



ARC INVESTMENTS

Incorporated in the Republic of Mauritius
Company number: C148430
JSE share code: AIL
ISIN code: MU0553S00000
LEI: 378900F086B090C6FB94

Condensed Unaudited Interim Results for the six month period ended 31 December 2019

TABLE OF CONTENTS

The reports and statements set out below form the condensed Financial Statements of African Rainbow Capital Investments Limited (ARC Investments or the Company) for the six month period ended 31 December 2019 presented to the shareholders. They were prepared under the supervision of Karen Bodenstein, Chief Financial Officer, B Compt (Accounting Science).

These condensed Financial Statements have been compiled in compliance with the applicable requirements of the Mauritius Companies Act 2001.

GOVERNANCE REPORTS

- 3** Key Highlights
- 4** Commentary

FINANCIAL RESULTS

- 15** Condensed Statement of Financial Position
- 16** Condensed Statement of Comprehensive Income
- 17** Condensed Statement of Changes in Equity
- 18** Condensed Statement of Cash Flows
- 19** Accounting Policies
- 22** Condensed Segmental Information
- 34** Notes to the Condensed Financial Statements

APPENDICES: INFORMATION FOR SHAREHOLDERS

- 59** Appendix I - Corporate Information
- 60** Appendix II - Shareholder's Diary

KEY HIGHLIGHTS

For the six month period ended 31 December 2019



INAV Per Share Increase of 3.4% to R9.52 as a result of increased value of rain

(31 December 2018: R9.21)



IFRS NAV Per Share Increase of 4.2% to R9.67

(31 December 2018: R9.28)



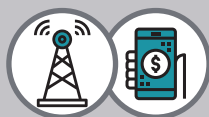
Intrinsic Portfolio Value R9 904 million

(30 June 2019: R9 359 million)



Cash in the ARC Fund at year-end of R437 million

(30 June 2019: R725 million)



rain fair value increase of R183 million and rain launched 5G successfully



Announced additional investment of 15% in Alexander Forbes Group Holdings Limited post 31 December 2019



TymeBank had signed on 1.1 million customers of which 440 000 are active.

COMMENTARY

For the six month period ended 31 December 2019

NATURE OF BUSINESS

African Rainbow Capital Investments Limited (ARC Investments/the Company/ARCI) is a public company which is incorporated in the Republic of Mauritius and holds a Category One Global Business License under the Mauritian Financial Services Act, 2007. It is regulated by the Mauritian Financial Services Commission.

The Company is listed on the Johannesburg Stock Exchange Limited (JSE) and is 51.1% (30 June 2019: 51.1%) owned by African Rainbow Capital Proprietary Limited (ARC) which is in turn 100% owned by Ubuntu-Botho Investments Proprietary Limited (UBI).

The principal activities of the Company are that of an investment holding company which offers shareholders long-term capital appreciation by indirectly investing in a diversified portfolio of unlisted and listed investments.

ARC Investments is the Limited Partner with a 99.95% interest in the ARC Fund Partnership (the ARC Fund), an *en commandite* partnership which is South African based. Through this fund it holds directly the Diversified Investments Portfolio Investments (non-financial services investments) and indirectly through its 49.9% interest in African Rainbow Capital Financial Services Holdings Proprietary Limited (ARC FinHoldCo) the Financial Services. The underlying investments of the ARC Fund are managed by UBI General Partner Proprietary Limited (the General Partner).

STRATEGY

The vision in the establishment and listing of ARC Investments was to:

- create a Broad-Based Black-controlled investment vehicle of significant scale with an exposure to a diversified portfolio of investments;
- enable investors to invest and obtain an indirect exposure to a diversified pool of unlisted and listed assets through a listed investment vehicle; and
- enable ARC Investments to access capital markets, if required, to fund future expansion.

The UBI Group seeks to utilise its empowerment credentials, its financial strength, its strong and well experienced leadership team and brand to achieve superior capital appreciation for investors in ARC Investments. For this, UBI is remunerated through the Performance Participation with the conversion of the C-shares into listed A ordinary shares. The alignment of the Company's strategy and the greater UBI vision is achieved through the partnership agreement with the General Partner.

ARC FUND INVESTMENT STRATEGY

As stated above, the Company effectively invests through its interest in the ARC Fund. By investing in a broad range of sectors and through a variety of unlisted and listed entities, the ARC Fund generally seeks to gain exposure to growth and early-maturity stage businesses in which management teams are appropriately incentivised. The ARC Fund primarily acquires significant minority equity interests in established and start-up businesses that meet one or more of the following criteria:

- Experienced, qualified and capable management.
- A demonstrable track-record.
- Strong cash flow generation.
- Solid growth prospects.
- Established market position.
- The opportunity to consolidate their respective markets and/or existing businesses within the ARC Fund portfolio.
- Commercial prospects which can be enhanced by having strong B-BBEE credentials.

Where the ARC Fund holds majority or significant minority interests in portfolio companies, the General Partner, where appropriate, seeks to provide broad strategic guidance through representation and participation on the board of directors of such companies. The ARC Fund does not have a target size and may be geared, as appropriate, to meet its investment strategy.

ARC Investments' medium- to long-term objective is to grow its Intrinsic Net Asset Value (INAV) by at least 16% per annum, net of fees. Each investment opportunity is expected to achieve this objective, suitably adjusted for specific risk, on a standalone basis.

The ARC Fund seeks to derive synergies among portfolio companies in the Financial Services Portfolio. Its exposure to financial services entities is through a single investment in ARC FinHoldCo.

For investments in non-financial services businesses within the Diversified Investments Portfolio, the approach is to invest in sound stand-alone businesses and to back a strong and effective management team.

In the year under review the ARC Fund established ARCH Emerging Markets Partners Limited (ARCH EM) to geographically expand its reach outside South Africa into the rest of the African continent. ARCH EM is a specialist firm focusing on private market opportunities in renewable energy, cold chain solutions and financial services in developing countries. The company is a joint venture between JCH & Partners LLP and ARC.

Investment opportunities are often in start-ups or in investments which are in the early stage of their growth cycle. The ARC Fund takes a long-term view on such investments. Forty-one percent (41%) of the ARC Fund Intrinsic Portfolio Value of R9 904 million includes early stage businesses such as Rain, TymeBank, Kropz Plc and Kropz Elandsfontein.

Operating environment

The six month period under review has been characterised by challenging economic conditions which adversely impacted most of the companies in our portfolio. The poor performance of the economy resulted from several political and economic factors and is expected to continue over the short to medium term. Our investee companies have traded in an environment with low consumer demand, and decreased business and investor confidence. The South African economy and its currency were also negatively affected by exogenous factors, particularly a slowdown in global growth and changing politics.

Performance highlights

The Company's investment in the ARC Fund's intrinsic value increased by 1.9% (3.9% annualised) over the six month period from R9 740 million at 30 June 2019 to R9 931 million at 31 December 2019, mainly as a result of the increased value in Rain. The Intrinsic Net Asset Value (INAV) of the Company increased from R9.34 per share at 30 June 2019 to R9.52 per share at 31 December 2019 which also amounts to an increase of 1.9% (3.9% annualised). Whilst growth remains below the medium to long-term expectation of 16% per annum, it remains encouraging that portfolio growth was achieved considering the current economic environment. The IFRS Net Asset Value (NAV) per share increased from R9.45 at 30 June 2019 to R9.67 per share at 31 December 2019. The 10% hurdle for the Performance Participation has not been met for the six month period ended 31 December 2019.

The ARC Fund's Intrinsic Portfolio Value (IPV) at 31 December 2019 was R9 904 million (30 June 2019: R9 359 million). Net acquisitions and disposals during the period under review amounted to R339 million (30 June 2019: R1 130 million), including no deferred consideration arrangements (30 June 2019: R148 million). At year end, cash resources available in the ARC Fund for further investments amounted to R437 million (30 June 2019: R725 million).

Investment in ARC Fund R million	Net Asset Value 30 June 2019	Net Investment	Net Increase in Net Asset Value	Net Asset Value 31 Dec 2019	Growth in Net Asset Value
Intrinsic Portfolio Value	9 359	339	206	9 904	5.8%
Cash in the ARC Fund	725	(330)	42	437	(39.7%)
Other net assets in the ARC Fund	(344)	–	(66)	(410)	19.2%
Intrinsic Investment in the ARC Fund at FVTPL*	9 740	9	182	9 931	1.9%

* FVTPL: Fair Value Through Profit or Loss

Acquisitions and disposals during the period

The developments during the six months under review resulted in acquisitions of R399 million and disposals of R60 million. The most significant included:

TymeBank

African Rainbow Capital Financial Services Holdings Proprietary Limited (ARC FinHoldCo) acquired a controlling interest in TymeBank during November 2018. The ARC Fund contributed R150 million for its 49.9% share of ARC FinHoldCo shareholding of 66.5% in TymeBank during the 6 months under review. This forms part of scheduled capital injections into the bank. The ARC Fund's effective interest in TymeBank is 33.3%.

Capital Legacy

ARC FinHoldCo acquired a 25% shareholding in specialist financial services firm Capital Legacy during the period for a consideration of R159 million. Capital Legacy is a significant provider of services in respect of wills and estate administration. Operating since 2012, the company has identified improved, efficient and cost-effective solutions for the preparation of wills, estate planning and execution.

Kropz Plc

ARC subscribed for additional shares worth US\$3.25 million (R45 million) as part of a short-term working capital injection in Kropz Plc, a holding company listed on the Alternative Investment Market of the London Stock Exchange.

Santam

During the six month period ARC FinHoldCo disposed of its shares in Santam Limited for a total consideration of R120 million, realising a profit R21 million net of capital gains tax.

Performance Review for the period

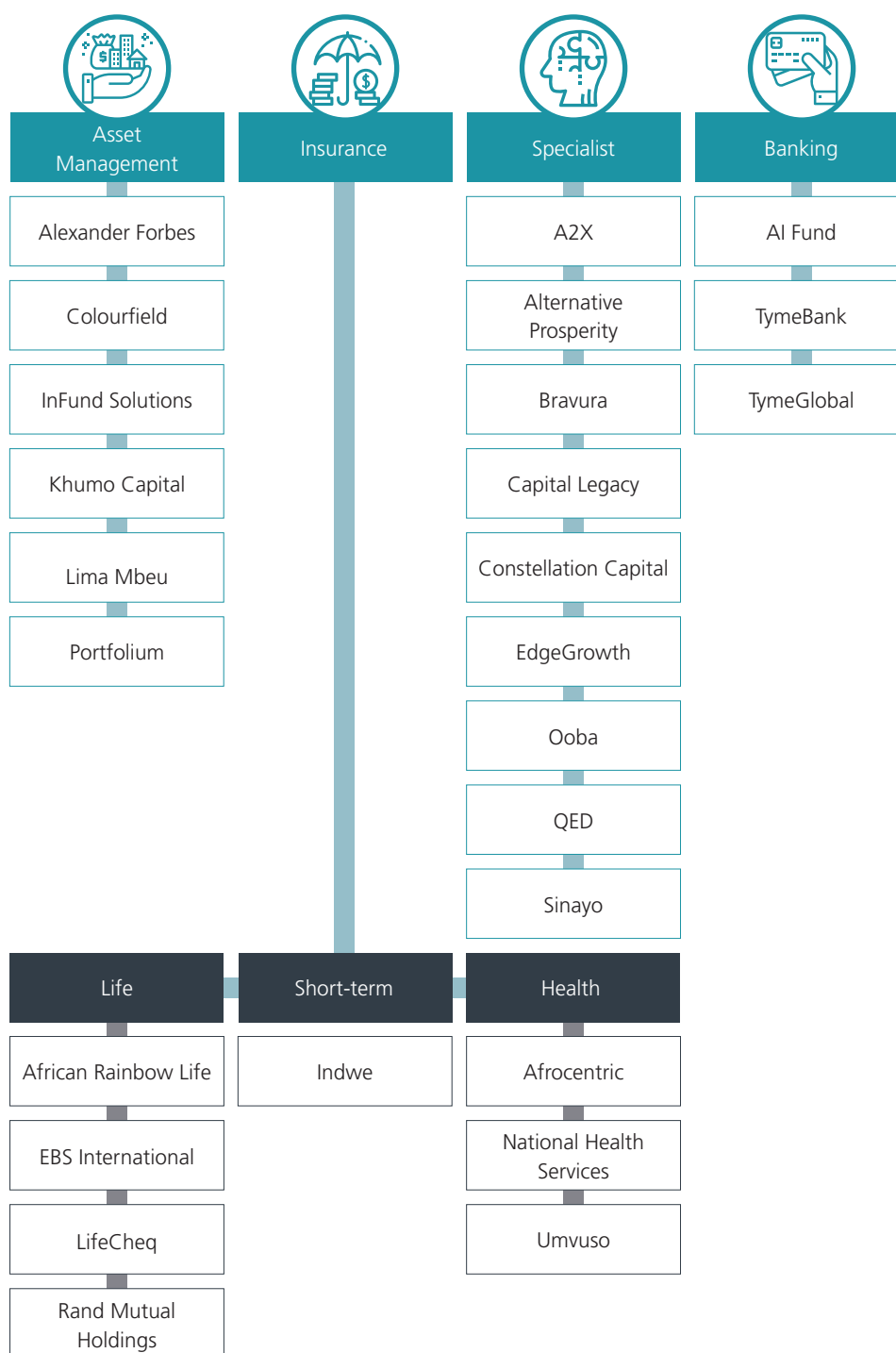
The ARC Fund increased by R545 million from R9 359 million to R9 904 million, being the net impact of acquisitions including deferred consideration and interest capitalised (R399 million), disposals in the period (R60 million), fair value write-ups including foreign net exchange gains and profit or loss on disposal of investments of R373 million and fair value write-downs of R169 million.

Portfolio Overview

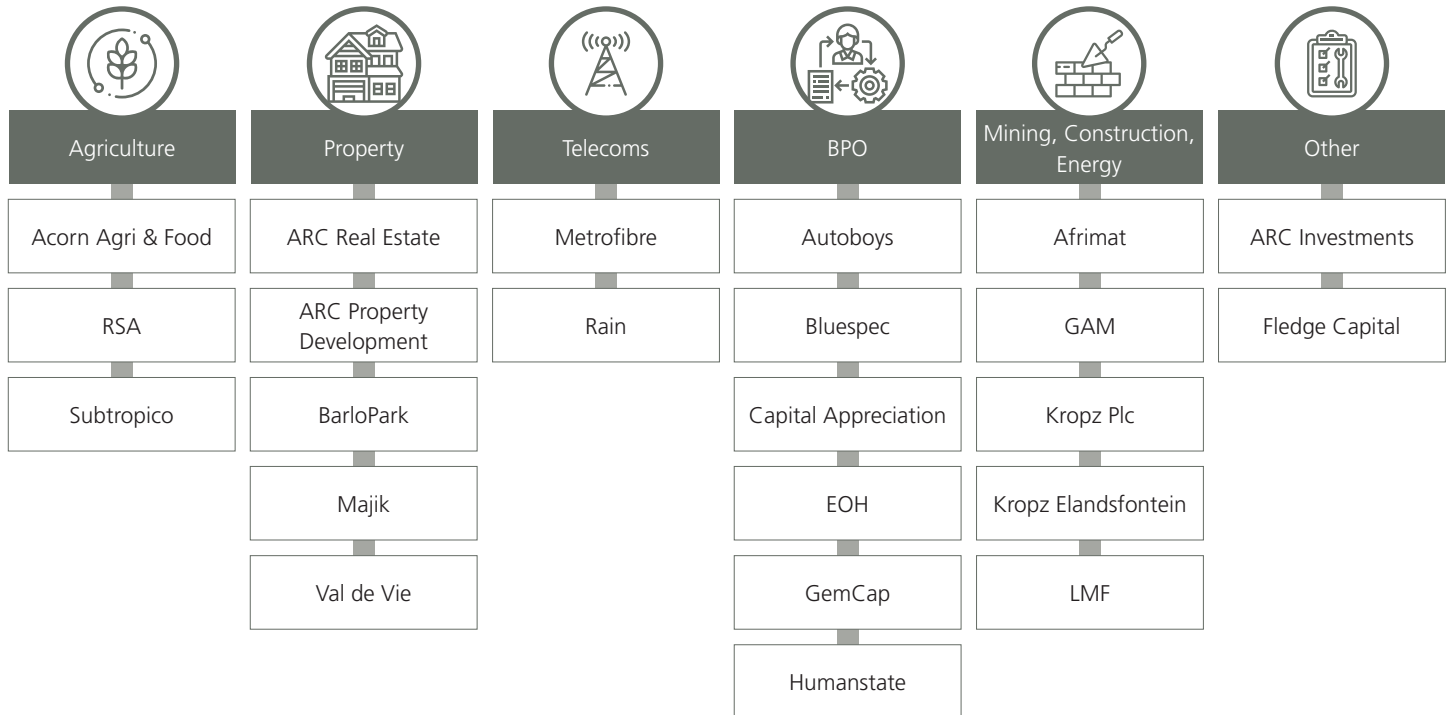
31 December 2019

Below is detailed schedule of all the assets within the ARC Fund Portfolio.

Financial Services



Diversified Investments



COMMENTARY *continued*

For the six month period ended 31 December 2019

PORTFOLIO DESCRIPTION AND REVIEW

The total investment portfolio is split between Diversified Investments and Financial Services:

Investment in ARC Fund R million	Net Asset Value 30 June 2019	Net Investment	Net Increase in Net Asset Value	Net Asset Value 31 December 2019	Growth in Net Asset Value	% in ARC Fund
Total Diversified Investments	6 782	119	231	7 132	5.2%	72%
Total Financial Services	2 577	220	(25)	2 772	7.6%	28%
Intrinsic Investment in the ARC Fund at FVTPL*	9 359	339	206	9 904	5.8%	100%

Diversified Investments Portfolio (72.0% of Fund Value, 30 June 2019: 72.5%)

The IPV of the Diversified Investments Portfolio increased from R6 782 million at 30 June 2019 to R7 132 million at 31 December 2019, resulting in a 5.2% increase in net asset value (excluding net investments) during the six month period.

Below is a summary performance of the Diversified Investments Portfolio Assets:

Diversified Investments Portfolio Value R million	Net Asset Value 30 June 2019	Net Investment	Net Increase in Net Asset Value	Net Asset Value 31 December 2019	Growth in Net Asset Value
Telecommunications	2 711	25	194	2 930	
Mining, Construction and Energy	1 469	69	49	1 587	
Business Process Outsourcing	1 131	2	4	1 174	
Property	550	–	8	558	
Other	498	23	(14)	507	
Agriculture	423	–	(47)	376	
Total Diversified Investments Portfolio	6 782	119	231	7 132	5.2%

* FVTPL: Fair Value Through Profit or Loss

Telecommunications (29.6% of Fund Value, 30 June 2019: 29.0%)

The IPV of the investments in Telecommunications increased with 8.1% from R2 711 million at 30 June 2019 to R2 930 million at 31 December 2019. The most significant investment in Telecommunications are detailed below:

Rain (27.4% of Fund Value, 30 June 2019: 26.8%)

Rain is aiming to become a full-service mobile network operator, focusing on data as a primary offering. The major assets constitute spectrum licences, including an allocation in the 1 800 Megahertz (MHz) band, along with the other major operators, as well as an allocation in the sought after 2 600 MHz band. Rain has a significant Business to Business (B2B) division and intends to build a dedicated national Long-Term Evolution (LTE) advanced network that will eventually facilitate an environment where open access to the internet becomes a reality in South Africa, with the best possible quality and internet speed, at affordable rates.

Rain's income streams consist of roaming income, 4G data sales, 5G subscriptions and reseller income. The Rain Network is expanding according to plan to achieve nationwide connectivity and improve on network quality. Rain currently has over 3 000 active LTE sites.

During October 2019, Rain launched the country's first 5G network for fixed wireless internet connectivity. Since then Rain has expanded their 5G network to over 300 live 5G sites.

Rain's mobile strategy has been offered directly to the public since June 2018. Subscriber uptake has been steady, with the unlimited off-peak data package being the most popular. Media coverage and social media posts are the major sales drivers in expanding the mobile customer base.

Overall, the growth prospects for Rain remain optimistic. Revenue growth has been encouraging and significant progress is being made to further improve on network performance and stability. Rain is well positioned to become a major player in the 5G data market.

The ARC Fund investment in Rain increased from R2 508 million at 30 June 2019 to R2 712 million at 31 December 2019, mainly as a result of a fair value write-up of R183 million (30 June 2019: R364 million). During the period under review, the ARC Fund acquired an additional 0.2% shareholding in Rain for an amount of R21m.

MetroFibre (2.2% of Fund Value, 30 June 2019: 2.2%)

MetroFibre is an internet infrastructure company that provides managed fibre optic broadband connectivity in South Africa. MetroFibre customers consist of service providers, resellers, residential and business properties. Consumers can take advantage of an array of services that are tailored to meet their business needs. Metrofibre is performing in line with expectations. The main objective remains to expand its infrastructure roll-out.

The ARC Fund investment in Metrofibre increased from R203 million at 30 June 2019 to R218 million at 31 December 2019, mainly as a result of a fair value write-up of R11 million (30 June 2019: R11 million).

Mining, Construction and Energy (16.0% of Fund Value, 30 June 2019: 15.7%)

The IPV of the investments in Mining, Construction and Energy increased by 8.0% from R1 469 million at 30 June 2019 to R1 587 million at 31 December 2019. The most significant investments in Mining, Construction and Energy are detailed below:

Afrimat (8.2% of Fund Value, 30 June 2019: 7.9%)

Afrimat is a leading listed Black empowered Group with its main business and core competence in open pit mining. The Group supplies industrial minerals and construction materials to a range of industries across Southern Africa.

The ARC Fund investment in Afrimat increased from R738 million at 30 June 2019 to R811 million at 31 December 2019, mainly as a result of a fair value write-up of R73 million (30 June 2019: R97 million).

Kropz Group (5.4% of Fund Value, 30 June 2019: 5.2%)

The Kropz Group is a nutrient producer with an advanced stage phosphate mining project on the West Coast of South Africa, a phosphate project in the Republic of Congo and an exploration asset in Ghana. The ARC Fund holds 49.3% of the issued shares (and 50.5% of the voting rights) in the group's holding company, Kropz PLC, which is listed on the London's AIM stock exchange. The ARC funds also hold 26% of Kropz Elandsfontein's issued shares directly.

Kropz Elandsfontein (Elandsfontein) is a phosphate mine and processing plant situated on the West Coast. Commissioning of the mine and plant was initially scheduled towards the end of 2017. Several challenges were encountered, and operations were postponed until additional laboratory and pilot plant testing could be conducted, and funding could be procured.

The ore body at Elandsfontein was found to be more complex than initially anticipated with regards to particle size distribution and grade variability. As a consequence, modification to the original circuit is required in order to deliver the desired consistent phosphate grade.

The additional test work that has been conducted demonstrated that the processing plant will produce a final saleable concentrate to expected specification of 68% BPL (approximately 31% P₂O₅) using a flotation configuration of direct, followed by a reverse flotation circuit. This configuration has been successfully deployed throughout the industry for decades. The testing results significantly increased the confidence level in the performance of the proposed circuit modifications.

Given the uncertainty regarding the current depressed phosphate market price and the timing of a potential recovery, coupled with the additional funding requirements, a prudent approach for valuation purposes was adopted. The ARC Fund's investment in the Kropz Group has been left unchanged since 30 June 2019. The increase in carrying value from R485 million at 30 June 2019 to R530 million at 31 December 2019 relates to a R45 million working capital injection made during the period under review. Considering the updated information from both the Direct/Reverse process and projected phosphate pricing, no further impairments are considered necessary.

COMMENTARY *continued*

For the six month period ended 31 December 2019

Last Mile Fund (2.4% of Fund Value, 30 June 2019: 2.4%)

The Last Mile Fund Proprietary Limited (LMF) is a Black-owned company incorporated to explore opportunities that exist in the broader resource space created and accelerated by B-BBEE legislation. To date two investments have been made which include a coal mine and an investment in a crane business, the latter being a supplier to the mining industry.

LMF is subject to the volatility of the mining sector. During the six month period ending 31 December 2019 the ARC Fund invested an additional R24 million in the Last Mile Fund preference shares.

Global Asset Management Group (0.0% of Fund Value, 30 June 2019: 0.3%)

The investment in Global Asset Management Group (GAM) was fully impaired during the period under review. GAM has embarked on emergency measures in an attempt to preserve capital provider value including placing certain businesses within the group under business rescue.

Business Process Outsourcing (11.9% of Fund Value, 30 June 2019: 12.1%)

The IPV of the investments in Business Process Outsourcing increased by 3.8% from R1 131 million at 30 June 2019 to R1 174 million at 31 December 2019. The most significant investments in Business Process Outsourcing are detailed below:

Gemcap (5.5% of Fund Value, 30 June 2019: 5.8%)

The ARC Fund holds 97.1% (30 June 2019: 96.8%) of GemCap issued shares. GemCap is investment holding company with a focus on knowledge-based, technology-enhanced services investments. Gemcap portfolio consists of Payprop SA, Consumer Friend, Moonstone, Infoslips, CSG Holdings Limited and LineBooker.

Payprop SA (Payprop) is a well-established, market leading residential letting outsourcing business that offers a unique end-to-end rental property management and compliance software platform. Payprop is an automated payment platform system that offers settlement functionality within the real-time banking environment, enabling automation of the entire letting transaction life cycle according to property-specific payment rules set up by clients. Payprop continues to gain market share and its customers range from small independent letting agencies to large rental agencies. Payprop is GemCap's most significant investment in its portfolio making up 42% of the total portfolio at 31 December 2019 (30 June 2019: 39%).

Consumer Friend operates a leading debt review technology platform. Consumer Friend remains the leader in debt review platform technology for retail customers in South Africa, with all major debt counsellors using it.

InfoSlips provides a platform that facilitates interactive document composition and distribution. The recent international expansion with a dedicated office in the United States is starting to show long-term potential.

GemCap has recently acquired a controlling interest in Moonstone. Moonstone provides core services solutions in the outsourced compliance and regulatory examination environments and is one of the largest independent national compliance services providers to the FAIS regulated FSP industry in South Africa.

CSG Holdings Limited is a listed company and is a leading strategic outsource partner of choice for staffing solutions, facility management, security and related services in Southern Africa.

GemCap holds a controlling interest in Linebooker which is an online transport network which utilises technology to connect customers to transporters on a fully transparent basis. The platform provides customers instant availability and pricing information to assist with transporters management.

As at 31 December 2019, the value of the ARC Fund's investment in Gemcap remained unchanged from 30 June 2019 at R545 million.

Bluespec (3.2% of Fund Value, 30 June 2019: 2.9%)

The ARC Fund holds a 24.8% interest in Bluespec (30 June 2019: 24.8%). Bluespec is 51% Black-owned with WIPHOLD Investment Trust and The ARC Fund as the B-BBEE partners. Bluespec is a holding company comprised of several specialist businesses which collectively aim to transform the motor repair and recovery industry. Business units include Incident Logistics (FirstGroup), Autobody Repair (Renew-it Group), Salvage (Auction Nation), Motor Retail (Daytona Group), Technology (DreamTec) and StraightThrough.

The business of Bluespec is focused on the short-term insurance value chain and luxury vehicle sales. Blue Spec has been able to turn the business around after facing difficult trading conditions in 2018 and the early part of 2019 when it experienced internal changes and restructuring of certain operations. This was further compounded by the reduced volume in insurance related repairs, which was a sector wide phenomenon.

The business has responded well by spreading its geographical presence and introducing innovative routes to market, increasing market share, focusing on core business units, reducing costs and improving efficiencies. The company is continuing to implement and to execute these strategies and is expected to result in increased financial performance and shareholder value in the future.

The ARC Fund investment in Bluespec increased from R270 million at 30 June 2019 to R316 million at 31 December 2019, as a result of a fair value write-up of R46 million recovering some of the value lost during 2019 (30 June 2019: R239 million fair value write-down).

Other Business Process Outsourcing (3.2% of Fund Value, 30 June 2019: 3.4%)

The other portfolio investments include Humanstate, Autoboy, Capital Appreciation and EOH.

Property (5.6% of Fund Value, 30 June 2019: 5.9%)

The IPV of the investments in Property increased by 1.5% from R550 million at 30 June 2019 to R558 million at 31 December 2019. The increase is mainly attributable to a net revaluation of ARC Real Estate of R14 million. ARC Real Estate is continuing to grow their NAV through investment in properties that are 100% financed through debt and is generating significant returns for the ARC Fund.

The portfolio investments include Majik Property Holdings, Val de Vie, ARC Real Estate, ARC Property Development and Barlopark.

Other Diversified Investments (5.1% of Fund Value, 30 June 2019: 5.3%)

The IPV of the Other Diversified Investments increased by 1.8% from R498 million at 30 June 2019 to R507 million at 31 December 2019. The increase is mainly due to a R16 million additional investment in Fledge Capital during the six month period. The most significant investment in Other Diversified Investments are detailed below:

Fledge Capital (4.8% of Fund Value, 30 June 2019: 5.0%)

ARC partnered with Fledge Capital to execute smaller investments as there are significant investment opportunities which the ARC Fund is not able to execute due to the size of the investments. Fledge Capital provides funding solutions to private companies within a wide range of industries. Its investments include Safari and Outdoor, WeBuyCars and Better Life.

During the six month period ending 31 December 2019 ARC followed its rights and subscribed for additional shares in Fledge Capital to ensure that majority ownership is maintained. This investment was, however, fully funded through dividends received from Fledge Capital. Fledge Capital managed to grow its net asset value by 1.5% (after taxes, fees and expenses) between 30 June 2019 and 31 December 2019. Fledge Capital has a healthy, quality investment pipeline.

Other Diversified Investments (0.3% of Fund Value, 30 June 2019: 0.3%)

The other investments in the Other Diversified Investments portfolio include ARC Investments and ARCH Emerging Markets.

Agriculture (3.8% of Fund Value, 30 June 2019: 4.5%)

The IPV of the investments in Agriculture further decreased by 11.1% to R376 million at 31 December 2019 from R423 million at 30 June 2019. The decrease was driven by a R32 million and R15 million impairment in Acorn Agri and Food and Subtropico respectively.

Acorn Agri and Food (1.8% of Fund Value, 30 June 2019: 2.3%)

Acorn Agri and Food is a long-term investor focusing on food and food processing, agricultural processing and the agricultural value chain. Acorn Agri and Food has the following investments: Lesotho Milling, Montagu Dried Fruits and Nuts, ACG Fruit, Overberg Agri Grain Division, Overberg Agri Retail, Overberg Mechanisation, Overberg Financial Services, Overberg Insurance, Overberg Irrigation, Loxton Irrigation, Agpack (supplier of packaging), Boltfast, Bontebok Limeworks and Bredasdorp Abattoir. During the period under review Acorn Agri and Food disposed of their investments in their Grassroots Bear division, BKB and Pioneer Foods.

The ARC Fund impaired its investment in Acorn Agri by R32 million (30 June 2019: R66 million impairment) resulting in the value decreasing by 15.2% from R211 million at 30 June 2019 to R179 million at 31 December 2019. Acorn Agri & Food continued to experience a very challenging operating environment which resulted in depressed financial performance for the interim period.

Other Agriculture Investments (2% of Fund Value, 30 June 2019: 2.2%)

The other investments in the Agriculture portfolio include RSA and Subtropico.

COMMENTARY *continued*

For the six month period ended 31 December 2019

Financial Services (28.0% of Fund Value, 30 June 2019: 27.5%)

The IPV of Financial Services increased by 7.6% from R2 577 million at 30 June 2019 and to R2 772 million at 31 December 2019.

Below is a summary performance of the Financial Services Portfolio Assets:

Financial Services Portfolio Value R million	Net Asset Value 30 June 2019	Net Investment	Net Increase in Net Asset Value	Net Asset Value 31 December 2019	Growth in Net Asset Value
Insurance and Asset Management	1 555	51	(32)	1 574	
Banking and Digital	772	156	-	928	
Specialist Financial Services	250	13	7	270	
Total Diversified Investments Portfolio	2 577	220	(25)	2 772	7.6%

*ooba's portfolio classification was changed in both opening and closing balances from Insurance and Asset Management to Specialist Financial Services.

Insurance and Asset Management (15.9% of Fund Value, 30 June 2019: 16.6%)

The IPV of the investments in Insurance and Asset Management has increased by 1.2% from R1 555 million at 30 June 2019 to R1 574 million at 31 December 2019. This net movement is mainly attributed to the sale of ARC Fund's investment in Santam Limited and acquisition of Capital Legacy.

Alexander Forbes (8.3% of Fund Value, 30 June 2019: 8.7%)

ARC FinHoldCo owns 10% of the operating company Alexander Forbes Limited and owns 13.7% in the listed company Alexander Forbes Group Holdings Limited. ARC FinHoldCo has the right to convert its shareholding in Alexander Forbes Limited for shares in Alexander Forbes Group Holdings Limited in February 2020. The conversion ratio per the agreement currently translates to additional shareholding of approximately 8.3% in Alexander Forbes Group Holdings Limited. The effective combined shareholding in Alexander Forbes Group Limited on conversion is currently approximately 22.0% (after considering the dilution impact of the flip up on current shareholding in the listed entity). The ARC Fund (through its 49.9% in ARC FinHoldCo) therefore has an effective shareholding of 11.0%.

The ARC Fund investment in Alexander Forbes Group Holdings decreased from R495 million at 30 June 2019 to R486 million at 31 December 2019, as a result of a downward adjustment of the investment fair value of R9 million (30 June 2019: R29 write down) due to a reduction in the listed share price. The ARC Fund investment in Alexander Forbes Limited, however, increased in value from R315 million at 30 June 2019 to R340 million at 31 December 2019, as a result of a partial unwind of the marketability discount.

Rand Mutual Holdings (RMH) (2.9% of Fund Value, 30 June 2019: 3.1%)

RMH is a subsidiary of Rand Mutual Assurance (RMA) which was founded in 1894 as a mutual assurance company with the purpose of administering workers' compensation for mining industry employees injured in the course and scope of their employment. The core of RMA's administration business is the receipt, adjudication and administration of workers' compensation claims, including the payment of medical costs, once-off disability payments and the ongoing payment of pensions in the case of severe disability and death.

RMH is well positioned to use its competitive advantage in the COID sector via its technology and administration platforms to potentially administer other classes/sectors for the Compensation Fund. It can also partner with other insurance companies/governments in the rest of Africa. We believe the inherent business can be grown and there is significant value that can be unlocked for all shareholders.

Other Insurance and Asset Management (4.7% of Fund Value, 30 June 2019: 4.8%)

The other portfolio investments include Afrocentric, Colourfield, Umvuso, Capital Legacy, Indwe, QED, Global ASP, LifeCheq, Lima Mbeu, National Health Solutions and Infund Solutions.

Banking and Digital (9.4% of Fund Value, 30 June 2019: 8.2%)

The IPV of the investments in Banking and Digital has increased by 20.2% from R772 million at 30 June 2019 to R928 million at 31 December 2019. The increase in Banking and Digital investment IPV was largely driven by an additional R150 million investment in TymeBank during the six month period ending 31 December 2019 (30 June 2019: R239 million).

TymeBank (8.3% of Fund Value, 30 June 2019: 7.2%)

TymeBank is a digital bank that leverages the use of digital biometric technology to make banking simple and affordable and is focused on banking the unbanked in South Africa. ARC FinHoldco Invested R300 million during the six month period, with R150 million contributed from the ARC Fund.

At 31 December 2019, the bank had cumulatively signed-up 1.1 million customers of whom 440 000 were actively using their accounts. The bank is signing up between 3 500 and 4 000 customers per day, with about 40% of bank accounts being active. The bank is well positioned within the SA banking sector to implement its unique low-cost banking fee model as well as customer experience value propositions. Since launch, the Bank has embarked on a number of partnerships in an effort to not only improve its value proposition but also drive monetisation. The technology, which is owned by TymeGlobal is transferable to other jurisdictions and is already being used in 3 countries, with a number of new opportunities being investigated.

Other Banking and Digital (1.1% of Fund Value, 30 June 2019:1.0%)

The other portfolio investments include Tyme Global and Ethos AI Fund.

Specialist Financial Services (2.7% of Fund Value, 30 June 2019: 2.7%)

The IPV of the investments in Specialist Financial Services has increased by 8% from R250 million in value at 30 June 2019 to R270 million in value at 31 December 2019. The increase in IPV in Specialist Financial Services investment was driven mainly by incremental investment in existing portfolio companies.

The Specialist Financial Services portfolio investments include ooba, Sinayo, Bravura, A2X, African Rainbow Life, Constellation Capital, EdgeGrowth and Alternative Prosperity.

Outlook

A slowdown in the global economy is expected to have an unfavourable impact on the South African economy. Coupled with the current economic dynamic in South Africa, it is expected that the challenging operating environment will persist over the short to medium term. Given the ARC Fund's diverse investment portfolio, it is expected that the Fund will deliver a satisfactory performance.

Governance & Leadership

ARC Investments is managed and controlled in Mauritius by an experienced, multinational Board of Directors (the Board) of which the majority are independent. The Board has final oversight and responsibility in respect of ARC Investments' business, strategy and key policies. This includes the investment in the ARC Fund. There are no executive directors on the Board of ARC Investments.

ARC Investments is the only Limited Partner in the ARC Fund, an en commandite partnership established in South Africa. It plays no role in the management or investment decisions of the ARC Fund.

The Board of Directors of the Company as at reporting date was constituted as follows:

Name (age)	Nationality	Function
Mark Cyril Olivier (51)	British	Independent Non-executive Director (Chairperson)
Clive Msipha (37)	Zimbabwean	Independent Non-executive Director (Chairperson of Audit and Risk Committee)
Anil Currimjee (57)	Mauritian	Independent Non-executive Director
Deans Tommy Lo Seen Chong (60)	Mauritian	Independent Non-executive Director
Renosi Mokate (61)	South African	Independent Non-executive Director

Ms Bridget Ntombenhle Radebe resigned as a Non-executive Director with effect from 28 November 2019. Refer to detailed SENS announcement issued on 29 November 2019.

Ms Mmamodiane Refiloe Nkadimeng has been appointed as a Non-executive Director with effect from 9 March 2020. Refer to detailed SENS announcement issued on 10 March 2020.

All the investment decisions of the ARC Fund are taken by the General Partner through its Board or its Investment Committee or, subject to the terms of any delegations in place, its Investment Advisory Committee. The ARC Fund's relationship with the General Partner is governed through a partnership agreement. The Company's Investment Guidelines have been adopted by the General Partner's Investment Committee in its charter.

The General Partner has, in turn, entered into the Investment Services Agreement with ARC. In terms of this agreement, ARC assists the General Partner to source investment opportunities and also provides certain administrative and back office support to the General Partner.

The Board of the General Partner is responsible for the general investment decisions and reviews of the ARC Fund and management of the pipeline and liquidity of the ARC Fund. It will provide representation on the Boards of portfolio companies (where appropriate), prepare valuation reports to ARC Investments and provide general feedback to ARC Investments on relevant matters relating to the ARC Fund.

COMMENTARY *continued*

For the six month period ended 31 December 2019

The Board of Directors of the General partner as at reporting date was constituted as follows:

Name (age)	Function
Dr Patrice Motsepe (58)	Non-executive Director (Chairperson)
Alexander Maditsi (57)	Non-executive Director
Michael Arnold (62)	Non-executive Director
Abigail Mukhuba (40)	Non-executive Director
Boipelo Lekubo (36)	Non-executive Director
Johan van der Merwe (54)	Executive Director
Dr Johan van Zyl (63)	Non-executive Director

Mr Tom Boardman (70) is the Chairman of the Investment Committee and the Audit and Risk Committee and is not a board member.

Events post 31 December 2019

Alexander Forbes Group Holdings Limited

The Fund announced in January 2020 its intention to acquire 193 million shares in Alexander Forbes Group Holdings Limited from Mercer Africa Limited at a price of 525 cents per share for a consideration of R1 billion. The transaction is subject to regulatory approval. To facilitate the shareholder reorganisation, Alexander Forbes Group Holdings Limited and the Fund have agreed to delay the proposed exchange of shares held by the Fund in Alexander Forbes Limited for shares in Alexander Forbes Group Holdings Limited ("Flip-up"). The Flip-up will be implemented on the earlier of the Takeover Regulation Panel granting all final approvals or exemptions required for the waiver of any obligation by the Fund to extend a mandatory offer to the Alexander Forbes Group Holdings Limited shareholders pursuant to implementation of the Flip-up.

Kropz plc

As a consequence of various delays Kropz Elandsfontein is in technical default on its US\$ 30 million project finance facility from BNP Paribas S.A. ("BNPP") Kropz Elandsfontein is in an advanced stage of discussion to restructure this facility. The ARC Fund has received Investment Committee approval to support the Kropz Group funding requirements to bring Kropz Elandsfontein into production, subject to reaching agreement with BNPP.

BASIS OF PREPARATION

Statement of compliance

The condensed unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; the Listings Requirements of the JSE Limited; and the requirements of the Mauritian Companies Act 2001, insofar as applicable to Category One Global Business Licensed Company under the Mauritian Financial Services Act, 2007 which is regulated by the Mauritian Financial Services Commission.

The Listing Requirements require condensed interim results to be prepared in accordance with the framework, concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial pronouncements as issued by the Reporting Standards Council and to also, as a minimum, contain the information required by IAS34 "Interim Financial Reporting".

The accounting policies applied in the preparation of the condensed unaudited interim results are consistent with those applied in the Company's 30 June 2019 Audited Annual Financial Statements.

APPROVAL

The condensed unaudited interim results for the six month period ended 31 December 2019 were approved by the Board of Directors of the Company on 9 March 2020 in Mauritius.



Mark Cyril Olivier
Chairman of the Board



Clive Msipha
Chairman of the Audit and Risk Committee



Karen Bodenstern
Chief Financial Officer

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

R million	Notes	Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
ASSETS				
Non-current assets				
Investment in the ARC Fund at FVTPL*	5	10 087	9 661	9 854
Current assets				
Trade and other receivables		–	2	–
Cash and cash equivalents		21	27	24
Total assets		10 108	9 690	9 878
EQUITY				
Stated capital	7.1	8 903	8 903	8 903
Accumulated loss		(95)	(89)	(92)
Performance Participation reserve	9	–	–	–
Fair value reserve		1 300	874	1 067
LIABILITIES				
Current liabilities				
Trade and other payables		–	2	–
Total equity and liabilities		10 108	9 690	9 878
Per share performance				
Number of ordinary shares in issue at the end of the year (million)	7.2	1 045	1 045	1 045
Net asset value per share (cents)	7.2	967	928	945
Number of diluted ordinary shares at the end of the year (million)	7.2	1 045	1 045	1 045
Diluted net asset value per share	7.2	967	928	945

* FVTPL: Fair value through profit or loss.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 31 December 2019

R million	Notes	Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
Fair value movements on the investment in the ARC Fund at FVTPL*	4.3	233	79	272
Other income		1	1	2
Other expenses	6	(4)	(3)	(7)
Performance Participation expense	9	-	-	-
Profit before taxation		230	77	267
Taxation	10	-	-	-
Profit for the year		230	77	267
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		230	77	267
Earnings per share:				
Weighted average number of shares at the end of the year (million)	7.2	1 045	836	1 040
Basic earnings per ordinary share (cents)	7.2	22	7	26
Diluted weighted average number of shares at the end of the year (million)	7.2	1 045	849	1 040
Diluted earnings per ordinary share (cents)	7.2	22	7	26

* FVTPL: Fair value through profit or loss.

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 31 December 2019

R million	Notes	Stated Capital	Accumulated Loss	Performance Participation Reserve	Fair Value Reserve	Total Equity
Audited balance at 30 June 2018		8 832	(131)	115	795	9 611
<i>Total comprehensive income for the six month period</i>		–	77	–	–	77
Conversion of C shares	7.1	71	–	(71)	–	–
Transfer to accumulated loss		–	44	(44)	–	–
Transfer to fair value reserve		–	(79)	–	79	–
Performance Participation	9	–	–	–	–	–
Unaudited balance at 31 December 2018		8 903	(89)	–	874	9 688
Total comprehensive income for the year		–	190	–	–	190
Conversion of C shares	7.1	–	–	–	–	–
Transfer to accumulated loss		–	–	–	–	–
Transfer to fair value reserve		–	(193)	–	193	–
Performance Participation	9	–	–	–	–	–
Audited balance at 30 June 2019		8 903	(92)	–	1 067	9 878
Total comprehensive income for the year		–	230	–	–	230
Conversion of C shares	7.1	–	–	–	–	–
Transfer to accumulated loss		–	–	–	–	–
Transfer to fair value reserve		–	(233)	–	233	–
Performance Participation	9	–	–	–	–	–
Unaudited balance at 31 December 2019		8 903	(95)	–	1 300	10 108

CONDENSED STATEMENT OF CASH FLOWS

For the six month period ended 31 December 2019

R million	Notes	Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash utilised in operations before investments made	11	(3)	(1)	(5)
Cash capital contribution to the investment in ARC Fund at FVTPL*	5	–	–	–
<i>Net cash outflows from operating activities</i>		(3)	(1)	(5)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of shares	7.1	–	–	–
Share issue costs	7.1	–	–	–
<i>Net cash inflows from financing activities</i>		–	–	–
Net increase in cash and cash equivalents		(3)	(1)	(5)
Cash and cash equivalents at the beginning of the year		24	28	29
Total cash and cash equivalents		21	27	24

* FVTPL: Fair value through profit or loss.

ACCOUNTING POLICIES

For the six month period ended 31 December 2019

1. DEFINITIONS

The following definitions are key to the understanding of the Company's condensed unaudited interim financial statements:

1.1 IFRS Portfolio Value

Investments in the ARC Fund are reported using IFRS fair value principles.

1.2 Intrinsic Portfolio Value (IPV)

The Intrinsic Portfolio Value is determined by the Directors at every reporting period. The Intrinsic Portfolio Value is the IFRS Portfolio Value adjusted for non-IFRS measures as set out in the Segmental Report. The significant non-IFRS measurement differences comprise:

- valuing underlying listed investments on a 30-day volume weighted average price (VWAP) basis (compared to closing spot price), net after expected taxation cash flows; and
- valuing underlying listed investments after recognising B-BBEE discounts on a 30-day VWAP basis (compared to closing spot price), net after expected taxation cash flows.

1.3 Intrinsic Net Asset Value (INAV)

Intrinsic Portfolio Value of ARC Investments plus cash and other net assets.

1.4 NAV

The net asset value of ARC Investments as reported in note 4.3.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; the Listings Requirements of the JSE Limited; and the requirements of the Mauritian Companies Act 2001, insofar as applicable to Category One Global Business Licensed Company under the Mauritian Financial Services Act, 2007 which is regulated by the Mauritian Financial Services Commission.

The accounting policies applied in the preparation of the condensed unaudited interim financial statements are consistent with those applied in the Company's 30 June 2019 Audited Annual Financial Statements.

There have been no change to the composition or structure of the reportable segments.

2.2 Functional currency and presentation currency

The Company's condensed unaudited interim financial statements are presented in South African Rand (Rand), which is the Company's functional and presentation currency. All financial information presented in Rand has been rounded to the nearest million (R million).

2.3 Basis of measurement

The condensed unaudited interim financial statements have been prepared on the historical-cost basis, except for the measurement of financial instruments at fair value.

The going-concern basis has been used in preparing the condensed unaudited interim financial statements as the Directors have a reasonable expectation that the Company will continue as a going concern for the foreseeable future.

ACCOUNTING POLICIES *continued*

For the six month period ended 31 December 2019

3. KEY AREAS OF JUDGEMENT

3.1 Fair value measurement of the investment in the ARC Fund

The basis of valuation of the Investment in the ARC Fund is dependent on the basis of valuation of all investments in the ARC Fund Portfolio. The basis of valuation of all investments in the ARC Fund Portfolio and consequently the Investment at fair value through profit or loss (FVTPL), is fair value. Fair value is determined at the end of each quarter. All investments are valued in accordance with the valuation policy outlined below.

The sum of the individual instruments plus the cash and net assets in the ARC Fund make up the investment in the ARC Fund. The valuation of the individual assets is in line with IFRS 13, therefore the sum of these represents the IFRS 13 fair value of the investment in the ARC Fund. A minority discount was considered as a result of the company not controlling the ARC Fund, however, this did not impact the value as a result of the strength of the protective rights in the respective shareholder and other agreements.

The General Partner values the investment portfolio in accordance with its valuation policy. The valuation policy considers the International Private Equity and Venture Capital Valuation Guidelines (IPEV Guidelines) and is consistent with the below detailed valuation approach, which will be consistent year on year except where there has been changes in circumstances in relation to an investment, and therefore the impact of such change would be disclosed.

3.1.1 Basis of valuation and approach

The fair value approach of the investments in the ARC Fund was determined as at the measurement date in accordance with the principles of IFRS 13, Fair Value Measurement. Fair value is defined as the price that would be received for an asset in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that a hypothetical transaction to sell an asset takes place in the principal market or in its absence, the most advantageous market for the asset.

For *listed investments* which are suitably liquid investments, the available market prices (calculated at spot on reporting date) will be the basis for the measurement of the IFRS Portfolio Value for identical instruments.

For *unlisted investments*, the primary valuation methodologies applied are the income approach (IA) and discounted cash flow (DCF), compared against a market approach (MA), where appropriate.

The General Partner uses its judgement to select the valuation technique most appropriate for an investment. The use of multiple valuation approaches on an investment is encouraged. On a specific investment, a single valuation technique or approach may be appropriate (e.g. when valuing an asset using quoted prices in an active market for identical assets).

If multiple valuation techniques or approaches are used to measure fair value, the results of the various valuation methods are evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

In determining the fair value of an investment, the General Partner uses its judgement. This includes consideration of those specific terms of the investment which may impact its fair value. In this regard, the General Partner would consider the economic substance of the investment, which may take precedence over the strict legal form. The General Partner would take the results of each of the valuation methods applied into account in concluding the final value of an investment.

Foreign investments are those considered to be in jurisdictions outside of South Africa. These are valued in the local currency of the country of investment and translated to Rand at the spot rate at the valuation date.

Lack of control/minority interest: To the extent that an investment is a minority interest and is not able to be easily realised, an appropriate minority discount would be considered. However, to the extent that the ARC Fund has certain rights in respect of an investment (such as minority protections or Board representations) these rights would be considered in the IFRS Portfolio Value of the investment in arriving at a control premium adjustment.

Restriction on trading: To the extent that the ARC Fund is restricted from disposing of the investment for a period of time, this restriction would be considered in the IFRS Portfolio Value of the investment in arriving at a marketability discount adjustment.

3.1.2 Income approach methodology

When applying the income approach, the General Partner will consider the appropriateness of any sensitivity and/or scenario analysis.

3.1.3 Discounted cash flow methodology

The discounted cash flow method is used to derive the enterprise value of the investment using reasonable assumptions on the estimations of expected future post-taxation cash flows and the terminal value (free cash flows to the firm), and discounting to the present value by applying the appropriate risk adjusted rate that captures the risk inherent to the projections weighted average cost of capital (WACC). To arrive at an appropriate equity value, an adjustment for net indebtedness will be made. Where appropriate, an adjustment to the valuation would be made for surplus non-operating assets and liabilities in the investment.

In some valuations (for example, insurance and banking valuations), the use of free cash flow to equity might be preferred.

The length of period for which it would remain appropriate to use this valuation technique will depend on the specific circumstances of the investment and is subject to the judgement of the General Partner.

3.1.4 Market approach methodology

Market approach methodology includes P/E multiples, listed prices and recent transactions.

If a multiple approach is used, where appropriate, the General Partner would apply an Enterprise Value (EV)/earnings before interest, taxation, depreciation and amortisation (EBITDA) or price/earnings (P/E) multiple that is appropriate and reasonable, based on comparable companies and taking account of the size, risk profile and earnings prospects of the underlying company. In other cases, where appropriate, EV/EBITDA and price/book value may also be considered.

The General Partner as Fund Manager of the portfolio assets is contractually bound to perform fair valuation of the Portfolio Companies on a quarterly basis and provide quarterly accounts and valuation reports with respect thereto to the partners of the ARC Fund after approval by the Board of Directors of the General Partner on recommendation for such approval by the Audit and Risk Committee of the General Partner with the support, guidance and direction of the Investment Committee. Whilst the best judgement is used in determining the fair value of these investments, there are inherent limitations in any valuation technique involving securities of the type in which the ARC Fund invests. Therefore, the fair values presented herein may not be indicative of the amount which the ARC Fund could realise in a current transaction.

3.2 Control over the ARC Fund

The General Partner directs all the relevant activities of the ARC Fund and is therefore considered to have power over the Fund. The Company does not have a currently exercisable right to remove the General Partner other than for a reasonable cause. Therefore, the Company does not control the ARC Fund. ARC Investments does not have the power to participate in the financial and operating policy decisions of the ARC Fund. Therefore, ARC Investments does not have significant influence over the ARC Fund.

CONDENSED SEGMENTAL INFORMATION

For the six month period ended 31 December 2019

4. SEGMENTAL INFORMATION

Accounting policies and choices

The Company has determined its operating segments based on investments held. At the end of the reporting period, the company held one investment, the investment in the ARC Fund, for which it has recognised fair value adjustments. The Company therefore has only one operating segment in terms of IFRS 8, Operating Segments. The chief operating decision-makers (CODMs), being the Board of Directors, evaluate the investment in the ARC Fund based on Intrinsic Portfolio Value and fair value movement (which is considered to represent the measure of the segment result) in this Intrinsic Portfolio Value. The IFRS values and Intrinsic values are reconciled in the tables below.

Information of the ARC Fund is also reported to the CODMs for the purpose of assessing segment performance. This is specifically focused on the reporting to the Board of the Company by the General Partner in the ARC Fund through its Investment Committee under the adopted ARC Investments Limited Investment Guidelines.

Company context in application of accounting policy choices

Diversified Investments – these are the non-financial services investments acquired by the ARC Fund for purposes of demonstrated growth potential and the ability to deliver returns above the cost of capital of 16%. These are a combination of growth assets and businesses about to reach steady state. The key factor around the Diversified Investments' strategy is that the ARC Fund partners with industry leaders in the sub-categories to ensure the right level of monitoring and oversight is achieved with people with the requisite knowledge and experience of the relevant industry. The Diversified Investments' portfolio is further categorised as follows:

- Telecommunications
- Mining, Construction and Energy
- Business Process Outsourcing
- Property
- Agriculture
- Other Diversified Investments

Financial Services

This is the core industry experience of the executive team within the ARC Fund. The investment strategy is to assemble a portfolio of assets that lends itself to synergistical benefits within its ecosystem. To this end, the segment is organised into the following categories:

- Insurance and Asset Management
- Specialist Financial Service
- Banking and Digital

4.1 SEGMENTAL PORTFOLIO VALUE MOVEMENTS*

R million	Net Balance at 30 June 2019	Additions/disposals	Fair value, forex and disposal gains/loss	Net Balance 31 December 2019	Percentage of Fund
DIVERSIFIED INVESTMENTS					
Telecommunications	2 711	25	194	2 930	29.6%
Rain	2 508	21	183	2 712	27.4%
Metrofibre	203	4	11	218	2.2%
Mining, Construction and Energy	1 469	69	49	1 587	16.0%
Afrimat	738	–	73	811	8.2%
Kropz Group	485	45	–	530	5.4%
Other Mining, Construction and Energy	246	24	(24)	246	2.4%
Business Process Outsourcing	1 131	2	41	1 174	11.9%
Gemcap	545	–	–	545	5.5%
Bluespec	270	–	46	316	3.2%
Other Business Process Outsourcing	316	2	(5)	313	3.2%
Property	550	–	8	558	5.6%
Other	498	23	(14)	507	5.1%
Fledge Capital	469	16	(9)	476	4.8%
Other investments	29	7	(5)	31	0.3%
Agriculture	423	–	(47)	376	3.8%
Total Diversified Investments	6 782	119	231	7 132	72.0%
FINANCIAL SERVICES					
Insurance and Asset Management	1 555	51	(32)	1 574	15.9%
Alexander Forbes Group Holdings	495	–	(9)	486	4.9%
Alexander Forbes Limited	315	–	25	340	3.4%
Rand Mutual Holdings	289	–	(4)	285	2.9%
Other Insurance and Asset Management	456	51	(44)	463	4.7%
Banking	772	156	–	928	9.4%
TymeBank	674	150	–	824	8.3%
Other Banking	98	6	–	104	1.1%
Specialist Financial Services	250	13	7	270	2.7%
Total Financial Services	2 577	220	(25)	2 772	28.0%
Total ARCI Investment Portfolio	9 359	339	206	9 904	100.0%

* The balances presented are net of deferred tax.

CONDENSED SEGMENTAL INFORMATION *continued*

For the six month period ended 31 December 2019

R million	Net Balance at 1 July 2018	Additions/disposals	Fair value, forex and disposal gains/loss	Net Balance 30 June 2019	Percentage of Fund
DIVERSIFIED INVESTMENTS					
Telecommunications	2 280	56	375	2 711	29.0%
Rain	2 144	–	364	2 508	26.8%
Metrofibre	136	56	11	203	2.2%
Mining, Construction and Energy	1 286	646	463	1 469	15.7%
Afrimat	641	–	97	738	7.9%
Kropz Group	455	450	(420)	485	5.2%
Other Mining, Construction and Energy	190	196	(140)	246	2.6%
Business Process Outsourcing	1 245	68	(182)	1 131	12.1%
Bluespec	509	–	(239)	270	2.9%
Gemcap	429	53	63	545	5.8%
Other Business Process Outsourcing	307	15	(6)	316	3.4%
Property	523	1	26	550	5.9%
Other	372	62	64	498	5.3%
Fledge Capital	342	21	106	469	5.0%
Other investments	30	41	(42)	29	0.3%
Agriculture	877	(415)	(39)	423	4.5%
Total Diversified Investments	6 583	418	(219)	6 782	72.5%
FINANCIAL SERVICES					
Insurance and Asset Management	1 146	450	(41)	1 555	16.6%
Alexander Forbes Group Holdings	371	153	(29)	495	5.3%
Alexander Forbes Limited	321	–	(6)	315	3.4%
Rand Mutual Holdings	–	289	–	289	3.1%
Other Insurance and Asset Management	454	8	(6)	456	4.8%
Banking	158	287	327	772	8.2%
TymeBank	158	240	276	674	7.2%
Other Banking	–	47	51	98	1.0%
Specialist Financial Services	261	(25)	14	250	2.7%
Total Financial Services	1 565	712	300	2 577	27.5%
Total ARCI Investment Portfolio	8 148	1 130	81	9 359	100.0%

4.1 SEGMENTAL PORTFOLIO VALUE MOVEMENTS

Reconciliation		31 December 2019			
		INTRINSIC value to IFRS Value			
R million	Intrinsic Value 31 December 2019	Spot vs 30day VWAP	BEE lock-in Discounts	IFRS Value 31 December 2019	
Total Financial Services	2 772	(2)	18	2 788	
Listed	571	(2)	18	587	
Unlisted	2 201	–	–	2 201	
Total Diversified Investments	7 132	12	43	7 187	
Listed	925	12	43	980	
Unlisted	6 207	–	–	6 207	
Total Fund invested Portfolio value	9 904	10	61	9 975	

Reconciliation		30 June 2019			
		INTRINSIC value to IFRS Value Reconciliation			
R million	Intrinsic Value 30 June 2019	Spot vs 30day VWAP	BEE lock-in Discounts	IFRS Value 30 June 2019	
Total Financial Services	2 577	21	–	2 598	
Listed	674	21	–	695	
Unlisted	1 903	–	–	1 903	
Total Diversified Investments	6 782	11	82	6 875	
Listed	871	11	82	964	
Unlisted	5 911	–	–	5 911	
Total Fund invested Portfolio value	9 359	32	82	9 473	

CONDENSED SEGMENTAL INFORMATION *continued*

For the six month period ended 31 December 2019

4.2 SEGMENTAL PORTFOLIO RETURNS

R million	31 December 2019			
	Dividend Income ¹	Fair Value Adjustment	Other Income ²	Intrinsic Total
Diversified Investments				
Telecommunications	–	194	–	194
Rain	–	183	–	183
MetroFibre	–	11	–	11
Mining, Construction and Energy	9	49	–	58
Afrimat#	9	73	–	82
Kropz Group	–	–	–	–
Other Mining, Construction and Energy	–	(24)	–	(24)
Business Process Outsourcing	35	41	–	76
Bluespec	15	46	–	61
Gemcap	13	–	–	13
Other Business Process Outsourcing	7	(5)	–	2
Property	3	8	7	18
Other	16	(14)	–	2
Fledge Capital	16	(9)	–	7
Other Diversified Investments	–	(5)	–	(5)
Agriculture	6	(47)	–	(41)
Total Diversified Investments	69	231	7	307

Denotes a listed entity classified as level 1 fair value hierarchy.

¹ Dividend income represents cash dividend receipts in the ARC Fund.

² Other income includes director's fees, interest income on loans to and foreign exchange gains and losses on portfolio entities in the ARC Fund.

4.2 SEGMENTAL PORTFOLIO RETURNS

R million	31 December 2019				
	Dividend Income ¹	Fair Value Adjustment	Other Income ²	Expected Taxation Cash Flows	Intrinsic Total
Financial Services					
Insurance and Asset Management	51	(32)	2	3	24
Alexander Forbes Group Holdings#	37	(13)	–	3	27
Alexander Forbes Limited	–	32	–	(7)	25
Rand Mutual Holdings#	–	–	–	(4)	(4)
Other Insurance and Asset Management	14	(51)	2	11	(24)
Banking and Digital	–	–	–	–	–
TymeBank	–	–	–	–	–
Other Banking and Digital	–	–	–	–	–
Specialist Financial Services	7	7	1	(2)	13
Total Financial Services	58	(25)	3	1	37
Total Fund Invested Portfolio value	127	206	10	1	344
Fund Management Fee					(96)
Interest Income on Cash and Cash Equivalents					21
Other Net expenses/income in the Fund					5
Total Fair Value Movements on the Investment in the ARC Fund at FVTPL*					274

Denotes a listed entity classified as level 1 fair value hierarchy.

¹ Dividend income represents cash dividend receipts in the ARC Fund.

² Other income includes director's fees, interest income on loans to and foreign exchange gains and losses on portfolio entities in the ARC Fund.

* FVTPL: Fair Value Through Profit or Loss.

R million	31 December 2019			
	Intrinsic Value FV movement 31 December 2019	Change resulting from Spot vs 30day VWAP	Change resulting from BEE Discounts	IFRS FV movement 31 December 2019
Total Financial Services	37	15	(21)	31
Total Diversified Investments	307	1	(37)	271
Total Fund Invested Portfolio value	344	16	(58)	302

CONDENSED SEGMENTAL INFORMATION *continued*

For the six month period ended 31 December 2019

4.2 SEGMENTAL PORTFOLIO RETURNS *continued*

R million	31 December 2018			
	Dividend Income ¹	Fair Value Adjustment	Other Income ²	Intrinsic Total
Diversified Investments				
Telecommunications	–	190	–	190
Rain	–	186	–	186
MetroFibre	–	4	–	4
Mining, Construction and Energy	8	56	34	98
Afrimat#	5	(27)	–	(22)
Kropz Group	–	–	–	–
Other Mining, Construction and Energy	3	83	34	120
Business Process Outsourcing	14	(157)	11	(132)
Bluespec	13	(209)	–	(196)
Gemcap	–	42	11	53
Other Business Process Outsourcing	1	10	–	11
Property	–	15	4	19
Other	–	31	–	31
Fledge Capital	–	37	–	37
Other Diversified Investments	–	(6)	–	(6)
Agriculture	21	(18)	–	3
Total Diversified Investments	43	117	49	209

Denotes a listed entity classified as level 1 fair value hierarchy.

¹ Dividend income represents cash dividend receipts in the ARC Fund.

² Other income includes director's fees, interest income on loans to and foreign exchange gains and losses on portfolio entities in the ARC Fund.

4.2 SEGMENTAL PORTFOLIO RETURNS *continued*

R million	31 December 2018				
	Dividend Income ¹	Fair Value Adjustment	Other Income ²	Expected Taxation Cash Flows	Intrinsic Total
Financial Services					
Insurance and Asset Management	8	(104)	3	25	(68)
Alexander Forbes Group Holdings#	–	(80)	–	18	(62)
Alexander Forbes Limited	–	(46)	–	10	(36)
Rand Mutual Holdings#	–	–	–	–	–
Other Insurance and Asset Management	8	22	3	(3)	30
Banking and Digital	–	–	–	–	–
TymeBank	–	–	–	–	–
Other Banking and Digital	–	–	–	–	–
Specialist Financial Services	1	6	1	(1)	7
Total Financial Services	9	(98)	4	24	(61)
Total Fund Invested Portfolio value	52	19	53	24	148
Fund Management Fee					(74)
Interest Income on Cash and Cash Equivalents					52
Other Net expenses/income in the Fund					(17)
Total Fair Value Movements on the Investment in the ARC Fund at FVTPL*					109

Denotes a listed entity classified as level 1 fair value hierarchy.

¹ Dividend income represents cash dividend receipts in the ARC Fund.

² Other income includes director's fees, interest income on loans to and foreign exchange gains and losses on portfolio entities in the ARC Fund.

* FVTPL: Fair Value Through Profit or Loss.

R million	31 December 2018				
	Intrinsic Value FV movement 31 December 2018	Change resulting from Spot vs 30day VWAP	Change resulting from BEE Discounts	Other*	IFRS FV movement
Total Financial Services	(61)	(37)	19	–	(79)
Total Diversified Investments	209	28	(6)	(34)	197
Total Fund Invested Portfolio value	148	(9)	13	(34)	118

* Other adjustment include Interest Income on loans and forex adjustments capitalised against the investment under IFRS.

CONDENSED SEGMENTAL INFORMATION *continued*

For the six month period ended 31 December 2019

4.2 SEGMENTAL PORTFOLIO RETURNS *continued*

R million	30 June 2019			
	Dividend Income ¹	Fair Value Adjustment	Other Income ²	Intrinsic Total
Diversified Investments				
Telecommunications	–	375	–	375
Rain	–	364	–	364
MetroFibre	–	11	–	11
Mining, Construction and Energy	48	(534)	81	(405)
Afrimat#	21	97	–	118
Kropz Group	–	(483)	70	(413)
Other Mining, Construction and Energy	27	(148)	11	(110)
Business Process Outsourcing	26	(191)	9	(156)
Bluespec	25	(239)	–	214
Gemcap	–	54	9	63
Other Business Process Outsourcing	1	(6)	–	(5)
Property	–	17	9	26
Other	–	64	–	64
Fledge Capital	–	106	–	106
Other Diversified Investments	–	(42)	–	(42)
Agriculture	24	(33)	(6)	(15)
Total Diversified Investments	98	(302)	93	(111)

Denotes a listed entity classified as level 1 fair value hierarchy.

¹ Dividend income represents cash dividend receipts in the ARC Fund.

² Other income includes director's fees, interest income on loans to and foreign exchange gains and losses on portfolio entities in the ARC Fund.

4.2 SEGMENTAL PORTFOLIO RETURNS *continued*

R million	30 June 2019				
	Dividend Income ¹	Fair Value Adjustment	Other Income ²	Expected Taxation Cash Flows	Intrinsic Total
Financial Services					
Insurance and Asset Management	79	(52)	(1)	12	38
Alexander Forbes Group Holdings#	25	(37)	–	8	(4)
Alexander Forbes Limited	31	(8)	–	2	25
Rand Mutual Holdings#	–	–	–	–	–
Other Insurance and Asset Management	23	(7)	(1)	2	17
Banking and Digital	–	421	–	(94)	327
TymeBank	–	355	–	(79)	276
Other Banking and Digital	–	66	–	(15)	51
Specialist Financial Services	10	11	5	(2)	24
Total Financial Services	89	380	4	(84)	389
Total Fund Invested Portfolio value	187	78	97	(84)	278
Fund Management Fee					(153)
Interest Income on Cash and Cash Equivalents					96
Other Net expenses/income in the Fund					19
Total Fair Value Movements on the Investment in the ARC Fund at FVTPL*					240

Denotes a listed entity classified as level 1 fair value hierarchy.

¹ Dividend income represents cash dividend receipts in the ARC Fund.

² Other income includes director's fees, interest income on loans to and foreign exchange gains and losses on portfolio entities in the ARC Fund.

* FVTPL: Fair Value Through Profit or Loss.

R million	30 June 2019			
	Intrinsic Value FV movement 30 June 2019	Change resulting from Spot vs 30day VWAP	Change resulting from BEE Discounts	IFRS FV movement 30 June 2019
Total Financial Services	389	38	–	427
Total Diversified Investments	(111)	(36)	30	(117)
Total Fund Invested Portfolio value	278	2	30	310

CONDENSED SEGMENTAL INFORMATION *continued*

For the six month period ended 31 December 2019

4.3 SEGMENTAL PORTFOLIO NET ASSET VALUE MOVEMENTS - OTHER DISCLOSURE

Investment (R million)	INTRINSIC					Net Balance 31 December 2019
	Net Balance 30 June 2019	Acquisition or (Disposals)	Net Interest Capitalised	Fair Value, Forex & Disposal Gain/Loss	Current Year Expected Taxation Cash Flows	
Nature classification of investments						
Listed	1 545	(60)	–	(2)	13	1 496
Diversified Investments	871	–	–	54	–	925
Financial Services	674	(60)	–	(56)	13	571
Unlisted	7 814	399	1	206	(12)	8 408
Diversified Investments	5 911	120	–	176	–	6 207
Financial Services	1 903	279	1	30	(12)	2 201
Total Nature classification	9 359	339	1	204	1	9 904
Geographic classification of investments						
Diversified Investments	6 782	120	–	230	–	7 132
South Africa	6 002	65	–	231	–	6 298
Rest of Africa	6	7	–	–	–	13
International	774	48	–	(1)	–	821
Financial Services	2 577	219	1	(26)	1	2 772
South Africa	2 511	219	1	(26)	1	2 706
Rest of Africa	–	–	–	–	–	–
International	66	–	–	–	–	66
Total Geographic Classification	9 359	339	1	204	1	9 904
Investment Instrument Type						
Diversified Investments	6 782	120	1	229	–	7 132
Equity	6 344	(219)	–	229	–	6 354
Loans	145	339	1	–	–	485
Preference Shares	293	–	–	–	–	293
Financial Services	2 577	219	–	(25)	1	2 772
Equity	2 533	219	–	(25)	1	2 728
Loans	23	–	–	–	–	23
Preference Shares	21	–	–	–	–	21
Total Instrument Type Classification	9 359	339	1	204	1	9 904

Reconciliation

Net Asset Value - IFRS	IFRS Reconciliation			
	31 December 2019	30 June 2019	per share change	% change
Net Asset Value per share (cents) - IFRS	967	945	22	2.3%
Diluted Net Asset Value per share (cents) -IFRS	967	945	22	2.3%

4.3 SEGMENTAL PORTFOLIO NET ASSET VALUE MOVEMENTS - OTHER DISCLOSURE

Investment (R million)	INTRINSIC					Net Balance 30 June 2019
	Net Balance 30 June 2018	Acquisition or (Disposals)	Net Interest Capitalised	Fair Value, Forex & Disposal Gain/Loss	Current Year Expected Taxation Cash Flows	
Nature classification of investments						
Listed	1 406	153	–	(23)	9	1 545
Diversified Investments	851	–	–	20	–	871
Financial Services	555	153	–	(43)	9	674
Unlisted	6 742	977	68	120	(93)	7 814
Diversified Investments	5 732	418	71	(310)	–	5 911
Financial Services	1 010	559	(3)	430	(93)	1 903
Total Nature classification	8 148	1 130	68	97	(84)	9 359
Geographic classification of investments						
Diversified Investments	6 583	418	71	(290)	–	6 782
South Africa	6 206	(103)	55	(156)	–	6 002
Rest of Africa	–	6	–	–	–	6
International	377	515	16	(134)	–	774
Financial Services	1 565	712	(3)	387	(84)	2 577
South Africa	1 565	697	(3)	321	(69)	2 511
Rest of Africa	–	–	–	–	–	–
International	–	15	–	66	(15)	66
Total Geographic Classification	8 148	1 130	68	97	(84)	9 359
Investment Instrument Type						
Diversified Investments	6 583	418	71	(290)	–	6 782
Equity	5 810	625	–	(91)	–	6 344
Loans	672	(387)	59	(199)	–	145
Preference Shares	101	180	12	–	–	293
Financial Services	1 565	712	(3)	387	(84)	2 577
Equity	1 501	729	–	387	(84)	2 533
Loans	46	(20)	(3)	–	–	23
Preference Shares	18	3	–	–	–	21
Total Instrument Type Classification	8 148	1 130	68	97	(84)	9 359

Reconciliation

Net Asset Value - IFRS	IFRS Reconciliation			
	30 June 2019	30 June 2018	per share change	% change
Net Asset Value per share (cents) - IFRS	945	931	14	1.5%
Diluted Net Asset Value per share (cents) -IFRS	945	920	25	2.7%

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six month period ended 31 December 2019

5. INVESTMENT IN THE ARC FUND AT FVTPL

Accounting policies and choices

The business model applied by the Board of Directors of the Company in its management of the investment in the ARC Fund is the Intrinsic fair value of the fund portfolio as it is held primarily for capital appreciation. The investment in the ARC Fund is managed and performance evaluated on a Fair Value basis and is therefore a financial asset measured at Fair Value through profit and loss (default). The investment in the ARC Fund is thus a financial instrument mandatory at Fair Value through profit or loss as recognised and measured in accordance with the principles in IFRS 9, Financial Instruments, with associated disclosures presented in accordance with IFRS 7, Financial Instruments Disclosure and IFRS 13, Fair Value Measurements. There were no accounting policy choices afforded by the aforementioned standards which need to be explained further.

Key judgements relate to the fair value measurement as well as control over the ARC Fund. These are discussed in more detail under Accounting Policies in note 3 above.

The investment in the ARC Fund at FVTPL and the underlying portfolio (which is compiled on a look-through basis in the ARC Fund), need to be classified at the appropriate level of hierarchy on which their fair values are based. Fair value classification within these condensed Unaudited Interim Financial Statements is as follows:

Level 1 fair value hierarchy – Investments that trade in active markets and derive their fair value from quoted market prices of identical assets are classified within level 1. The quoted market prices provides the most reliable fair value classification and the Company does not need to adjust the quoted prices to measure the fair value of the investments. The quoted market price used for investments held by the Company is the current bid price.

Level 2 fair value hierarchy – Investments that trade in markets not considered to be active and derive their fair value from observable inputs other than quoted prices included within level 1 above. These inputs need to be directly or indirectly observable for the investment and can include: quoted market prices for similar assets in active or non-active markets; observable inputs other than quoted prices; and inputs derived or corroborated by observable market data.

Level 3 fair value hierarchy – This classification applies to investments where observable inputs are not available for the asset to determine their fair value. Unobservable inputs are used to measure fair value where relevant observable inputs are not available. The unlisted investments, shareholder loans and derivatives in the ARC Fund are typically classified as level 3.

Company context in application of accounting policy choices

The Company obtains exposure and has indirect interests in a diversified pool of listed and unlisted investments (Portfolio Companies) by investing as a Limited Partner into an en-commandite partnership established in South Africa known as the ARC Fund. The Fund is managed by a Black-owned and controlled Fund Manager, UBI General Partner Proprietary Limited (UBI GP Co.) as the General Partner.

Investment objective

The Company's medium-to long-term objective is to grow its NAV by at least 16% per annum, risk-adjusted, gross of dividend distributions and any management fees paid to the General Partner of the ARC Fund and any performance participation. Each investment opportunity will be expected to exceed this minimum risk-adjusted return hurdle on a standalone basis (i.e. without considering potential synergy benefits that can be derived from being part of a diversified portfolio).

The Company has a detailed Investment Policy, which has been formulated in compliance with section 15 of the JSE Limited Listings Requirements as well as certain other ancillary matters, which sets out its investment strategy, investment objective, investment focus and investment parameters. The ARC Fund Investment Committee has adopted these Investment Guidelines in its charter to ensure conformance therewith in its investment decision-making in the ARC Fund. The details of the Investment Policy and guidelines of the Company are available on its website www.arci.mu.

Any material changes to the Investment Policy of the Company must be approved by Shareholders of the Company by way of ordinary resolution. Any future changes to the Investment Guidelines reciprocally adopted in the ARC Fund must be approved by the Company, as an amendment or variation to the Partnership Agreement.

5. INVESTMENT IN THE ARC FUND AT FVTPL *continued*

R million	Notes	Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
The movement of the investment in the ARC Fund at FVTPL are as follows:				
Opening balance		9 854	9 582	9 582
Contribution of Portfolio Assets	7.1	–	–	–
Cash capital contribution	7.1	–	–	–
Fair value movements on the investment in the ARC Fund at FVTPL	4.3	233	79	272
Total		10 087	9 661	9 854
Valuation information:				
IFRS 13 fair value hierarchy		Level 3	Level 3	Level 3
Valuation methodology		Sum of the parts	Sum of the parts	Sum of the parts

REALISATION AND DERECOGNITION

Accounting Policies and Choices

The Company applies the derecognition principle in IFRS 9, Financial Instruments: and derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and also recognises a secured borrowing for the proceeds received.

Company Context in Application of Accounting Policy Choices

The strategic objective of the Company is to not declare any dividends in the short-to-medium term.

The Company's partnership profit share in the ARC Fund for the reporting period is not as a result of a return of capital but rather the fair value movements of the Portfolio Companies in the ARC Fund is therefore unrealised. The Company has therefore adopted a policy whereby unrealised profits of this nature are transferred to the fair value reserve. In the event of a return of capital by the ARC Fund, these would be realised and accordingly transferred from the fair value reserve to retained earnings.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

For the six month period ended 31 December 2019

5.1 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS

The significant Investment Portfolio Companies, being those where there was a fair value movement (excluding listed entities) of 5% or more of the Diversified Investments Portfolio are presented below along with the key valuation inputs and other relevant information. Key inputs which drive the ARC Fund valuation of the portfolio assets were identified and sensitivities tested as demonstrated below. We also considered any investments where significant changes occurred (delta) as well as the 5% of the Fund value threshold.

	Telecommunications	
Details of valuation inputs	Rain	
R million	31 December 2019	30 June 2019
% equity held by Fund	20.7%	20.7%
% equity held by ARC Group	20.7%	20.7%
Gross Equity investment	3 544	3 276
Minority discount	12.5%	12.5%
Marketability discount (*considers BEE as well where applicable)	12.5%	12.5%
Net Equity investment	2 712	2 508
Loans and other investments	–	–
Total intrinsic Value of investment	2 712	2 508
Fair value adjustment	183	364
Valuation information:		
IFRS 13 fair value hierarchy	Level 3	Level 3
Valuation methodology	Eight year discounted cash flow with terminal value	Eight year discounted cash flow with terminal value
Portfolio entity disclosures:		
Sector Grouping	Telecommunications	
Listed/unlisted	Unlisted	
BEE lock-in period	Transfer restrictions and pre-emptives apply to the ARC Fund's interest. Discount is considered as part of the marketability discount above	
Assumptions and sensitivities		
Key inputs:		
Input 1	WACC	
Input variable	16.5%	16.8%
Input 2	Terminal growth rate	
Input 2 variable	3.0%	3.0%
Input 3	Target debt / equity ratio	
Input 3 variable	30.0%	30.0%
Sensitivity of key inputs:		
Input 1 variable	R262 million decrease per 1% increase	R253 million decrease per 1% increase
Input 2 variable	R159 million decrease per 1% decrease	R148 million decrease per 1% decrease
Input 3 variable	R37 million decrease per 1% decrease	R36 million decrease per 1% decrease

5.1 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS *continued*

	Telecommunications	
Details of valuation inputs	MetroFibre	
R million	31 December 2019	30 June 2019
% equity held by Fund	15.2%	15.2%
% equity held by ARC Group	15.2%	15.2%
Gross Equity investment	218	214
Minority discount	–	–
Marketability discount (*considers BEE as well where applicable)	–	5.0%
Net Equity investment	218	203
Loans and other investments	–	–
Total intrinsic Value of investment	218	203
Fair value adjustment	11	11
Valuation information:		
IFRS 13 fair value hierarchy	Level 3	Level 3
Valuation methodology	Recent Transaction – Considering both minority and lack of marketability discount	Recent Transaction – Considering only minority discount. Applied marketability discount subsequently
Portfolio entity disclosures:		
Sector Grouping	Telecommunications	
Listed/unlisted	Unlisted	
BEE lock-in period	Lock-in for five years from March 2016 on a portion of investment. One year and three months remaining at 31 December 2019.	
Assumptions and sensitivities		
Key inputs:	Not applicable.	
Input 1		
Sensitivity of key inputs:		
Input 1 variable		

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

for the six month period ended 31 December 2019

5.1 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS *continued*

Details of valuation inputs	Bluespec		Gemcap	
	31 December 2019	30 June 2019	31 December 2019	30 June 2019
R million				
% equity held by Fund	24.8%	24.8%	97.1%	96.8%
% equity held by ARC Group	24.8%	24.8%	97.1%	96.8%
Gross Equity investment	446	376	545	545
Minority discount	12.8%	10.0%	0.0%	0.0%
Marketability discount (*considers BEE as well where applicable)	18.8%	20.0%	Considered as part of underlying investment multiple	Considered as part of underlying investment multiple
Net Equity investment	316	270	545	545
Loans and other investments	–	–	–	–
Total intrinsic Value of investment	316	270	545	545
Fair value adjustment	46	(239)	–	62
Valuation information:				
IFRS 13 fair value hierarchy	Level 3	Level 3	Level 3	Level 3
Valuation methodology	PE Multiple	PE Multiple	Sum of the parts – EBITDA Multiple of valuation of underlying investments	Sum of the parts – EBITDA Multiple of valuation of underlying investments
Portfolio entity disclosures:				
Sector Grouping	Business Process Outsourcing		Business Process Outsourcing	
Listed/unlisted	Unlisted		Unlisted	
BEE lock-in period	Five years from September 2017. Two years and nine months remaining at 31 December 2019.		Five years from April 2017 on GemCap's investment in Consumer Friends. Two years and four months remaining at 31 December 2019.	
Assumptions and sensitivities				
Key inputs:				
Input 1	PE multiple	PE multiple	EBITDA multiple (avg)	EBITDA multiple (avg)
Input variable	7.6x	7.6x	6.6 x	6.5 x
Sensitivity of key inputs:				
Input variable	R3.4 million decrease per 1% decrease.	R2.7 million decrease per 1% decrease.	R4 million decrease per 1% decrease	R5 million decrease per 1% decrease

5.1 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS *continued*

	Mining, Construction and Energy	
Details of valuation inputs	Afrimat	
R million	31 December 2019	30 June 2019
% equity held by Fund	18.4%	18.4%
% equity held by ARC Group	18.4%	18.4%
30-day VWAP	32.46	31.19
Spot price	33.19	32.0
Gross Equity investment	854	820
Control Premium	n/a	n/a
Marketability discount (*considers BEE as well where applicable)	5.0%	10.0%
Net Equity investment	811	738
Loans and other investments	–	–
Total intrinsic Value of investment	811	738
Fair value adjustment	73	97
Valuation information:		
IFRS 13 fair value hierarchy	Level 1	Level 1
Valuation methodology	JSE listed share price	JSE listed share price
Portfolio entity disclosures:		
Sector grouping	Mining, Construction and Energy	
Listed/unlisted	Listed	
BEE lock-in period	Nine months remaining at 31 December 2019 (4 years from September 2016)	
Assumptions and sensitivities		
Key inputs:		
Input 1	Not applicable,	
Input variable		
Sensitivity of key inputs:		
Input 1 variable		

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

For the six month period ended 31 December 2019

5.1 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS *continued*

	Mining, Construction and Energy	
Details of valuation inputs	Kropz Group	
R million	31 December 2019	30 June 2019
% equity held by Fund	49.3%	47.8%
% equity held by ARC Group	49.3% (50.5% voting rights)	47.8% (50.5% voting rights)
Gross Equity investment	499	447
Minority discount	0.0%	0.0%
Marketability discount (*considers BEE as well where applicable)	Various between 12% – 30%	Various between 12% – 30%
Net Equity investment	439	393
Loans and other investments	91	91
Total intrinsic Value of investment	530	484
Fair value adjustment	–	(480)
Valuation information:		
IFRS 13 fair value hierarchy	Level 3	Level 3
Valuation methodology	Sum of the parts: 49.3% of Kropz Plc DCF; 26% of Kropz Elandsfontein, 30% of Elandsfontein Land Holdings	Sum of the parts – 47.8% of Kropz Plc; 26% of Kropz Elandsfontein, 30% of Elandsfontein Land Holdings
Portfolio entity disclosures:		
Sector grouping	Mining, Construction and Energy	
Listed/unlisted	Listed (trade on this entity has very low volumes and therefore it has been classified as level 3 instead of level 1)	Listed (trade on this entity has very low volumes and thus it has been classified as level 3 instead of level 1)
Other details	Given the uncertainty regarding the current depressed phosphate market price and the timing of a potential recovery, coupled with the potential additional funding requirements, a conservative valuation approach was adopted. The ARC Fund's investment in the Kropz Group was left unchanged since 30 June 2019.	As a consequence of the matters relating to Kropz Elandsfontein, the investment in the Kropz Group was written down to a fair value of R484 million at 30 June 2019, resulting in a fair value write-down of R480 million for the portfolio asset.
BEE lock-in period	Implied BEE lock-in in Kropz Elandsfontein as part of the mining licence equates to 10 years.	
Assumptions and sensitivities		
Key inputs:		
Input 1	Commodity price	Commodity price
Input variable	\$/t FOB 134 (weighted average life of mine)	\$/t FOB 91 (weighted average life of mine)
Input 2	USD : ZAR rate	USD : ZAR rate
Input 2 variable	R/\$ spot 14.09 and forward rate based on 2.6% inflation differential	R/\$ spot 14.09 and forward rate based on 2.6% inflation differential
Input 3	WACC	Cost of Equity
Input 3 variable	16.1%	16.0%
Sensitivity of key inputs:		
Input 1 variable	R39 million decrease per 1% change	R17.1 million decrease per 1% change
Input 2 variable	R37 million decrease per 1% change	R17.1 million decrease per 1% change
Input 3 Variable	R50 million decrease per 1% change	n/a

5.1 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS *continued*

	Mining, Construction and Energy	
Details of valuation inputs	Last Mile Fund	
R million	31 December 2019	30 June 2019
% equity held by Fund	71.2%	71.2%
% equity held by ARC Group	71.2%	71.2%
Gross Equity investment	35	35
Minority discount	–	–
Marketability discount (*considers BEE as well where applicable)	–	–
Net Equity investment	35	35
Loans and other investments	211	187
Total intrinsic Value of investment	246	222
Fair value adjustment	–	–
Valuation information:		
IFRS 13 fair value hierarchy	Level 3	Level 3
Valuation methodology	Acquisition cost	Acquisition cost
Portfolio entity disclosures:		
Sector grouping	Mining, Construction and Energy	
Listed/unlisted	Unlisted	
BEE lock-in period	None	
Assumptions and sensitivities		
Key inputs:		
Input 1	Not applicable.	
Sensitivity of key inputs:		
Input 1 variable		

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

For the six month period ended 31 December 2019

5.2 FINANCIAL SERVICES PORTFOLIO VALUATION INPUTS

The significant Investment Portfolio Companies being those where there was a fair value movement (excluding listed entities) of 5% or more of the segments categories of the Financial Services segment are presented below along with the key valuation inputs and other relevant information. Key inputs which drive the ARC Fund valuation of the portfolio assets were identified and sensitivities tested as demonstrated below.

	Insurance and Asset Management	
Details of valuation inputs	Alexander Forbes Limited	
R million	31 December 2019	30 June 2019
% equity held by Fund	5.0%	5.0%
% equity held by ARC Group	10.0%	10.0%
Gross Equity investment	676	422
Minority discount	15.0%	15.0%
Marketability discount (*considers BEE as well where applicable)	5.0%	10.0%
Net Equity investment	340	315
Loans and other investments	–	–
Total intrinsic Value of investment	340	315
Fair value adjustment	25	(6)
Valuation information:		
IFRS 13 fair value hierarchy	Level 2	Level 2
Valuation methodology	Proxy to listed share price 30 day VWAP.	Proxy to listed share price 30 day VWAP.
Portfolio entity disclosures:		
Sector grouping	Insurance and Asset Management	
Listed/unlisted	Unlisted	
BEE lock-in period	Three years from February 2019. Two months remaining at 31 December 2019.	
Other details	Alexander Forbes Limited is subject to flip up to the listed entity. The flip up was due to occur in February 2020, but has been postponed.	
Assumptions and sensitivities		
Key inputs:	None applicable	
Input 1		
Input variable		
Sensitivity of key inputs:		
Input 1		
Input 1 variable		

5.2 FINANCIAL SERVICES PORTFOLIO VALUATION INPUTS *continued*

	Insurance and Asset Management	
Details of valuation inputs	Alexander Forbes Group Holdings Limited	
R million	31 December 2019	30 June 2019
% equity held by Fund	6.8%	6.6%
% equity held by ARC Group	13.7%	13.1%
30-day VWAP	5.34	5.48
Spot price	5.40	5.75
Gross Equity investment	486	495
Control Premium	–	–
Marketability discount (*considers BEE as well where applicable)	–	–
Net Equity investment	486	495
Loans and other investments	–	–
Total intrinsic Value of investment	486	495
Fair value adjustment (net of deferred tax)	(9)	(29)
Valuation information:	Level 1	Level 1
IFRS 13 fair value hierarchy	JSE listed share price (30 day VWAP)	JSE listed share price (30 day VWAP)
Valuation methodology		
Portfolio entity disclosures:		
Sector grouping	Insurance and Asset Management	
Listed/unlisted	Listed	
BEE lock-in period	None	None
Assumptions and sensitivities	Assumptions and sensitivities	
Key inputs:	Not applicable	
Input 1		
Input variable		
Sensitivity of key inputs:		
Input 1 variable		

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

For the six month period ended 31 December 2019

5.2 FINANCIAL SERVICES PORTFOLIO VALUATION INPUTS *continued*

Details of valuation inputs	Insurance and Asset Management	
	Rand Mutual Holdings	
	31 December 2019	30 June 2019
R million		
% equity held by Fund	15.0%	15.0%
% equity held by ARC Group	30.0%	30.0%
Gross Equity investment	285	289
Minority discount	n/a	n/a
Marketability discount (*considers BEE as well where applicable)	n/a	n/a
Net Equity investment	285	289
Loans and other investments	–	–
Total intrinsic Value of investment	285	289
Fair value adjustment	–	–
Valuation information:		
IFRS 13 fair value hierarchy	Level 3	Level 3
Valuation methodology	Acquisition cost	Acquisition cost
Portfolio entity disclosures:		
Sector grouping	Insurance and Asset Management	
Listed/unlisted	Unlisted	
BEE lock-in period	None	
Assumptions and sensitivities		
Key inputs:	Not applicable	
Input 1		
Sensitivity of key inputs:		
Input 1 variable		

5.2 FINANCIAL SERVICES PORTFOLIO VALUATION INPUTS *continued*

	Banking	
Details of valuation inputs	TymeBank	
R million	31 December 2019	30 June 2019
% equity held by Fund	33.3%	32.6%
% equity held by ARC Group	66.5%	65.5%
Gross Equity investment	824	674
Minority discount	n/a	n/a
Marketability discount (*considers BEE as well where applicable)	n/a	n/a
Net Equity investment	824	674
Loans and other investments	–	–
Total intrinsic Value of investment	824	674
Fair value adjustment (net of deferred tax)	–	275
Valuation information:		
IFRS 13 fair value hierarchy	Level 3	Level 3
Valuation methodology	Recent transaction plus additional investment cost	Recent transaction
Portfolio entity disclosures:		
Sector grouping	Unlisted	
Listed/unlisted	Banking	
BEE lock-in period	None	
Other details	ARC Finholdco invested an additional R300 million over the period under review in Tyme Bank.	A controlling stake was acquired by ARC FinHoldCo in the current year in Tyme Bank over the course of the year, new partners were introduced resulting in a sell down of control to 65.5% at 30 June 2019. The bank is embarking on a capital raise which will see the ARCH FinHoldCo interest dilute further.
Assumptions and sensitivities		
Key inputs:	None applicable	
Input 1		
Sensitivity of key inputs:		
Input 1		

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

For the six month period ended 31 December 2019

6. Other expenses

R million	Notes	Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
Details of other expenses is as follows:				
Listing costs		–	–	1
Audit fees		–	–	1
Directors fees	13	–	–	1
Other expenses		4	3	4
		4	3	7

7. CAPITAL AND RETURN ON CAPITAL

7.1 Stated capital

R million	Notes	Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
ARC Investments has the following categories of share capital:				
Category	Rights			
Ordinary shares	Participating share with voting rights.			
B shares	Non-participating non-voting share except if as at any ordinary shareholder record date an appointed B-BBEE Rating Agent determines that ownership of ordinary shares by Black People as defined in the B-BBEE Codes, as determined using the flow-through principle in accordance with the B-BBEE Codes is less than 51%; and that ARC as the holder of the B share, holds at least 26.1% of the ordinary shares of the Company and since issue of these shares, the holding percentage has never dropped below 26.1%.			
C shares	Non-participating, non-voting shares with automatic conversion based on the terms of the performance participation (refer to Note 9).			
In terms of the Mauritius Companies Act 2001, as amended, the Company is not required to have an authorised share capital. All the Company's classes of shares are of no par value and, accordingly, the Company does not have a share premium account.				
Issued share capital				
Ordinary shares				
- 100 Ordinary shares of no par value issued at incorporation at USD1 per share (translated at R12.91) ¹ .		–	–	–
- 526 588 235 shares issued to ARC Proprietary Limited under an asset-for-share sale transaction.		4 563	4 563	4 563
- 505 882 353 shares issued at listing date at R8.50 per share.		4 300	4 300	4 300
- Share issue costs.		(31)	(31)	(31)
- Conversion of 12 577 126 C shares for FY 2018 Performance Participation	9	71	71	71
Total issued ordinary share capital at the end of the period		8 903	8 903	8 903
B share				
1 share issued to ARC Proprietary Limited at a nominal value of R1.		–	–	–
C shares				
5 billion shares were issued to UBI Proprietary Limited at listing at a nominal value of R1 for the Performance Participation. On 11 December 2018, 12 577 126 were converted into A ordinary shares, therefore 4 987 422 874 C shares were outstanding at 31 December 2019.		–	–	–

¹ The amount is less than R1 million and is rounded to Rnil.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

For the six month period ended 31 December 2019

7. CAPITAL AND RETURN ON CAPITAL *continued*

7.2 Earnings per share

R million	Notes	Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
Basic earnings per ordinary share (cents)		22	7	26
Diluted earnings per ordinary share (cents)		22	7	26
Headline earnings per ordinary share (cents)		22	7	26
Diluted headline earnings per ordinary share (cents)		22	7	26
7.2.1 Reconciliation of reported earnings to headline earnings:				
Earnings/Headline earnings of the Company		230	77	267
There were no items that require adjustment from the reported earnings in terms of SAICA Circular 4/2018, Headline Earnings.				
7.2.2 Number of ordinary shares (million):				
Number of shares in issue at the end of the year		1 045	1 045	1 045
Weighted average number of shares in issue during the year (million)		1 045	1 034	1 040
Diluted weighted average number of shares in issue during the year (million)		1 045	1 034	1 040
Diluted number of shares at the end of the year (million)		1 045	1 045	1 045
Shares issued at listing: 1 032 470 588 Additional shares issued on 11 December 2018: 12 577 126				
As at 31 December 2019, the Company did not achieve the participation hurdle of 10%. No dilutive shares have been recognised.				

8. DIVIDENDS AND DIVIDEND POLICY

Company Context in Application of Accounting Policy Choices

Company strategic objective

The Company is a capital-pulling and investment holding company structured to offer its shareholders long-term capital appreciation through the growth in the fair value of its investment in the ARC Fund. As such, ARC Investments does not currently intend to pay dividends on the ordinary shares but may choose to pay dividends, including special dividends, at some time in the future when it is appropriate to do so.

Dividends

The Company's ability to pay dividends is a function of the return of capital by the ARC Fund, which is not anticipated in the short term and over which the Company has no direct control. Furthermore, the current intention of the General Partner is that cash raised by the ARC Fund through realisations and distributions received from Portfolio Companies will generally be utilised for new investment opportunities.

If the Company receives the proceeds of realisations or distributions by underlying Portfolio Companies from the ARC Fund and chooses to pay dividends, the Board anticipates declaring and paying a final dividend only. The Board may, however, resolve to declare and pay interim dividends on the ordinary shares. The payment of a dividend will be subject to the Company's constitutional documents and applicable laws and regulations and the reasonably foreseeable obligations of the Company and will require the approval of the Board. The dividends that are envisaged would primarily be paid from distributions received by the ARC Fund from the Portfolio Companies and proceeds arising from the disposal of underlying investments by the ARC Fund, that are distributed to the Company as returns of capital by the ARC Fund.

Unclaimed dividend

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed, provided that dividends unclaimed for a period of three years from the date they were declared may be forfeited for the benefit of the Company. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Board at the time of declaration, subject to the JSE Listings Requirements. There are no current arrangements under which future dividends are waived or agreed to be waived.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

For the six month period ended 31 December 2019

9. PERFORMANCE PARTICIPATION

Accounting Policies and Choices

The Performance Participation is an equity-settled share-based payment accounted for in accordance with the provisions of IFRS 2, Share-based Payments. The share-based payment expense is recognised in profit or loss and the reserve in the statement of changes in equity as a separate reserve.

Company Context in Application of Accounting Policy Choices

As detailed in note 7.1, the Company has issued 5 billion C shares to UBI through a subscription agreement signed on 14 August 2017 for purposes of the Performance Participation, which in accordance with their rights and terms, are convertible into ordinary shares at no consideration.

Grant date:	14 August 2017
Grant price:	R1 for the full 5 billion shares.
Performance hurdle:	10%
Participation percentage:	16%, provided the IPV NAV at the beginning of the measurement period not being less than the previous highest IPV NAV.
Performance period:	Each annual financial year of the Company commencing 1 July and ending 30 June. ¹
Conversion date:	No more than 10 business days (excluding weekends) from the date the Board approves the calculation of the Performance Participation which will normally be the date of approval of the Audited Annual Financial Statements of the Company.
C shares conversion formula:	The number of C shares that will automatically convert into ordinary shares is determined by dividing the Performance Participation for the relevant annual measurement period by the INAV per ordinary share at the end of that measurement period. The conversion is calculated based on the growth in the IPV plus cash returns (of interest and dividends) on the IPV for the performance period percentage exceeding the performance hurdle rate of 10% per annum compounded annually at each financial year-end during each performance period.

¹ The performance period in the year of listing commenced at listing date of 7 September 2017 and ended 30 June 2018.

R million	Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
The annualised growth in Intrinsic Portfolio Value for the reporting period amounted to 5.8%, no Performance Participation has been recognised since the hurdle has not been met.			
5 billion shares were issued to UBI Proprietary Limited at listing on at a nominal value of R1 for the Performance Participation. On 11 December 2018, 12 577 126 were converted into A ordinary shares, therefore 4 987 422 874 C shares were outstanding at 31 December 2019.	-	-	-
Performance Participation expense for the performance period	-	-	-

10. TAXATION

Accounting Policies and Choices

Normal income taxation and deferred taxation are recognised using the taxation rates and taxation laws that have been enacted or substantively enacted by the end of the reporting period in accordance with the recognition and measurement principles in IAS 12, Taxes.

Company Context in Application of Accounting Policy Choices

The Company holds a Category one Global Business License, for the purpose of the Mauritian Financial Services Act 2007. It was registered in Mauritius as a private company limited by shares on 30 June 2017 and converted to a public Company on 2 August 2017. It is liable for income taxation at a rate of 15%. However, the Company is entitled to a taxation credit equivalent to the higher of the actual foreign taxation incurred and 80% of the Mauritian taxation on its foreign source income.

The foregoing is based on current interpretation and practice and is subject to any future changes in Mauritian taxation laws.

R million	Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
No provision has been made for taxation as the Company incurred a foreign tax credit in excess of the tax liability. Losses carried forward amounted to R22 million at 30 June 2019. Mauritian taxation Regulations permit the carry forward of unused taxation losses for a maximum period of 5 years from the date they arose. The accumulated taxation losses are available for set-off against future taxable income as follows:			
Arising in FY 2019, carry forward up to 2024 financial year	–	3	5
Arising in FY 2018 and prior years, carry forward up to 2023 financial year	–	–	18
Reconciliation of loss before income taxation:			
Profit before taxation	–	77	267
Taxation at a statutory effective rate of 3% after foreign taxation credit	–	16	8
Taxation consequences in the year:			
Non-taxable income	–	(16)	(8)
Fair Value movements on the investment in the ARC Fund at FVTPL	–	(16)	(8)
Interest earned on local bank account ¹	–	–	–
Deferred taxation asset not raised	–	–	–
Taxation expense for the year	–	–	–

¹ The amount is less than R1 million and is rounded to Rnil.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

For the six month period ended 31 December 2019

10. TAXATION continued

R million	Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
In the current reporting period the taxation has been reflected at a statutory rate of 15% as a result of the change in the taxation computation approach. The comparative result has been restated.			
Profit before taxation	230	77	267
Taxation at a statutory effective rate of 15% before foreign taxation credit	35	12	40
Taxation consequences in the period:			
Non-taxable income	(35)	(12)	(40)
Unrealised income on the investment in the ARC Fund at FVTPL	(34)	(12)	(40)
Foreign tax credit	(1)	–	–
Interest earned on local bank account ¹	–	–	–
Deferred taxation asset not raised	–	–	–
Taxation expense for the year	–	–	–
No deferred tax asset has been raised.			
Reconciliation of taxation rate:			
Mauritian standard income taxation rate for a company with a Category one Global Business License	15%	15%	15%
Foreign taxation credit	(13)	(12)	(12)
Non-deductible expenditure	–	–	–
Non-taxable income	(2)	(3)	(3)
Deferred taxation asset not raised	–	–	–
Effective taxation rate	–	–	–

¹ The amount is less than R1 million and is rounded to Rnil.

11. RECONCILIATION OF CASH UTILISED IN OPERATIONS BEFORE INVESTMENTS MADE

R million	Notes	Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
Profit/(loss) before taxation		230	77	267
Adjustment for non-cash items		(233)	(79)	(273)
Fair value movements on the investment in the ARC Fund at FVTPL*	4.3	(233)	(79)	(272)
Performance Participation expense	9	–	–	–
Unrealised foreign exchange gains/(losses)		–	–	(1)
Working capital movements		–	1	1
(Increase)/decrease in trade and other receivables		–	(1)	1
Increase/(decrease) in trade and other payables		–	2	–
Cash utilised in operations before investment activities		(3)	(1)	(5)

* FVTPL - Fair Value Through Profit or Loss.

12. FINANCIAL INSTRUMENTS

12.1 Financial Instruments in the Company are categorised as follows:

Unaudited as at 31 December 2019				
R million	Financial Asset at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Financial assets	10 087	21	–	10 108
Investment in the ARC Fund at FVTPL	10 087	–	–	10 087
Trade and other receivables	–	–	–	–
Cash and cash equivalents	–	21	–	21
Financial liabilities	–	–	–	–
Trade and other payables	–	–	–	–

Unaudited as at 31 December 2018				
R million	Financial Asset at fair value through profit or loss	Loans and receivables at amortised cost	Financial liabilities at amortised cost	Total
Financial assets	9 661	29	–	9 690
Investment in the ARC Fund at FVTPL	9 661	–	–	9 661
Trade and other receivables	–	2	–	2
Cash and cash equivalents	–	27	–	27
Financial liabilities	–	–	2	2
Trade and other payables	–	–	2	2

Audited as at 30 June 2019				
R million	Financial Asset at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Financial assets	9 854	24	–	9 878
Investment in the ARC Fund at FVTPL	9 854	–	–	9 854
Trade and other receivables	–	–	–	–
Cash and cash equivalents	–	24	–	24
Financial liabilities	–	–	–	–
Trade and other payables	–	–	–	–

12.2 Risk management

The Company's exposure to market risks is predominantly through its investment in the ARC Fund. To this end, the Board of the General Partner, through its Investment Committee, agrees and reviews the ARC Fund policies for managing all market risks that the financial instruments within the ARC Fund are exposed to. The Directors of the Company manage the Company's exposure to market risks as indicated below.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

For the six month period ended 31 December 2019

12.2 Risk management *continued*

12.2.1 Market risks

Equity price risk

Most of the Company's interest in the ARC Fund is deployed in equity instruments (95% at 31 December 2019 and 95% at 30 June 2019), the Company is thus exposed to equity price risk through the valuation of the underlying Portfolio Investments held by the ARC Fund. The fair value of these investments is derived through the valuations disclosed in the Segmental information. The underlying Portfolio Companies are valued quarterly and the Board has access to the valuation information to monitor and review the fair value of the investments.

R million	Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
Change in portfolio equity prices	9 952	8 393	9 441
Equity component being 95% (30 June 2019: 95%) of Reported IFRS Portfolio Value	9 478	7 993	8 991
- 5%	9 005	7 594	8 542
Interest rate risk			
The Company is mainly exposed to interest rate risk through its investment in the ARC Fund which has interest bearing loan assets and cash of R437 million (as at 30 June 2019: R 850 million) in its portfolio.			
Change in portfolio loan receivable interest rates - annualised			
+ 100 basis points	7	17	9

Currency risk

The Company's exposure to currency risk is primarily through its Investment in the ARC Fund. The portfolio interests of the ARC Fund are predominantly denominated in ZAR with 9.0% denominated in foreign currency. The exposure to currency risk is therefore low; however, the Board continuously monitors the exposure to currency risk through the Investment Committee of the Fund Manager.

12.2.2 Other risks

Credit risk

The Company is exposed to credit risk through the ARC Fund Portfolio and the counter parties of the financial instruments in the portfolio. The diversity of the portfolio mitigates concentration of credit risk. Rigorous assessments, adherence by the Fund Manager to the Investment Guidelines and reviews and due diligence with each investment decision made by the General Partner Investment Committee, which consists of strong and well experienced members, ensure that the Company effectively manages exposure to credit risk. On a quarterly basis, the Board receives detailed reports and updates from the Fund Manager to enable it to monitor the performance of the underlying investments.

The impact of expected credit losses on assets held at amortised cost is immaterial since it relates to cash and cash equivalents held at reputable financial institutions with credit rating of Baa3 resulting in the probability of default being minimal. In addition, trade and other receivables are immaterial.

Liquidity risk

The Company is exposed to the risk relating to the payment of trade and other payables which at the reporting date were not significant. At listing the Company retained sufficient funds from the listing proceeds for working capital requirements. The adequacy of the working capital of the Company is Audited by the Board bi-annually.

13. RELATED PARTY DISCLOSURES

Accounting Policies and Choices

Related party transactions are transfers of resources, services or obligations between the Company and a related party (as identified below), regardless of whether a price is charged or not. They include commitments to do something if a particular event occurs (or does not occur) in the future and executory contracts (recognised or unrecognised). The Company has complied with the provisions of IAS 24, Related Party Transactions, in identifying, quantifying and disclosing the information below.

Company Context in Application of Accounting Policy Choices

The Company has identified the following related party relationships and related transactional terms which are relevant to the current period's condensed Interim Financial Statements:

Name	Relationship	Nature of transaction/terms
Companies:		
UBI	Ultimate parent	- None.
	Holder of the C shares for the Performance Participation	- Issue of the C shares (note 7.1). - The Performance Participation (note 9). - Conversion of 12 577 126 C shares into ordinary shares
ARC	Controlling shareholder	- Asset-for-share transaction prior to listing (note 7.1).
	Holder of the B share	- Issue of the B share (note 7.1).
	Incorporation loan	- Loan advanced per the loan agreement signed on 14 August 2017 for the payment of incorporation and listing related expenses incurred prior to the listing date and effective 18 August 2017 for an amount of up to R60 million. The loan is unsecured, bore no interest and repayments were to be financed from the listing proceeds.
The ARC Fund	South African en-commandite Partnership at a partnership interest of 99.95%.	- Contribution of Portfolio Assets (note 5). - Cash capital contribution (note 5).
General Partner	General Partner in the ARC Fund	- 0.05% in the ARC Fund Capital and partnership profit share. - Fund management fees (note 4.4).

Name	Relationship	Nature of transaction/terms
Key management personnel:		
MC Olivier	Non-executive Director and Chairman	Directors fees.
A Currimjee	Non-executive Director	Directors fees.
T Lo Seen Chong	Non-executive Director	Directors fees.
C Msipha	Non-executive Director	Directors fees.
R Mokate	Non-executive Director	Directors fees.
NB Radebe *	Non-executive Director	Rnil.
K Bodenstein	Chief Financial Officer	Executive salary.

* Ms Radebe resigned as a director with effect from 28 November 2019. Refer to detailed SENS announcement issued on 29 November 2019.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

For the six month period ended 31 December 2019

13. RELATED PARTY DISCLOSURES *continued*

Transactions with related parties in the year under review are as follows:

R million	31 December 2019		31 December 2018		30 June 2019	
	Unaudited transactions during the year	Unaudited balance due from/(to) as at 31 December 2019	Unaudited transactions during the period	Unaudited balance due from/(to) as at 31 December 2018	Audited transactions during the year	Audited balance due from/(to) as at 30 June 2019
UBI	–	–	71	71	71	71
Issue of C shares (note 7.1) ¹	–	–	71	71	–	–
Issue of A shares (note 7.1) ¹	–	–	–	–	71	71
Performance Participation (note 9)	–	–	–	–	–	–
ARC	–	–	–	–	–	–
Issue of B-share (note 7.1) ¹	–	–	–	–	–	–
Accrual of listing expenses	–	–	–	–	–	–
Recovery of expenses payable by ARC	–	–	–	–	–	–
Settlement of incorporation loan	–	–	–	–	–	–
Asset-for-share transaction prior to listing (note 7.1)	–	–	–	–	–	–
The ARC Fund	–	–	533	–	270	–
Contribution of Portfolio Assets (note 5)	–	–	–	–	–	–
Cash capital contribution (note 5)	–	–	–	–	–	–
Partnership profit share for the year (note 4.3)	–	–	533	–	270	270
General Partner	–	–	74	74	78	–
Fund management fees accrued for the year (note 4.4)	96	96	74	74	78	78
Fund management fees paid for the year	–	–	–	–	–	–
Directors' interest						
MC Olivier - 305 882 shares in the Company at a 0.005% interest	n/a	n/a	n/a	n/a	n/a	n/a
Key management personnel²		(1.0)		(0.3)		(0.4)
MC Olivier fees accrued	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.2)
– fees paid to MC Olivier	0.1	0.1	0.1	0.1	0.1	0.1
T Lo Seen Chong fees accrued	–	–	–	–	–	–
– fees paid to T Lo Seen Chong	–	–	–	–	–	–
C Msipha fees accrued	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.2)
– fees paid to C Msipha	–	–	0.1	0.1	0.1	0.1
R Mokate fees accrued	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.2)
– fees paid to R Mokate	0.1	0.1	0.1	0.1	0.1	0.1
A Currimjee fees accrued	(0.3)	(0.3)	–	–	(0.1)	(0.1)
– fees paid to A Currimjee	–	–	–	–	–	–
NB Radebe	–	–	–	–	–	–
K Bodenstein executive salary accrued ²	(0.3)	(0.3)	–	–	–	–
– salary paid to K Bodenstein ¹	–	–	–	–	–	–

¹ Amount is less than R100 000 and is rounded to Rnil.

² Amount is less than R 1 million and is rounded to a million and 1 decimal place. The amounts are disclosed as they are material in nature.

14. COMMITMENTS

As at six month ended 31 December 2019 the Company did not have any commitments. The ARC Fund had a commitments pipeline approved by the Investment Committee, being a combination of new investments and commitment to existing investments, amounting to R1 508 million as at 31 December 2019. The commitments will be funded from cash reserves of the Company and facilities available to the Company.

Contracted (R million)	Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
Contingent consideration on existing portfolio investments	–	–	–
Contractual commitments arising from signed investment agreements	1 508	977	1 592
Total approved not yet contracted	–	543	389
Total contracted	1 508	1 520	1 981

15. SUBSEQUENT EVENTS

Alexander Forbes Group Holdings Limited

ARC FSH announced in January 2020 its intention to acquire 193 million shares in Alexander Forbes Group Holdings Limited from Mercer Africa Limited at a price of 525 cents per share for a consideration of R1 billion. The transaction is subject to regulatory approval. To facilitate the shareholder reorganisation, Alexander Forbes Group Holdings Limited and ARC FSH have agreed to delay the proposed exchange of shares held by ARC FSH in Alexander Forbes Limited for shares in Alexander Forbes Group Holdings Limited (“Flip-up”). The Flip-up will be implemented on the earlier of the Takeover Regulation Panel granting all final approvals or exemptions required for the waiver of any obligation by ARC FSH to extend a mandatory offer to the Alexander Forbes Group Holdings Limited shareholders pursuant to implementation of the Flip-up.

Kropz plc

As a consequence of various delays Kropz Elandsfontein is in technical default on its US\$ 30 million project finance facility from BNP Paribas S.A. (“BNPP”) Kropz Elandsfontein is in an advanced stage of discussion to restructure this facility. The ARC Fund has received Investment Committee approval to support the Kropz Group funding requirements to bring Kropz Elandsfontein into production, subject to reaching agreement with BNPP.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

For the six month period ended 31 December 2019

16. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

New standards in issue but not yet effective or early adopted:

The following accounting pronouncements that are relevant to the operations of the Company became effective for the Company in the current reporting period and have been adopted:

Standard, amendment or interpretation	Summary of expected impact	Effective for financial periods beginning on or after
Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.	Summary of amendment	1 January 2020
	<p>These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:</p> <ul style="list-style-type: none"> - use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; - clarify the explanation of the definition of material; and - incorporate some of the guidance in IAS 1 about immaterial information. 	
	<p>Summary impact on the Company</p> <p>The Directors anticipate that these amendments will be applied in the financial statements for the annual period beginning 1 July 2020. The company has applied the principle of materiality in the preparation and disclosure of financial information. The amendments will have a minimal impact.</p>	

I - CORPORATE INFORMATION

Contact Information	African Rainbow Capital Investments Limited (A Company registered and domiciled in the Republic of Mauritius) www.arci.mu
Registration number	C 148430
JSE share code	AIL
ISIN code	MU0553S00000
Directors	Mark Cyril Olivier (Chairman) Deans Tommy Lo Seen Chong Clive Msipha Bridget Ntombenhle Radebe * Renosi Mokate Anil Currimjee Mmamodiane Refiloe Nkadameng **
Executive Management	Karen Bodenstein (Chief Financial Officer)
Registered Address	Level 3, Alexander House, 35 Cybercity, Ebène, 72201 (Level 3, Alexander House, 35 Cybercity, Ebène, 72201) Mauritius Registered and incorporated as a private Company in Mauritius on 30 June 2017 and converted to a public Company on 2 August 2017.
Company Secretary	Intercontinental Trust Limited Level 3, Alexander House, 35 Cybercity, Ebène, 72201 (Level 3, Alexander House, 35 Cybercity, Ebène, 72201) Mauritius (Company number: C23546)
Sponsor	Rand Merchant Bank, a division of FirstRand Bank Limited , 1 Merchant Place Cnr Fredman Drive and Rivonia Road, Sandton, Johannesburg, 2196 (PO Box 786273, Sandton, 2146) South Africa Registration number 1929/001225/06)
Transfer Secretaries	Computershare Investor Services Proprietary Limited Registration number 2004/003647/07) Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) South Africa
Independent Auditors	PricewaterhouseCoopers and PricewaterhouseCoopers Inc. PwC Centre, Avenue de Telfair, 80829, Moka, Republic of Mauritius 5 Silo Square, V&A Waterfront, Cape Town, 8002, South Africa
Investor Relations	Ainsley Moos investors@arci.mu +230 (403) 0800 +21 (21) 180 0107 +27 (83) 296 4697

* Ms Bridget Ntombenhle Radebe resigned as a Non-executive Director with effect from 28 November 2019. Refer to detailed SENS announcement issued on 29 November 2019.

** Ms Mmamodiane Refiloe Nkadameng has been appointed as a Non-executive Director with effect from 9 March 2020. Refer to detailed SENS announcement issued on 10 March 2020.

II - SHAREHOLDERS' DIARY

The key dates to be noted by shareholders are as follows:

Details	Date
Interim Results Announcement	19 March 2020
Cape Town Roadshows	March 2020
Johannesburg Roadshows	March 2020
Financial year end	30 June 2020
Year end results announcement	September 2020
Johannesburg Roadshows	September 2020
Cape Town Roadshows	September 2020
Integrated Annual Report	September 2020



www.arci.mu