

Randgold & Exploration Company Limited

Summarised group financial statements
for the year ended 31 December 2019

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COMMENTARY

TO THE SUMMARISED GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

GENERAL

The board of Randgold & Exploration Company Limited (“R&E” or “the Company” or “Randgold”) is pleased to announce the audited results for the year ended 31 December 2019.

Mr Marais Steyn CA(SA), Financial Director, is responsible for the annual financial statements and these summarised annual results and has supervised the preparation thereof in conjunction with Ms Mione Latsky AGA(SA) representing Outsourced CFO (Pty) Ltd.

INCOME

The 2019 group results reflected a total comprehensive loss for the year of R24.5 million (2018 income: R3.8 million). The income in 2018 was mainly as a result of an increase in third-party recoveries. During 2019, income was derived primarily from finance income of R11.6 million (2018: R12 million) earned on investments in listed securities. The group did not earn any income from recoveries in 2019 (2018: R21.7 million). The company spent R6 million (2018: R6.9 million) on personnel costs, R28.7 million (2018: R23 million) on legal and forensic fees and other operational costs totalled R3 million (2018: R2.1 million).

FINANCIAL POSITION

R&E is liquid with no interest-bearing debt. The major assets of the R&E group as at 31 December 2019 consisted of funds held in unit trusts of R143 million (2018: R167.9 million). The board has adopted a low-risk approach to protect the group’s investments in listed securities, which are monitored daily in conjunction with a specialist treasury firm to maintain optimal returns with minimal associated risks.

The post-retirement medical benefit obligation of R10.5 million (2018: R10.5 million) is unfunded and the company continues to fulfil its medical aid scheme obligations. The R&E group had calculated tax losses as at 31 December 2019, but no deferred tax assets were raised as it is improbable that there will be future taxable profits against which to offset the tax losses. R&E had a net asset value per share of R1.84 at 31 December 2019 (2018: R2.19).

CASH FLOW

The group’s cash outflow of R 31 697 (2018: R1.4 million) was the net result of interest earned on investments in listed securities and cash and cash equivalents, proceeds from the disposal of investments in listed securities and dividends, less cash utilised to fund its operations during the year.

OUTLOOK

The outlook for 2020 is largely dependent on the progress and outcome of current legal matters. Expenditure on litigation is expected to be at a similar level as 2019. Until the claims in which the company are engaged have been finalised, this pattern of expenditure is likely to prevail.

David Kovarsky

Chairman

Johannesburg

20 March 2020

Marais Steyn

Joint Chief Executive Officer and Financial Director

SUMMARISED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		Audited 2019 R'000	Audited 2018 R'000
Dividend income – Investments in listed securities		301	317
Profit/(loss) on disposal of listed securities		14	(360)
Recoveries	6	–	21 750
Other income		64	602
Personnel expenses		(5 958)	(6 908)
Change in fair value of investments in listed securities		2 057	1 937
Other operating expenses		(32 023)	(25 957)
Loss from operating activities		(35 545)	(8 619)
Finance income		11 628	12 072
(Loss)/profit before taxation		(23 917)	3 453
Taxation		–	–
(Loss)/profit for the year		(23 917)	3 453
Other comprehensive income			
Items of other comprehensive income that will not be subsequently reclassified to profit or loss:			
Actuarial (losses)/gains		(623)	366
Total comprehensive income for the year		(24 540)	3 819
Basic and diluted (loss)/earnings per share (cents)	7	(33.41)	4.82

SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Audited 2019 R'000	Audited 2018 R'000
ASSETS		
Non-current assets	36	12
Equipment	36	12
Current assets	144 673	169 284
Investments in listed securities	143 068	167 881
Other receivables	1 319	1 085
Cash and cash equivalents	286	318
Total assets	144 709	169 296
EQUITY AND LIABILITIES		
Shareholders' equity	131 996	156 536
Ordinary share capital	716	716
Retained earnings	131 280	155 820
LIABILITIES		
Non-current liabilities		
Post-retirement medical benefit obligation	10 564	10 496
Current liabilities		
Other payables	2 149	2 264
Total equity and liabilities	144 709	169 296

SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Audited 2019 R'000	Audited 2018 R'000
Attributable to equity holders of the company		
Ordinary share capital	716	716
Retained earnings	131 280	155 820
Balance at the beginning of the period	155 820	152 001
Total comprehensive income for the year	(24 540)	3 819

SUMMARISED GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Audited 2019 R'000	Audited 2018 R'000
Profit/(loss) before taxation	(23 917)	3 453
Adjusted for:		
Profit on disposal of investments in listed securities	(14)	360
Change in fair value of investments in listed securities	(2 057)	(1 937)
Depreciation	11	6
Scrapping of equipment	4	–
Post-retirement medical benefit obligation – interest cost	856	884
Interest received	(11 628)	(12 072)
Dividends received	(301)	(317)
Working capital changes	(349)	(1 293)
Cash utilised in operating activities	(37 395)	(10 916)
Interest received	11 628	12 072
Post-retirement medical benefit liability – benefits paid	(1 411)	(1 426)
Cash flow from operating activities	(27 178)	(270)
Cash flow from investing activities	27 146	(1 087)
Dividends received from listed equity securities	301	317
Acquisition of Investments in listed securities	(1 782)	(3 580)
Proceeds from disposal of investments in listed securities	28 667	2 176
Increase/(decrease) in cash and cash equivalents	(32)	(1 357)
Cash and cash equivalents at the beginning of the year	318	1 675
Cash and cash equivalents at the end of the year	286	318

NOTES

TO THE SUMMARISED GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. REPORTING ENTITY

R&E is a company domiciled and incorporated in the Republic of South Africa. The summarised group annual financial statements of the company for the year ended 31 December 2019 includes the company and its subsidiaries (together referred to as "the group").

2. BASIS OF PREPARATION

The summarised group financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summary financial statements. The JSE Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Accountants Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the group financial statements, from which the summarised group financial statements were derived, are in terms of IFRS. All accounting policies have been applied consistently, in all material respects, to all years presented, save for the adoption of the following new standards: IFRIC 23 Uncertainty over Income Tax Treatments; IFRS 16 Leases; IFRS 9 Prepayment Features with Negative Compensation – Amendments to IFRS 9; all of which were effective from 1 January 2019. The group has assessed the impact of the adoption of these standards and amendments and found that it does not have a material impact on the group financial statements.

4. INDEPENDENT AUDIT BY THE AUDITOR

These summarised group financial statements for the year ended 31 December 2019 have been extracted from the complete set of annual financial statements on which the auditors, KPMG Inc., have expressed an unmodified audit opinion, dated 20 March 2020. The auditor's report and annual financial statements, which have been summarised in this report, are available for inspection at the registered office of the company.

This abridged report is extracted from audited information but is not itself audited.

The directors take full responsibility for the preparation of this report and that the financial information has been correctly extracted from the underlying annual financial statements.

5. SEGMENT REPORTING

The group operates in a single operating segment as an investment holding company.

6. RECOVERIES

During 2019, the Company did not earn any revenue from settlements with third parties. In the prior year, the Company received a settlement payment from Charles Orbach and Company, a former auditor of R&E, of R21.7 million.

7. EARNINGS PER SHARE

	2019 Per share (in cents)	2018 Per share (in cents)
EARNINGS PER SHARE		
Basic earnings and diluted (loss)/earnings per ordinary share	(33.41)	4.82
The calculation of basic and diluted earnings per share is based on losses of R23.9 million (2018 profit: R3.5 million) attributable to ordinary shareholders of the company and a weighted average of 71 585 172 (2018: 71 585 172) ordinary shares in issue during the period.		
Headline earnings and diluted headline (loss)/earnings per share	(33.41)	4.82
The calculation of headline and diluted headline earnings per share is based on headline losses of R23.9 million (2018 profit: R3.5 million) attributable to ordinary shareholders of the company and a weighted average of 71 585 172 (2018: 71 585 172) ordinary shares in issue during the period.		
Reconciliation between basic earnings for the year and headline earnings		
(Loss)/profit for the year attributable to equity holders of the company (R'000)	(23 917)	3 453
Headline (loss)/earnings for the year attributable to equity holders of the company (R'000)	(23 917)	3 453

NOTES (CONTINUED)

TO THE SUMMARISED GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. NET ASSET AND TANGIBLE NET ASSET VALUE PER SHARE

The net asset value per share is calculated using the following variables:

	31 December 2019	31 December 2018
Net asset value (R'000)	131 998	156 536
Ordinary shares outstanding	71 585 172	71 585 172
Net asset value per share (cents)	184	219
Net tangible asset value per share (cents)	184	219

The number of shares outstanding at 31 December 2019 and 31 December 2018 has been adjusted for the 2 999 893 treasury shares held.

9. RELATED PARTY TRANSACTIONS

There were no related party transactions during the period under review other than in the normal course of business. Key management remuneration for the current year was R4.9 million (2018: R5.1 million). JH Scholes, a director of R&E, is also a director of Malan Scholes Attorneys, which in the past provided legal prospecting right consulting services to R&E on an ad hoc basis. The services were not utilised during 2019 (2018: R1 224).

10. EVENTS AFTER REPORTING DATE

There were no significant events between the reporting date and the approval date of these results.

Directors

DC Kovarsky (Chairman)**, M Steyn (Joint Chief Executive Officer and Financial Director)*^A, H Gischen*^{AA}, V Botha*^{AAA}, P Burton**, JH Scholes**

(*Executive, **Independent Non-executive, ***Non-executive)

(^AAppointed to dual role of chief executive officer and financial director on 27 February 2019.)

(^{AA}Appointed as a non-executive director on 15 November 2019. Subsequently appointed as an executive director, with effect from 29 January 2020.)

(^{AAA}Resigned as financial director on 27 February 2019 and assumed the position of a non-executive director on the board of R&E with immediate effect.)

Company secretary

Statucor (Pty) Ltd*
(*Appointed 19 March 2019.)

Sponsor

PSG Capital Proprietary Limited
First Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

CORPORATE INFORMATION

Randgold & Exploration Company Limited (R&E)

Incorporated in the Republic of South Africa)

(Registration number: 1992/005642/06)

Share code: RNG

ISIN: ZAE000008819

Postal address

PO Box 202

Stellenbosch, 7600

Telephone: +27 71 580 3739

Facsimile: +27 86 235 9863

Website: www.randgoldexp.co.za

Registered office

Suite 25, Third floor, Katherine & West Building

114 West Street, Sandown

Sandton, 2196

Announcement date:

23 March 2020

www.randgoldexp.co.za