank funding			(250,0)	(250,0)	(250,1)
Net assets			727,2	1 091,2	972,8
NAV per share ("R")			14,22	21,33	19,02
NAV per share ex Astoria distribution ("R")			14,22	14,55	

* For an explanation of our valuation philosophy and approach, as well as our approach to fees, expenses and taxes, we refer you to previous shareholders letters, or our last annual report.

Letter to shareholders

continued

DECREASE IN NAV PER SHARE

The decrease in NAV per share of 2,3% for the six months equates to a loss of R16,7m. The composition of the decrease on a look-through basis is as follows:

	Unaudited Six months ended 30 September 2021 R	Audited Twelve months ended 31 March 2021 R	Unaudited Six months ended 30 September 2020 R
Interest and dividends received	3 804 071	16 027 717	9 195 950
Adjustments to fair value of assets	(23 357 440)	121 765 162	(52 504 838)
Financing expenses	(8 941 574)	(19 856 238)	(10 818 675)
Realised profit/(loss) on sale of assets	2 036 604	(888 553)	(1 586 048)
Investment advisory fees	(5 878 723)	(12 761 956)	(7 252 359)
Operating expenses	(2 123 140)	(4 311 386)	(2 952 480)
Tax paid	(894 660)	(2 900 476)	(1 981 632)
Tax reversed/(provided for)	18 627 205	(45 672 010)	809 467
Net (decrease)/increase in NAV ex Astoria	(16 727 657)	51 402 260	(67 090 615)
In specie dividend distribution of Astoria shares	(347 308 500)	–	–
Net (decrease)/increase in NAV	(364 036 157)	51 402 260	(67 090 615)

Goldrush Group (Pty) Ltd (“Goldrush”)

During the six-month period, Goldrush management’s focus was on guiding its operations through the third wave of COVID infections in South Africa, as well as the civil unrest which plagued parts of the country. A hard lockdown prohibited most of Goldrush’s operations from trading during June and July. Goldrush was fortunate in that it suffered minimal loss or damage during the civil unrest.

The combined impact of the unrest and lockdowns meant that group revenue declined by 7% when compared to the preceding six-month period. Nevertheless, the business achieved its highest ever rolling 12-month EBITDA of R334m over the past year.

Bingo

There was no material change in the number of electronic bingo terminals (“EBTs”) in operation, as the final remaining bingo license (Phalaborwa) will only be activated in December 2021. The number of EBTs in operation on 30 September 2021 was 3 983.

The hard lockdown that was imposed in late June resulted in all bingo operations closing for a period of 28 days. Trade was further impacted by various levels of curfews throughout the six-month period. Goldrush bingo was also impacted by venue capacity restrictions during certain lock-down levels. Trade and activity only picked up materially from late September onwards.

As an indication of activity, the bingo division generated gross gaming revenue for the six months of R354m, which is 116% higher than the same period last year, but 12% lower than the preceding six months.

Limited Payout Machines (“LPM”)

Despite the continued lockdowns, the LPM division experienced strong trading during the six-month period. The easing of alcohol restrictions permitted patrons to consume alcohol on-premises over weekends at various stages over the same period, benefiting weekend trading for the LPM division.

The 2 521 LPM machines in operation on 30 September 2021 were slightly more in number than at the beginning of the period. Goldrush has approval for over 200 additional machines to be installed, but delivery of these machines has been delayed until November 2021, due to international shipping delays.

Gross gaming revenue for the six months totalled R160m, which is 166% higher than the same period last year, and 6% below the preceding six months.

Letter to shareholders

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Retail sports betting

Similar to the LPM division, the retail sports betting division traded well, despite the stricter lockdowns. This was driven mostly by a return of international sporting events and the maturing of a number of properties. Two properties were closed due to non-performance and two properties closed temporarily after being damaged during the civil unrest in July 2021.

The division generated gross gaming revenue for the six months of R44m which was 106% higher than the same period last year, and 8% below the preceding six months.

Online gaming

Online gaming continued to grow strongly and is becoming a meaningful part of the business. Competition in the online gaming market continues to increase, as more operators enter the market with similar offerings.

Gross gaming revenue for the six months totalled R34m, which is 80% higher than the same period last year, and 32% higher than the preceding six months.

Valuation

Goldrush delivered actual, unadjusted EBITDA of R129m for the six-month period, which brings the rolling 12-month EBITDA for the period to 30 September 2021 to its highest ever level of R334m. This was slightly ahead of its 12-month normalised EBITDA at 31 March 2021, which was the underpin for our valuation at year-end. This 12-month period included trading restrictions during December 2020 and January 2021, a hard lock-down during June and July 2021 and prolonged level 2/3 restrictions from July to September 2021. This result is a testimony to the resilience of the business, the skill and dedication of its management team and staff as well as many years of unrelenting investment into and building of its various offerings.

We value Goldrush on the actual 12-month EBITDA and apply a 7 times multiple.

As at our valuation date, Goldrush net outside debt increased slightly to R681m. During the six-month period, Goldrush restructured and consolidated its banking facilities in order to allow for the group to trade through any further potential lockdowns with greater ease and also to prepare the group for its expected maiden dividend.

The value of RAC's investment in Goldrush reduced by 0,8% over the six-month period to R932,4m.

The immediate prospects of the business rely on the further easing of lockdown regulations and sustained improvement in national economic activity. These will be enhanced by the completion of the final bingo property and the activation of more LPMs in the current period.

The long-term prospects of the business remain intact. The bingo and retail sports betting divisions have a long runway of growth to maturity, the LPM division can double its machine count and the online division has only just started.

Astoria Investments Ltd ("Astoria")

The decrease in Astoria's valuation over the period reflects the fact that Astoria has moved from being valued at its NAV at year-end to being valued at its listed share price of R4,50/share, which is at a discount to its NAV.

It is RAC's intention to resolve the cross-holding structure which currently exists as a result of the distribution of Astoria shares. Announcements in this regard will be made at the appropriate time.

Astoria publishes its results separately. Further information can be found at <http://www.astoria.mu/>

RECM Flexible Value Fund ("Fund")

Our investment in the Fund gained 8,6% during the period under review. The fund's benchmark, the JSE All Share Index, declined by 0,8%.

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

RAC was an initial investor in the Fund through contributing four of its illiquid investments to the Fund in exchange for units. The Fund has since built a strong track record and has attracted outside flows. RAC will redeem its investment via recurring monthly withdrawals and realise these gains for our shareholders. RAC aims to exit the investment completely within the next year.

Letter to shareholders

continued

Balance Sheet

As at 30 September 2021, RAC has outstanding debt of R250m in the form of preference shares issued to Absa, and cash of R2,8m.

The proceeds from the hedge fund redemptions continues to provide sufficient cash to fund operating and financing costs. Goldrush is expected to initiate a dividend program in early 2022, which will add to the cash flows received by RAC.

Outlook

Goldrush has a number of growth opportunities and it is in a strong cash generating position – which it can use in any combination in order to pay down debt, invest for further growth, or pay out as dividends.

We share the market's frustration with the consistent discount at which RAC preference shares trade. Our strategy remains to increase its per-share NAV at the highest possible rate for its shareholders. The cash generated by Goldrush will be applied towards debt reduction (either at a Goldrush or a RAC level), share buy-backs or dividends to RAC shareholders, whichever actions will best support our strategy.

Signed on behalf of the board



Piet Viljoen

Cape Town
28 October 2021



Jan van Niekerk

Statement of financial position

		Unaudited 30 September 2021 R	Audited 31 March 2021 R	Unaudited 30 September 2020 R
	Notes			
ASSETS				
Non-current assets		727 170 306	1 091 349 712	972 309 571
Investments	2	727 170 306	1 091 349 712	972 309 571
Current assets		604 343	787 057	958 707
Investments	2	583 633	736 642	949 806
Trade and other receivables		–	41 511	–
Cash and cash equivalents		20 710	8 904	8 901
Total assets		727 774 649	1 092 136 769	973 268 278
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		202 708 466	566 744 623	448 251 748
Total equity		727 210 716	1 091 246 873	972 753 998
Current liabilities				
Trade and other payables		559 806	886 004	510 862
Current tax payable		4 127	3 892	3 418
Total equity and liabilities		727 774 649	1 092 136 769	973 268 278
Net asset value				
Net asset value attributable to ordinary shareholders		53 314 569	80 003 436	71 316 276
Net asset value attributable to preference shareholders		673 896 147	1 011 243 437	901 437 722
Net asset value per ordinary share (cents)	6	1 422	2 133	1 902
Net asset value per preference share (cents)	6	1 422	2 133	1 902

Statement of comprehensive income

Notes	Unaudited Six months ended 30 September 2021 R	Audited Twelve months ended 31 March 2021 R	Unaudited Six months ended 30 September 2020 R
Income	1 502 478	1 526 347	1 509 507
Operating expenses	(1 358 851)	(1 526 090)	(966 671)
Operating profit/(loss)	143 627	257	542 836
Fair value gains/(losses) on subsidiary	(16 870 906)	51 409 088	(67 631 053)
Profit/(loss) before taxation	(16 727 279)	51 409 345	(67 088 217)
Taxation	5 (378)	(7 085)	(2 398)
Profit/(loss) after taxation	(16 727 657)	51 402 260	(67 090 615)
Other comprehensive income for the period net of taxation	–	–	–
Total comprehensive income/(loss)	(16 727 657)	51 402 260	(67 090 615)
Earnings per share			
<i>Per share information (ordinary and preference)</i>			
Basic and diluted earnings per share (cents)	7 (33)	100	(131)

Statement of changes in equity

	Ordinary share capital R	Preference share capital R	Retained income R	Total shareholders' equity R
Balance at 31 March 2020	18 206 250	506 296 000	515 342 363	1 039 844 613
Loss	–	–	(67 090 615)	(67 090 615)
Other comprehensive income	–	–	–	–
Balance at 30 September 2020	18 206 250	506 296 000	448 251 748	972 753 998
Profit	–	–	118 492 875	118 492 875
Other comprehensive income	–	–	–	–
Balance at 31 March 2021	18 206 250	506 296 000	566 744 623	1 091 246 873
Loss	–	–	(16 727 657)	(16 727 657)
Dividend in specie	–	–	(347 308 500)	(347 308 500)
Other comprehensive income	–	–	–	–
Balance at 30 September 2021	18 206 250	506 296 000	202 708 466	727 210 716
Note	4	4		

Statement of cash flows

	Unaudited Six months ended 30 September 2021 R	Audited Twelve months ended 31 March 2021 R	Unaudited Six months ended 30 September 2020 R
Cash flows from operating activities			
Cash utilised in operations	(1 643 538)	(1 608 259)	(1 382 471)
Interest income	487	28	24
Dividends received	1 500 000	1 500 000	1 500 000
Tax paid	(143)	(4 213)	–
Net cash inflow/(outflow) from operating activities	(143 194)	(112 444)	117 553
Cash flows from investing activities			
Sale of investments	735 000	1 080 000	850 000
Purchase of investments	(580 000)	(980 000)	(980 000)
Net cash (outflow)/inflow from investing activities	155 000	100 000	(130 000)
Total cash movement for the period	11 806	(12 444)	(12 447)
Cash at beginning of period	8 904	21 348	21 348
Total cash and cash equivalents at end of period	20 710	8 904	8 901

Notes to the condensed interim results

for the period ended 30 September 2021

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 from capital appreciation, investment income or both. Investments can be listed or unlisted, public or private, and there are no limits as to the geographic location.

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

Given that the majority of investments are held through RIH, RAC has provided the fair value disclosure in two parts in note 2. Notes 2.1 and 2.3 disclose the investment in RIH as required by IFRS and notes 2.2 and 2.4 provide additional disclosures that the directors deem useful by looking through RIH 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

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 2021. 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 2021. Accordingly adjustments to reported results could be applicable depending on the nature of future amendments.

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 through profit or loss 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 report.

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

Notes to the condensed interim results continued

for the period ended 30 September 2021

1. ACCOUNTING POLICIES – PRESENTATION OF CONDENSED INTERIM FINANCIAL STATEMENTS

(continued)

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 2021 R	Audited Twelve months ended 31 March 2021 R	Unaudited Six months ended 30 September 2020 R
2. INVESTMENTS			
Fair value hierarchy of financial assets			
Level 2			
Class 4 – Money market fund	583 633	736 642	949 806
	583 633	736 642	949 806
Level 3			
Class 5 – Unlisted shares – Unquoted – fair value through profit or loss	727 170 306	1 091 349 712	972 309 571
	727 170 306	1 091 349 712	972 309 571
Total financial assets at fair value	727 753 939	1 092 086 354	973 259 377
Non-current assets – fair value through profit or loss	727 170 306	1 091 349 712	972 309 571
Current assets – fair value through profit or loss	583 633	736 642	949 806
Total investments	727 753 939	1 092 086 354	973 259 377
Available cash			
Cash is held both directly and indirectly on call, along with indirectly through a money market unit trust investment.			
Level 3 reconciliation			
Opening balance	1 091 349 712	1 039 940 624	1 039 940 624
Dividend in specie	(347 308 500)	–	–
Gains/(losses) on investments recognised in profit and loss	(16 870 906)	51 409 088	(67 631 053)
Closing balance	727 170 306	1 091 349 712	972 309 571

Notes to the condensed interim results continued

for the period ended 30 September 2021

2. INVESTMENTS (continued)

Level 1

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

Level 2

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

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

- credit spread of the institution at which the funds are held; and
- 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 as applicable by comparing the investee information to similar type entities in the listed market. The nature of the fair value calculations means that there is a range of reasonable possible alternative outcomes for the fair values as they are sensitive to indirect and direct quantifiable inputs.

There have been no significant changes to the inputs to the fair valuation calculations of the investments to which RAC is exposed. RIH has continued to be valued based on its NAV which is driven by the valuation of the underlying investments. Management is responsible for preparing the valuations which are reviewed by the Audit and Risk Committee and approved by the Board.

In terms of IFRS, RAC is an Investment Entity, and therefore no consolidated results are required to be prepared. IFRS requires the fair value disclosure to be prepared at the Unit of Account Level (i.e. at the level of shares that RAC owns and those are shown above). The Board of Directors has provided the following disclosures looking through the 100% held subsidiaries, RIH and Astoria, to the underlying investments. RIH has been a 100% held subsidiary for all periods reported whereas Astoria was only a 100% held subsidiary for 30 September 2020 and 31 March 2021. 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 2021

2. INVESTMENTS (continued)

	Unaudited Six months ended 30 September 2021 R	Audited Twelve months ended 31 March 2021 R	Unaudited Six months ended 30 September 2020 R
Fair value hierarchy of financial assets held by RAC Investment Holdings (Pty) Ltd and Astoria Investments Ltd			
Level 1			
Class 1 – Listed shares – Quoted	32 863 846	5 657 749	7 715 112
	32 863 846	5 657 749	7 715 112
Level 2			
Class 3 – Hedge Fund	32 768 372	43 944 971	40 996 698
Class 3 – Equity swaps *	–	50 400 002	–
Class 4 – Money market fund	1 489 195	457 223	4 535 729
Class 6 – Unlisted shares – last traded price – fair value through profit or loss	–	–	36 474 981
	34 257 567	94 802 196	82 007 408
Level 3			
Class 5 – Unlisted shares – Unquoted – fair value through profit or loss	932 433 893	1 260 936 388	989 534 211
	932 433 893	1 260 936 388	989 534 211
Total financial assets at fair value	999 555 306	1 361 396 333	1 079 256 731
Non-current assets	965 297 739	1 311 336 390	836 864 767
Current assets	34 257 567	50 059 943	242 391 964
Total investments	999 555 306	1 361 396 333	1 079 256 731
Summary of Net Asset Value of RIH and Astoria			
Total investments from above	999 555 306	1 361 396 333	1 079 256 731
Loans and receivables	8 897 853	6 830 608	88 525 906
Cash and cash equivalents	711 015	25 181 434	61 196 823
Deferred tax	(27 854 272)	(46 481 477)	–
Loans and payables	(4 089 939)	(5 565 827)	(6 612 730)
Preference shares issued to Absa	(250 049 657)	(250 011 359)	(250 057 159)
Net Asset Value of RIH and Astoria	727 170 306	1 091 349 712	972 309 571

* Equity swaps are derivative instruments owned by Astoria which provided exposure to 4,2m RAC Participating Preference Shares as at 31 March 2021.

Notes to the condensed interim results continued

for the period ended 30 September 2021

2. INVESTMENTS (continued)

2.1 Description of significant unobservable inputs and sensitivities of RAC (level 3 investment) as at 30 September 2021

	Valuation technique	Fair value Rm	Significant unobservable inputs	Input value	Sensitivity
RAC Investment Holdings ("RIH")	NAV	727,2	Earnings and multiple of the underlying investments (refer to the breakdown below)	N/A	A change in the multiple of the underlying investments would result in an increase or decrease in fair value of approximately R196,1m.

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

Goldrush Group	Multiple	932,4	EBITDA	7	A change in the EBITDA multiple by 1 would result in an increase or decrease in fair value of approximately R167m.
IASeminars SA	Multiple	–	NAV	N/A	The business is currently recovering from being in a net loss position as at 31 March 2021 due to Covid and therefore continues to be valued at Rnil and no sensitivity is calculated.
Other level 3 investments		–			
Total		932,4			

2.2 Description of significant unobservable inputs and sensitivities of investments held by RAC (level 3 investment) as at 31 March 2021

	Valuation technique	Fair value Rm	Significant unobservable inputs	Input value	Sensitivity
RAC Investment Holdings ("RIH")	NAV	1 091,3	Earnings and multiple of the underlying investments (refer to detail below)	N/A	A change in the valuation techniques as documented below would result in an increase in fair value of approximately R281,9m or a decrease in fair value of approximately R280,4m.

The below table shows the sensitivities per underlying investment held by RIH and Astoria (March 2021 and September 2020) as if these were held directly by RAC (level 3 investment)

Goldrush Group ("Goldrush")	Multiple	939,9	Sustainable EBITDA	7	An increase or decrease in the EBITDA multiple by 1 would result in a change in fair value of approximately R194,3m.
Outdoor Investment Holdings ("OIH")	Multiple	113,0	PBIT	6	A change in multiple by 1 would result in an change in fair value of approximately R22,3m.
Astoria Treasury and Management ("ATAM")	NAV	85,1	Expected credit losses on the outstanding loan balances	29%	A change in the credit losses of 10% would result in a change in net asset value of ATAM of approximately R9,5m.
JB Private Equity Investors Partnership ("JBPEIP")	NAV	41,3	N/A	N/A	The NAV of the JBPEIP is directly linked to the underlying investment in Afrimat Limited (which is listed on the JSE). NAV of the JBPEIP is considered to be fair value. A 10% upward or downward movement in the Afrimat share price would have a R7,1m impact on the JBPEIP NAV.

Notes to the condensed interim results continued

for the period ended 30 September 2021

2. INVESTMENTS (continued)

2.2 Description of significant unobservable inputs and sensitivities of investments held by RAC (level 3 investment) as at 31 March 2021 (continued)

	Valuation technique	Fair value Rm	Significant unobservable inputs	Input value	Sensitivity
Trans Hex	NAV	53,5	Discounted to NAV	30%	Trans Hex has been valued at a 30% discount to its NAV as at 31 December 2020 to account for a cash flow and liquidity discount. A 10% movement in the discount applied to NAV would have a R7,6m impact on the fair value of the investment.
			Discount rate	26%	A change in the discount rate by 2% would result in a change in fair value of approximately R5m.
	Discounted cash flow		Carats produced per cubic meter of ground mined	0,18	A 10% change in yield of carats per cubic meter of ground mined, would result in a change in fair value of approximately equates to R27,7m.
ISA Carstens (excluding non-equity investments)	Multiple	28,1	PAT	6	A change in multiple up or down by 1 would result in a change in fair value of approximately R0,9m.
	Capitalisation rate		Rent received	8,5% – 9,5%	An increase in the capitalisation rate by 1% would result in a decrease in fair value of approximately R6m whereas a decrease in the capitalisation rate by 1% would result in an increase in fair value of approximately R7,5m.
IASeminars SA	Multiple	–	NAV	N/A	The business is currently in a net loss position due to Covid and therefore has been valued at Rnil and no sensitivity is calculated.
Other level 3 investments		–			
Total		1 260,9			

Factors that were considered in all valuations include the current market conditions, the invested market segment, and any interest rate uncertainty. The nature of fair value calculations being somewhat subjective and sensitive to direct and indirect quantifiable inputs means that there is a range of reasonably possible alternative outcomes for the fair values of these investments. Where we have influence over our investee companies, we plan to play an active role in the long-term strategy of the company, ensuring that our interests are aligned. For COVID-19 related commentary in relation to the investees, please refer to the letter to shareholders.

Goldrush

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

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

- lower than the 25-year average EBITDA multiples of comparable listed South African gaming operators;
- lower than the EBITDA multiples at which true arms-length transactions in the gaming industry happened in the past few years, mostly being around 8 times EBITDA; and
- lower than the historic EBITDA multiple of the JSE Allshare Index as a whole.

Notes to the condensed interim results continued

for the period ended 30 September 2021

3. RELATED PARTY TRANSACTIONS

There were no significant changes to related parties or related party transactions since the year ended 31 March 2021, except for the transaction whereby RIH distributed 51 150 000 Astoria shares to RAC.

	Unaudited Six months ended 30 September 2021 R	Audited Twelve months ended 31 March 2021 R	Unaudited Six months ended 30 September 2020 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 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 non-cumulative redeemable participating preference shares	506 296 000	506 296 000	506 296 000
	506 296 000	506 296 000	506 296 000

Notes to the condensed interim results continued

for the period ended 30 September 2021

5. CURRENT AND DEFERRED TAXATION

	Unaudited Six months ended 30 September 2021 R	Audited Twelve months ended 31 March 2021 R	Unaudited Six months ended 30 September 2020 R
Taxation expense			
Current taxation	(378)	(7 085)	(2 398)
Taxation expense	(378)	(7 085)	(2 398)

Given that RIH is a 100% held subsidiary of RAC, RAC is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, the requirements in terms of IAS 12 for the exemption to recognise a deferred tax liability on the investment in RIH have been met. Temporary differences not recognised in terms of IAS 12 amount to R185 837 760 (March 2021: R202 708 666, September 2020: R83 668 525). 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

Net asset value attributable to ordinary shareholders	53 314 569	80 003 436	71 316 276
Net asset value attributable to preference shareholders	673 896 147	1 011 243 437	901 437 722
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
Net asset value per ordinary share (cents)	1 422	2 133	1 902
Net asset value per preference share (cents)	1 422	2 133	1 902

Notes to the condensed interim results continued

for the period ended 30 September 2021

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 2021 R	Audited Twelve months ended 31 March 2021 R	Unaudited Six months ended 30 September 2020 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
Total weighted average number of shares	51 150 000	51 150 000	51 150 000
Earnings			
Net profit/(loss) after tax	(16 727 657)	51 402 260	(67 090 615)
Headline earnings	(16 727 657)	51 402 260	(67 090 615)
Basic and diluted earnings per ordinary and preference share (cents)	(33)	100	(131)
Basic and diluted headline earnings per ordinary and preference share (cents)	(33)	100	(131)

The Company has no dilutive instruments in issue as at 30 September 2021.

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 as at 30 September 2021.

Notes to the condensed interim results continued

for the period ended 30 September 2021

10. GUARANTEE, CESSION AND PLEDGE

As at 30 September 2021, RIH has issued 250 preference shares (March 2021: 250; September 2020: 250) for R1 000 000 each to Absa Bank Limited ("Absa"). The preference shares pay a preference dividend on the 31 March and 30 September each year at a rate equivalent to 100% of prime and are all redeemable on 31 March 2024.

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

- RAC pledged its shares held in RIH to Absa.
- RAC provided a guarantee in favour of Absa for the full, complete and punctual payment and performance by RIH of all its obligations under the Preference Share Agreement amounting to R17,5m (March 2021: R17,8m; September 2020: R20,5m) within 1 years, R17,5m between 1 and 2 years (March 2021: R35,5m; September 2020: R252,4m) and R258,8m between 2 and 3 years (March 2021: R267,7m; September 2020: Rnil).
- RIH pledged its shares held in Goldrush to Absa, therefore if the preference shares were to become due and payable this could necessitate the full or partial sale of the Goldrush investment.
- RIH pledged 5 620 357 Astoria shares, which have a carrying amount of R25,9m as at 30 September 2021.

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

As at 30 September 2021, the value of RAC's pledged shares in RIH as well as RIH's pledged shares in Goldrush along with the pledged shares in Astoria exceed 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 per annum to RAC without the prior consent of Absa.
