



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

**Audited Annual Financial Statements**  
for the year ended 30 June 2019



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# STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

For the year ended 30 June 2019

The reports and statements set out below form the Audited Annual Financial Statements of African Rainbow Capital Investments Limited (ARC Investments or the Company) for the year ended 30 June 2019 presented to the shareholders. They were prepared under the supervision of Karen Bodenstein, Chief Financial Officer, B Compt (Accounting Science).

These Audited Annual Financial Statements have been audited in compliance with the applicable requirements of the Mauritius Companies Act 2001.

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The Directors are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of the Company including the Report of the Board of Directors and the Report of the Audit and Risk Committee on pages 4 to 83, and the annexures with information for shareholders on pages 84 to 87. The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the Mauritius Companies Act 2001, and the Johannesburg Stock Exchange Limited (JSE) Listings Requirements and include amounts based on judgements and estimates made by management.

The Directors consider that having applied IFRS in preparing the Annual Financial Statements, they have used the most appropriate accounting policies, consistently applied and supported by reasonable prudent judgements and estimates, and that all IFRS standards that they consider to be applicable have been followed. The Annual Financial Statements fairly present the results of operations for the year and the financial position of the Company at year-end in accordance with IFRS.

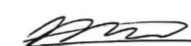
ARC Investments operates in a maturing control environment, which is documented and will be reviewed annually as the business grows. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute assurance that assets are safeguarded and the risks facing the business are being controlled. In this regard, it is assisted with the operations of the ARC Fund (its primary investment wherein it is a Limited Partner through the *en-commandite* partnership agreement with Ubuntu-Botho Investments General Partner Proprietary Limited (UBI GP/the General Partner)), through the governance processes established by the General Partner, including its Board, Investment Committee and Audit and Risk Committee.

Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The going concern basis has been adopted in preparing the Annual Financial Statements. The Directors have no reason to believe that the Company would not be considered a going concern in the foreseeable future, based on forecasts and available cash resources. These Annual Financial Statements support the viability of the Company.

The Annual Financial Statements have been audited by the Company's independent auditors, who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board and committees of the Board, including those of the General Partner. The independent auditors were invited to, attend and participate in all the Audit and Risk Committee meetings of the Company and the General Partner during the year under review. The Directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The Report by the Board of Directors and the Annual Financial Statements were approved by the Company's Board of Directors on 9 September 2019 and are signed on its behalf by:



**Mark Cyril Olivier**  
Chairman of the Board



**Clive Msipha**  
Chairman of the Audit and Risk Committee

<sup>1</sup> This information does not form part of the information audited by the Independent Auditor.

# CERTIFICATE BY THE COMPANY SECRETARY

For the year ended 30 June 2019

In accordance with section 166(d) of the Mauritius Companies Act, the Company Secretary certifies, to the best of its knowledge and belief, that the Company has lodged with the Registrar of Companies all such returns as are required of the Company under the Mauritius Companies Act for the year ended 30 June 2019.



Toorisha Nakey-Kurnauth  
For and on behalf of  
**Intercontinental Trust Limited**  
Company Secretary

9 September 2019

# KEY HIGHLIGHTS

For the year ended 30 June 2019



**Increase of 2.5%**  
INAV Per Share **R9.34** (30 June 2018: R9.12)



**Intrinsic Portfolio Value R9 359 million**  
(30 June 2018: R8 148 million)



**Cash in the ARC Fund at year-end of R725 million**  
30 June 2018: R1 601 million



**TymeBank and Rain are meeting their milestones**  
(Fair value write-up of R640 million)



**Kropz Elandsfontein commissioning delayed**  
(Kropz Group Fair value write-down of R480 million)

# REPORT BY THE BOARD OF DIRECTORS

For the year ended 30 June 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 2018: 51.7%) 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 Diversified Financial Services Investments. Full details of the structure of the group were disclosed in the Pre-Listing Statement issued on 28 August 2017 and published on the Company's website, [www.arci.mu](http://www.arci.mu). 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 in the Company and obtain an indirect exposure to a diversified pool of unlisted and listed Broad-Based Black Economic Empowerment (B-BBEE) assets through a listed investment vehicle; and
- enable ARC Investments to access capital markets, if required, to fund future expansion.

The most significant benefit in this regard is access to high quality companies, some of which would not be available to ordinary investor on the JSE. In addition, investments are typically acquired at an appropriate B-BBEE discount where the investment carries a B-BBEE lock-in for a contractually agreed period which results in attractive prospective yields.

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 Diversified 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.

Often investment opportunities are typically in start-ups or in the early stage of their growth cycle. Therefore, the ARC Fund takes a long-term view on such investments. About 44% of the ARC Fund Intrinsic Portfolio Value of R9 359 million include early stage businesses such as Rain, TymeBank, Kropz Plc and Kropz Elandsfontein.

## Operating environment

The year under review has been characterised by strained 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 generally experienced low consumer, business and investor confidence, which was exacerbated by political and policy uncertainty before and after the May 2019 national elections. 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 intrinsic investment in the ARC Fund increased by 2.5% from R9 500 million at 30 June 2018 to R9 740 million at year end. The Intrinsic Net Asset Value (INAV) of the Company increased from R9.12 per share at 30 June 2018 to R9.34 per share at 30 June 2019 which also amounts to an increase of 2.4%. Whilst this is significantly below the medium to long-term expectation of 16% per annum, it is indicative and aligned to market performance in the current economic environment.

The IFRS Net Asset Value (NAV) per share increased from R9.31 per share at 30 June 2018 to R9.45 per share at 30 June 2019. The 10% hurdle for the Performance Participation has not been met.

The ARC Fund's Intrinsic Portfolio Value (IPV) at 30 June 2019 was R9 359 million (2018: R8 148 million). Net acquisitions and divestitures during the year under review amounted to R1 130 (2018: R2 966 million), including deferred consideration arrangements totalling R148 million (2018: R95 million). Interest capitalised on loan Investments increased the net investments for the year by a further R68 million resulting in total net investments for the year of R1 198 million. At year end, cash resources available in the ARC Fund for further investments amounted to R725 million (2018: R1 601 million).

Investment in ARC Fund	Net Asset Value 30 June 18	Net Investment	Net Increase in Net Asset Value	Net Asset Value 30 June 19	Growth in Net Asset Value
<b>Intrinsic Portfolio Value</b>	<b>8 148</b>	<b>1 198</b>	<b>13</b>	<b>9 359</b>	
Cash in the ARC Fund	1 601			725	(54.7%)
Other net liabilities in the ARC Fund	(249)			(344)	38.2%
<b>Intrinsic Investment in the ARC Fund at FVTPL*</b>	<b>9 500</b>			<b>9 740</b>	<b>2.5%</b>

\* FVTPL: Fair Value Through Profit or Loss

# REPORT BY THE BOARD OF DIRECTORS *continued*

For the year ended 30 June 2019

## Acquisitions and divestitures during the period

The developments during the year under review resulted in acquisitions of R1 630 million (excluding capitalised interest on loan investments) and divestitures of R500 million. The most significant included:

### TymeBank

ARC FinHoldCo increased its holding to 100% in TymeBank in November 2018 when it purchased the 90% interest previously held by Commonwealth Bank of Australia. Over the course of the 2019 financial year the ARC Fund contributed R240 million for its 49.9% share of capital injections into the bank. With the introduction of new partners in the bank through a series of capital raises, the 100% controlling interest held by ARC FinHoldCo diluted to 65.5%. This equated to an effective ownership interest of 32.8% for the ARC Fund.

### Kropz Plc

The ARC Fund subscribed for US\$ 32 million as part of the initial public offering of Kropz Plc, a holding company which listed on the Alternative Investment Market of the London Stock Exchange in November 2018 when it acquired three phosphate investments comprising 74% in Kropz Elandsfontein (South Africa), 100% in Cominco (Republic of the Congo) and 50% in Aflao (Ghana).

### Rand Mutual Holdings

ARC FinHoldCo acquired a 30% equity interest in Rand Mutual Holdings (RMH) during the year under review (the ARC Fund's effective interest is 15% which is R289 million). The acquisition is an appropriate fit within the financial services portfolio and was concluded at a consideration of R580 million with R228 million thereof still subject to performance hurdles over the next two years.

### Last Mile Fund

During the year under review, the ARC Fund converted the bridging loan of R40 million advanced to the entity in June 2018 to equity and further injected capital in the form of preference shares amounting to R180 million into the Last Mile Fund. The business has utilised these funds to support the Mooiplaats mine which was acquired from Coal of Africa.

### Alexander Forbes

ARC FinHoldCo was presented with the opportunity to increase its interest in Alexander Forbes Group Holdings Limited from 8.9% to 13.11% for a purchase consideration of R308 million (resulting in an ARC Fund effective investment of R153 million). As at 30 June 2019, the ARC Fund effective ownership in Alexander Forbes was 6.56%. It furthermore has the right to convert its shares in Alexander Forbes Limited into listed Alexander Forbes Group Holdings shares in February 2020 which will increase its interest to 21%. The ARC Fund effective ownership is 6.56% and will increase to 10.3%.

### BKB

Following an arbitration ruling issued in December 2018, BKB acquired the ARC Fund shareholding for a total consideration of R410 million. This resulted in a pleasing profit of R189 million on the investment and a return well in excess of the 16% hurdle for the 15 month holding period of the portfolio asset.

Other smaller divestitures in the ARC Fund also realised a return in excess of the 16% hurdle.

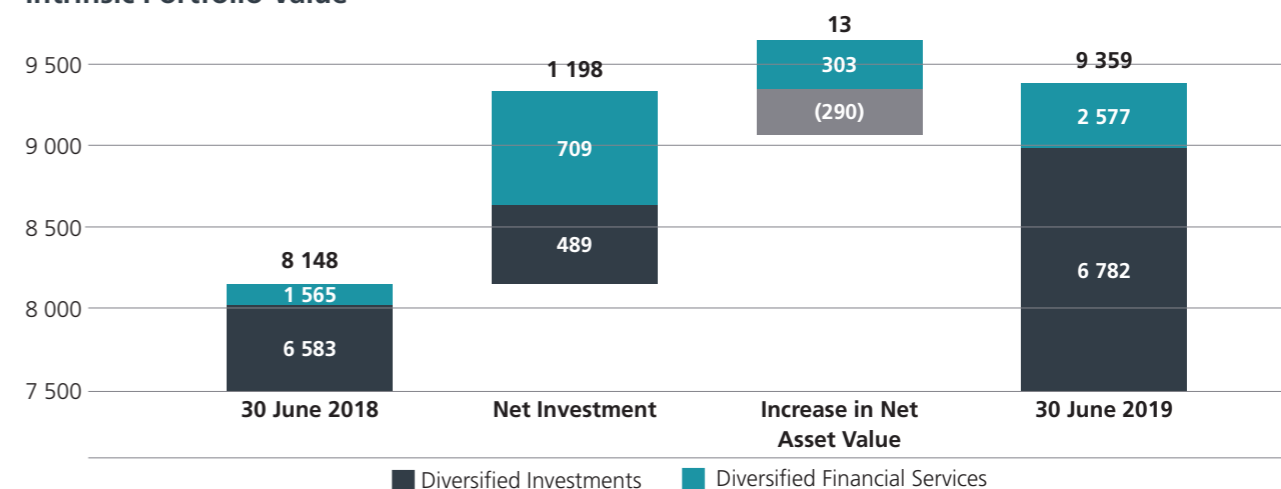
## Performance Review for the period

The Intrinsic Investment in ARC Fund at FVTPL grew 2.5%, largely driven by net investments made by the ARC Fund totalling R1.2 billion with net fair value adjustments increasing the net asset value by R13 million.

## Growth in Intrinsic Portfolio Value

The ARC Fund experienced a healthy deal flow during the year under review and the Intrinsic Portfolio Value (IPV) increased by R1 211 million from R8 148 million to R9 359 million, being the net impact of acquisitions including deferred consideration and interest capitalised (R1 698 million), divestitures in the period (R500 million), fair value write-ups including net foreign exchange gains and profit on disposal of investments of (R1 027 million) and fair value write-downs (R1 014 million).

## Intrinsic Portfolio Value



Below is a summarised review of the more significant portfolio assets performance for the Diversified Investments and Diversified Financial Services segments.

A more detailed schedule of all the assets within the ARC Fund Portfolio indicating investment and divestiture activity as well as their performance is available on the Company's website [www.arci.mu](http://www.arci.mu).

## PORTFOLIO DESCRIPTION AND REVIEW

### Diversified Investments Portfolio (72.5% of Fund Value, 2018: 80.8%)

The IPV of Diversified Investments Portfolio increased from R6 583 million at 30 June 2018 to R6 782 million at 30 June 2019, resulting in a 3.0% increase during the year.

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

Diversified Investments Portfolio Value	Net Asset Value 30 June 18	Net Investment	Increase in Net Asset Value	Net Asset Value 30 June 19	Growth in Net Asset Value
Telecommunications	2 280	56	375	2 711	
Mining, Construction and Energy	1 286	692	(509)	1 469	
Business Process Outsourcing	1 245	77	(191)	1 131	
Agriculture	877	(415)	(39)	423	
Property	523	17	10	550	
Other Diversified Investments	372	62	64	498	
<b>Total Diversified Investments Portfolio</b>	<b>6 583</b>	<b>489</b>	<b>(290)</b>	<b>6 782</b>	<b>3.0%</b>

### Telecommunications (29.0% of Fund Value, 2018: 28.0%)

The IPV of the investments in Telecommunications increased from R2 280 million at 30 June 2018 to R2 711 million at 30 June 2019.

### Rain (26.8% of Fund Value, 2018:26.3%)

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 MHz band, along with the other major operators, as well as an allocation in the sought after 2 600 MHz band, which facilitates access to 5G. Rain intends to build a dedicated national LTE Advanced network and infrastructure.

# REPORT BY THE BOARD OF DIRECTORS *continued*

For the year ended 30 June 2019

Rain has three main income streams. Firstly, it obtains roaming income, which is a result of its agreement with Vodacom. Secondly it includes 4G data sales reflected in the Average Revenue per User (ARPU) and which is positively impacted by growth in 4G subscribers. Thirdly, fixed reseller income also remained healthy despite the fact that this business will be wound down and no new clients are accepted. This segment will be replaced by the soon to be launched access to 5G.

Overall Rain is tracking well against the timelines to extend its footprint and the development of the business. The prospects for Rain remain very good with encouraging revenue growth. Significant progress has been made to further improve on network performance and stability. The Company is well positioned to become a major player in the 5G data market.

The ARC Fund investment in Rain increased from R2 144 million at 30 June 2018 to R2 508 million at 30 June 2019, mainly as a result of a fair value write-up of R364 million (2018: R366 million).

## MetroFibre (2.2% of Fund Value, 2018: 1.7%)

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 R136 million at 30 June 2018 to R203 million at 30 June 2019, mainly as a result of injecting capital of R56 million and a fair value write-up of R11 million (2018: R13 million).

## Mining, Construction and Energy (15.7% of Fund Value, 2018: 13.7%)

The IPV of the investments in Mining, Construction and Energy increased from R1 286 million at 30 June 2018 to R1 469 million at 30 June 2019.

### Afrimat (7.9% of Fund Value, 2018: 7.9%)

Afrimat is a leading Black-empowered supplier to the resources, industrial minerals, mining, road, rail and construction sectors, with a footprint across Southern Africa. The company specialises in open cast mining, industrial minerals and beneficiated mined products.

While some challenges were experienced in the financial year which initially negatively impacted the share price, the business is performing well and the share price has responded accordingly.

The ARC Fund investment in Afrimat increased from R641 million at 30 June 2018 to R738 million at 30 June 2019, mainly as a result of a fair value write-up of R97 million (2018: fair value write-down of R15 million).

### Kropz Plc (4.1% of Fund Value, 2018: not applicable)

Due to delays in the commissioning of the mine and plant discussed below in Kropz Elandsfontein, the investment in Kropz Plc was written down by 25% from a fair value of R510 million to R380 million at 30 June 2019, resulting in a fair value write-down of R130 million for the portfolio asset.

### Kropz Elandsfontein (1.1% of Fund Value, 2018: 5.6%)

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.

At an Elandsfontein board meeting held in May 2019, the board approved a three-month period for confirmatory test work for the required plant modifications. The objective of the three-month test programme was to improve the level of confidence in the performance of the proposed circuit modifications. Workshops were held, followed by a test work programme focussing on reverse flotation.

With most of the work done, it was confirmed that the ore body is significantly more complex than originally expected, in terms of mineralogy, particle and grade variability. The provisional conclusion of the test results is that the envisaged reversed flotation modification to the circuit could struggle to deliver the required process efficiencies at consistent economic returns.

After due consideration of the recently completed test work results and historical work completed, an alternative process solution is required to allow the production of more consistent processing efficiencies from Elandsfontein's ore resource. Additional time is required to conduct further test work, design and financial modelling to define this alternative process. The Elandsfontein executive team has been granted further time to complete the work necessary to propose the test work and engineering design programme for alternative processes, to derive capital and operating cost estimates.

This latest development means that there will be a further delay in the commissioning of the Elandsfontein mine and concentration plant. It is too early to determine the exact impact on costs and commissioning dates. Against the background of the further delay and potential additional funding requirements, the ARC Fund recognised a 75% reduction on its investment in Kropz Elandsfontein comprising of a R328 million fair value write-down and R22 million foreign exchange loss on shareholders loans.

The appeal against the integrated water use licence of Elandsfontein will be heard by the Water Tribunal by the end of October 2019.

## Last Mile Fund (2.4% of Fund Value, 2018: 1.6%)

The Last Mile Fund (LMF) is a Black-owned fund 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 and in particular, coal mining. Our outlook for this asset is negative resulting in the fair value write-down of R58 million at 30 June 2019 (2018: Rnil).

## Other Mining, Construction and Energy

The other portfolio investments include:

	Key information				
	Listed/Unlisted	Investment Type		Direct Ownership	ARC Fund Effective Ownership
		Equity	Loans		
Global Asset Management	Unlisted	✓	✓	48.4%	48.4%

## Business Process Outsourcing (12.1% of Fund Value, 2018: 15.3%)

The IPV of the investments in Business Process Outsourcing decreased from R1 245 million at 30 June 2018 to R1 131 million at 30 June 2019. This included a net loss of R191 million, mainly as a result of an impairment in Bluespec of R239 million.

### Bluespec (2.9% of Fund Value, 2018: 6.2%)

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. Bluespec is 51% Black-owned with WIPHOLD Investment Trust and The ARC Fund as the B-BBEE partners.

The business of Bluespec is focused on the short-term insurance value chain and luxury vehicle sales. The motor industry has experienced challenging trading conditions, resulting in lower volumes and profit margins.

Bluespec's performance was also impacted by the lower claims ratios that short-term insurance companies have experienced over the past year. This was mainly attributable to fewer accident claims due to economic conditions which have compelled consumers to drive less. In addition, there has been less hail damage during the early summer season on the Highveld. These factors led to reduced business volumes for motor body repair shops and tow trucking businesses owned by Bluespec.

Corrective measures, which include cost saving and efficiency optimising initiatives, have been implemented by Bluespec management. Although the fair value of the investment was written down to R270 million, the business is generating good cash flows. The ARC Fund was paid a dividend of R25 million in the 2019 financial year (2018: R17million) and is well positioned to benefit from any upturn in the economy.

### Gemcap (5.8% of Fund Value, 2018: 5.3%)

Gemcap consists of Payprop SA, CSG Holdings Limited, Consumer Friend and Infoslips.

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.

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.

Consumer Friend operates a leading debt review technology platform with all major debt counsellors using it.

Infoslips is a document outsourcing service.

# REPORT BY THE BOARD OF DIRECTORS *continued*

For the year ended 30 June 2019

The ARC Fund investment in Gemcap increased from R429 million at 30 June 2018 to R545 million at 30 June 2019, after additional equity contributions amounting to R53 million (R62 million including R9 million interest capitalised) as capital call on the R500 million commitment facility agreed to at listing in order to expand the business and a further R54 million (2018: R70 million) in fair value write-ups.

## Humanstate (1.5% of Fund Value, 2018: 1.7%)

Humanstate is a private technology services group based in the United Kingdom. It provides businesses and non-profit organisations with state-of-the-art web-based software applications, integrated with on-demand payment processing based on their global transactional platform. Humanstate's primary holding is Payprop SA. Payprop SA continues to deliver strong results and dividend flow while the development in UK and Canada is satisfactory. Please refer to Gemcap for more information on Payprop SA.

The ARC Fund investment in Humanstate increased from R139 million at 30 June 2018 to R144 million at 30 June 2019, mainly as a result of a capital injection of R5 million. Due to the stage of growth of the business, no further fair value adjustments have been recognised in the year under review.

## Other Business Process Outsourcing

The other portfolio investments include:

Key information					
	Listed/Unlisted	Investment Type		Direct Ownership	ARC Fund Effective Ownership
		Equity	Loans		
Autoboys	Unlisted	✓	✓	51%	51%
EOH	Listed	✓		1.7%	1.7%
Capital Appreciation	Listed	✓		3.2%	3.2%

## Agriculture (4.5% of Fund Value, 2018: 10.8%)

The IPV of the investments in Agriculture decreased to R423 million at 30 June 2019, following the disposal of the investment in BKB amounting to proceeds of R410 million and realising an overall return of R189 million since inclusion of the portfolio asset at listing at a fair value of R219 million.

## Acorn Agri and Food (2.3% of Fund Value, 2018: 3.4%)

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, BKB, Grassroots and 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.

Acorn Agri and Overberg Agri entered into an Amalgamation Agreement whereby the two entities amalgamated their respective businesses into one combined entity. This has created a leading national agriculture and food investment company. The ARC Fund's shareholding has diluted to 7.8%.

The ARC Fund investment in Acorn Agri decreased in value from R277 million at 30 June 2018 to R211 million at 30 June 2019, mainly as a result of a fair value write-down of R66 million (2018: fair value gains of R65 million).

## RSA (1.1% of Fund Value, 2018: 1.3%)

RSA is a horizontally integrated sales organisation which offers a unique value proposition to the suppliers of fresh produce in the agricultural sector across all channels. RSA has a nationwide footprint represented in all the major metropolises in South Africa.

In the year under review, the deferred consideration raised in the 30 June 2018 financial year was settled since the business met its performance targets under the subscription agreement. No further fair value adjustments were recognised.

## Subtropico (1.1% of Fund Value, 2018: 1.0%)

Subtropico operates in the food and agricultural sector, focusing mainly on the services segment in these industries. The Group consists of a fresh produce market agent, livestock agents, a packing facility, an equity interest in Farmwise, shareholding in Natsure, and a shareholding in KLK Landbou (an agri-business operating in the Northern Cape).

In the year under review, the deferred consideration raised in the 30 June 2018 financial year was settled since the business met its performance targets under the subscription agreement. This business is also performing well and in line with expectations despite the myriad of challenges in the agricultural sector as it delivered a net profit growth over the past 4 years in excess of 16% and we expect it to continue on this growth trajectory for the near term. As such, an additional fair value write-up of R28 million has been recognised at 30 June 2019 (2018: Rnil).

## Property (5.9% of Fund Value, 2018: 6.4%)

The IPV of the investments in Property increased from R523 million at 30 June 2018 to R550 million at 30 June 2019. The increase is mainly attributable to a net revaluation of Majik Holdings Limited of R12 million.

## Majik (2.7% of Fund Value, 2018: 2.9%)

Majik is a private equity structure which invests in commercial real estate in the United Kingdom, through an organisation called Squarestone. The ARC Fund investment in Majik increased from R238 million at 30 June 2018 to R250 million at 30 June 2019 largely attributable to foreign exchange gains on the GBP denominated investment.

## Val de Vie (1.9% of Fund Value, 2018: 2.0%)

Val de Vie is an established luxury residential estate located in Paarl and has become a mega estate. Paarl is fast becoming a new node separate from the Cape Town northern suburbs. The ARC Fund investment in Val de Vie increased from R164 million at 30 June 2018 to R178 million at 30 June 2019, as a result of a fair value gain of R14 million (2018: R22 million).

## Other Property

The other portfolio investments include:

Key information					
	Listed/Unlisted	Investment Type		Direct Ownership	ARC Fund Effective Ownership
		Equity	Loans		
ARC Real Estate	Unlisted	✓		51.5%	51.5%
ARC Properties	Unlisted	✓		100%	10%
Barlo Park	Unlisted		✓	33.3%	33.3%

## Other Diversified Investments (5.3% of Fund Value, 2018: 4.6%)

The IPV of the Other Diversified Investments increased from R372 million at 30 June 2018 to R498 million at 30 June 2019. The increase is mainly attributable to a net revaluation of Fledge Capital of R106 million.

## Fledge Capital (5.0% of Fund Value, 2018: 4.2%)

The ARC Fund 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 provides funding solutions to private companies within a wide range of industries. Its investments include Safari and Outdoor, WeBuyCars and Better Life.

In the 30 June 2018 financial year, the ARC Fund advanced R200 million to Fledge Capital which over the course of the 30 June 2019 financial year was converted to equity. Based on the growth in the Fledge Capital net asset value, the investment has been written up to a fair value of R469 million in the year under review resulting in an additional capital injection of R21 million and a fair value write-up of R106 million (2018: 27 million).

Key information					
	Listed/Unlisted	Investment Type		Direct Ownership	ARC Fund Effective Ownership
		Equity	Loans		
ARC Investments	Listed	✓		0.4%	0.4%
Moloto Capital	Unlisted	✓		25%	25%
ARC Emerging Markets	Unlisted	✓		50%	50%

# REPORT BY THE BOARD OF DIRECTORS *continued*

For the year ended 30 June 2019

## Diversified Financial Services (27.5% of Fund Value, 2018:19.2%)

The IPV of Diversified Financial Services increased from R1 565 million at 30 June 2018 and to R2 577 million at 30 June 2019.

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

Diversified Financial Services Portfolio Value	Net Asset Value		Increase in Net Asset Value	Net Asset Value		Growth in Net Asset Value
	30 June 18	Net Investment		30 June 19	30 June 19	
Insurance and Asset Management	1 146	444	(35)	1 555		
Specialist Financial Services	261	(22)	11	250		
Banking and Digital	158	287	327	772		
<b>Total Diversified Investments Portfolio</b>	<b>1 565</b>	<b>709</b>	<b>303</b>	<b>2 577</b>		<b>64.7%</b>

## Insurance and Asset Management (16.6% of Fund Value, 2018: 14.1%)

The Fund value in investments in insurance and asset management has increased from R1 256 million at 30 June 2018 to R1 667 million at 30 June 2019 is mainly attributed to the increase in the shareholding of Alexander Forbes as well as the investment in Rand Mutual Holdings discussed under acquisitions and divestitures above.

### Alexander Forbes (8.7% of Fund Value, 2018: 8.5%)

ARC FinHoldCo owns 10% of the operating company Alexander Forbes Limited and owns 13.1% 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 9% in Alexander Forbes Group Holdings Limited. The effective combined shareholding in Alexander Forbes Group Limited on conversion is currently approximately 21% (after considering the dilution impact of the flip up on current shareholding in the listed entity). The ARC Fund (through its 49.9% interest in ARC FinHoldCo thus has an effective shareholding of 10.5%).

The ARC Fund investment in Alexander Forbes Group Holdings increased from R371 million at 30 June 2018 to R495 million at 30 June 2019, mainly as a result of a further investment in the business amounting to R153 million. The ARC Fund investment in Alexander Forbes Limited decreased in value from R321 million at 30 June 2018 to R315 million at 30 June 2019, as a result of a fair value loss on the proxy to the listed share price.

### Rand Mutual Holdings (RMH) (3.1% of Fund Value, 2018: not applicable)

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.

At 30 June 2019, since the business is tracking in line with expectations, the acquisition price was aligned with the fair value and thus no further adjustments have been reported on this portfolio investment.

### Afrocentric (1.3% of Fund Value, 2018: 1.6%)

Afrocentric is a Black-empowered investment holding company with an investment portfolio focused on providing health administration and health risk management solutions in the healthcare sector. The business has delivered a solid operating result in a very challenging operating environment. It is maintaining its expansion programme and has a sound financial position.

The ARC Fund investment in Afrocentric decreased in value from R131 million at 30 June 2018 to R121 million at 30 June 2019, the fair value write-down was as a consequence of a decline in the listed share price.

## Other Insurance and Asset Management

The other portfolio investments include:

	Key information				
	Listed/Unlisted	Investment Type		Direct Ownership	ARC Fund Effective Ownership
		Equity	Loans		
Santam	Listed	✓		0.4%	0.2%
ARC Health	Unlisted	✓	✓	100%	49.9%
Colourfield	Unlisted	✓		28.4%	14.2%
Indwe	Unlisted	✓		51%	25%
EBS	Unlisted	✓		0.4%	0.2%
LifeCheq	Unlisted	✓		31.9%	15.6%
Lima Mbeu	Unlisted	✓	✓	50%	25%
InFund	Unlisted	✓		51%	25.5%
Portfolium	Unlisted	✓	✓	51%	25.5%
QED	Unlisted	✓		51%	25.5%

## Specialist Financial Services (27% of Fund Value, 2018: 3.2%)

This segment increased from R151 million in value at 30 June 2018 to R138 million in value at 30 June 2019.

### Ooba (1.2% of Fund Value, 2018: 1.4%)

Ooba is a mortgage originator with significant life and general insurance business emanating from the origination. Due to the relative growth of the insurance business, Ooba has been reclassified from specialist financial services to the insurance and asset management cluster. Ooba is one of the leading players in the South African origination landscape. The company is generally performing well despite subdued economic conditions. The ARC Fund investment in Ooba increased in value from R110 million at 30 June 2018 to R112 million at 30 June 2019 resulting in a fair value write-up of R2 million (2018: fair value write-up of R14 million) largely driven by market performance.

### Other Specialist Financial Services

The other portfolio investments include:

	Key information				
	Listed/Unlisted	Investment Type		Direct Ownership	ARC Fund Effective Ownership
		Equity	Loans		
A2X	Unlisted	✓		24.5%	12.2%
Constellation Capital	Unlisted	✓		30.2%	15.1%
EdgeGrowth	Unlisted	✓		30.8%	15.4%
Alternative Prosperity	Unlisted	✓	✓	25%	12.5%
Bravura	Unlisted	✓		29.9%	14.9%
Sinayo	Unlisted	✓	✓	62%	31%



# REPORT BY THE BOARD OF DIRECTORS *continued*

For the year ended 30 June 2019

## Banking and Digital (8.2% of Fund Value, 2018: 1.9%)

This segment previously made up 1.9% of fund value at 30 June 2018. At 30 June 2019 it was valued at R772 million with the main asset being TymeBank valued at R674 million.

### TymeBank (7.2% of Fund Value, 2018: 1.9%)

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.

At 30 June 2019 the bank on-boarded 500 000 customers, which is ahead of its business plan. The bank is signing up between 3 000 and 3 500 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. In addition, the technology which is owned by TymeGlobal is transferable to other jurisdictions and is already being used in 3 countries.

The progress to date, combined with the additional capital that has been injected, results in a fair value of R1.32 billion in ARC FinHoldCo at 30 June 2019 and thus R674 million for the ARC Fund.

### Other Banking and Digital

The other portfolio investments include:

Key information					
	Listed/Unlisted	Investment Type		Direct Ownership	ARC Fund Effective Ownership
		Equity	Loans		
TymeGlobal	Unlisted	✓		33%	16.5%
AI Fund	Unlisted	✓		20.4%	10.2%

## 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 <sup>1</sup>
Deans Tommy Lo Seen Chong (60)	Mauritian	Independent Non-executive Director
Renosi Mokate (61)	South African	Independent Non-executive Director
Bridget Ntombenhle Radebe (39)	South African	Non-executive Director

<sup>1</sup> Mr Anil Currimjee was appointed as an Independent Non-executive Director to the Board on 11 March 2019. Refer to detailed SENS announcement Issued 11 March 2019.

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.

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 a Non-Executive Director who, whilst not a member of the Board of Directors of the General Partner, is the Chairman of the Investment Committee and the Audit and Risk Committee.

## Events post 30 June 2019

The Company and the ARC Fund had no material subsequent events that required adjustment or disclosure in the reported results.

## BASIS OF PREPARATION

### Statement of compliance

The Annual 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 Annual Financial Statements are consistent with those applied in the Company's 30 June 2018 Annual Financial Statements.

The disclosures in the 30 June 2019 Annual Financial Statements have been reviewed to simplify and eliminate repetition in disclosure and succinctly disclose the financial results and performance of the Company. As a consequence of this, the comparative information has been re-presented.

## APPROVAL

The Annual Financial Statements for the year ended 30 June 2019 were approved by the Board of Directors of the Company on 9 September 2019 in Mauritius.



**Mark Cyril Olivier**  
Chairman of the Board



**Clive Msipha**  
Chairman of the Audit and Risk Committee



**Karen Bodenstern**  
Chief Financial Officer

# REPORT OF THE AUDIT AND RISK COMMITTEE

For the year ended 30 June 2019

ARC Investments Limited has been in operational existence for under 2 years and this is its second annual report. The report by the Audit and Risk Committee (A&RC), which is chaired by Mr Clive Msipha, is presented below.

The main objective of the A&RC is to assist the Board in fulfilling its oversight responsibilities, in particular with regard to evaluation of the adequacy and efficiency of accounting policies, internal controls and financial and corporate reporting processes. In addition, the A&RC assesses the independence and effectiveness of the external auditors. This report aims to provide details on how the A&RC has satisfied its various statutory obligations during the year, as well as discuss some of those significant matters that arose during the year under review and how these have been responded to by the Company's A&RC in order to ensure the integrity of the Company's financial reporting. In doing so, as indicated in the report by the Board of Directors, the A&RC of the Company leverages the strong and robust governance processes followed by the General Partner in the ARC Fund, whose members are instrumental in the sound functioning of the *encommandite* Partnership in which the Company has a 99.95% Partnership interest.

## Composition and Governance

Members of the committee satisfy the requirements to serve as members due to their Non-Executive and independent designation in the governance structures of the Company, which are in compliance with the principles of the King Report on Corporate Governance for South Africa (King IV). In addition, the members have adequate knowledge and experience to carry out their duties. With the appointment of Anil Currimjee to the Board on 11 March 2019 and simultaneous appointment to the A&RC committee, the independent director membership of the committee was significantly strengthened.

The committee meets three times a year (six times a year for the General Partner), including the meeting to approve the Integrated Annual Report at the end of September of each year. Its responsibilities over the three meetings (six for the General Partner) are itemised in the sections which follow.

The composition of the committee and the attendance at the meetings by its members for the activities of the 2019 financial year are set out below:

Name	Attendance*
Clive Msipha ( <i>Chairman</i> )	2/2
Anil Currimjee	2/2
Deans Tommy Lo Seen Chong	2/2
Renosi Mokate	1/2

\* Meeting dates: 11 March 2019 and 9 September 2019.

The composition and attendance of meetings of the Audit and Risk committee at the General Partner is as follows:

Name	Attendance*
Tom Boardman ( <i>Chairman</i> )	5/5
Alexander Komape Maditsi	4/5
Michael Arnold	5/5
Abigail Mukhuba	4/5
Boipelo Lekubo	4/5

\* Meeting dates: 6 December 2018; 28 February 2019; 30 May 2019; 22 August 2019 and 27 August 2019.

## Composition and Governance *continued*

As the activities in the ARC Fund have increased, the meetings of the General Partner have accordingly increased to cater for a specific meeting to review and approve the valuation of the investment portfolio separate from a meeting to review the results of the ARC Fund and the Company and to discharge its reporting obligations to the Company.

The executive management and representatives of the external auditors are invited to attend all A&RC meetings of both the Company and General Partner to provide the committee with greater insight into specific issues or areas of the Company and the ARC Fund. The Chairpersons of the A&RC of the Company and the General Partner have regular contact with the management team to discuss relevant matters directly over and above the closed sessions at the interim and year-end reporting periods. The Company and General Partner's external auditors have direct access to the committee, over and above closed sessions without management at every meeting, on any matter that they regard as relevant to the fulfilment of the committee's responsibilities.

## Responsibilities of the A&RC

The A&RC of the Company and the General Partner were constituted on 7 September 2017. Their duties and responsibilities have been accordingly delegated to them by the Board of Directors. The charters of the committees were reviewed during the year under review and necessary amendments were adopted to align to recent changes in regulations stemming from the JSE and the Global Business One Licensing conditions as issued by the Mauritian Financial Services Commission as well as the maturing of the Company and the ARC Fund.

These documents are included as annexures in the Company's integrated report and are also available on its website [www.arci.mu](http://www.arci.mu).

In addition to the duties set out in the A&RCs' charters the A&RC carried out its functions, *inter alia*, as follows:

## Governance and Internal Control Environment

- Reviewed and continued to monitor the implementation of the charters of the A&RC as well as governance matters as delegated by the Board of Directors to ensure these were adequately covered in the annual work plan of the committee during the year;
- Reviewed and continued to monitor the non-audit services policy and the level of non audit services rendered by the Company and ARC Fund's external auditor to ensure appropriate safeguards are in place where the external auditor performs non-audit services to the Company and its related entities;
- Received assurance that proper and adequate accounting records were maintained and the systems safeguard the assets against unauthorised use or disposal;
- Reviewed an assessment prepared by management of the going concern status of the Company (and the ARC Fund) and made recommendations to the Board. The committee concurs that the adoption of the going concern premise in the preparation of the Annual Financial Statements is appropriate;
- Reviewed the funding, financial and general covenants applicable to the Company (and the ARC Fund) as well as the current capital structures, which were found to have been complied with and appropriate;
- Evaluated and reported to the Board on the effectiveness of risk management controls and governance processes;
- Evaluated the experience and expertise of the Chief Financial Officer and the strength of the skillset of the Finance Team;
- Evaluated the competence; qualification and experience of the Company Secretary;
- Considered the representation letter from the A&RC of the General Partner on the execution of its duties as the General Partner under the Partnership Agreement and including those arising from the A&RC Charter of the General Partner as well as other reporting matters requested by the A&RC of the Company.

# REPORT OF THE AUDIT AND RISK COMMITTEE *continued*

For the year ended 30 June 2019

## Responsibilities of the A&RC *continued*

### External Auditors

- Determined the terms of engagement and fees to be paid to PricewaterhouseCoopers (for the Company) and PricewaterhouseCoopers Inc. (for the General Partner); ensured that the appointment of PricewaterhouseCoopers complied with the legislation relating to the appointment of auditors;
- Considered the tenure of PricewaterhouseCoopers and the engagement partner and deemed it appropriate;
- Understood and assessed the procedures performed by PricewaterhouseCoopers as detailed in their Audit Planning report to the A&RC and further confirmed in their Final Report to the A&RC;
- Reviewed the external auditors' report on the year end audit and the key audit matters;
- Monitored the effectiveness of the external auditors in terms of their audit quality, expertise and independence, as well as the content and execution of the audit plan;
- Reviewed the findings and recommendations of the external auditors and confirmed that there were no unresolved matters;
- Confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005 of South Africa;
- All decision letters and explanations issued by the Independent Regulatory Board for Auditors or any other regulator, and any summaries relating to monitoring procedures or deficiencies (if applicable) issued by the audit firm to confirm the suitability for appointment of the audit firm and the designated individual partner, Ms Chantel van den Heever; and
- Nominated the re-appointment of PricewaterhouseCoopers (for the Company) and PricewaterhouseCoopers Inc (for the General Partner) as the registered independent auditor after satisfying itself through enquiry that PricewaterhouseCoopers Inc. and Ms Chantel van den Heever (the engagement partner) are independent as defined in terms of the Mauritius Companies Act 2001, the Companies Act of South Africa, 2008, and Independent Regulatory Board for Auditors (IRBA) in South Africa.

### Financial Reporting

- Reviewed the half-year and year-end detailed valuations and Investment Reporting from the General Partner to satisfy itself of the valuation of the Investment Portfolio in the reported results;
- Reviewed and recommended the condensed interim results; short form advert for interim; short form advert for year end and the Annual Financial Statements to the Board for approval;
- Considered the appropriateness of the accounting policies adopted and changes thereto;
- Considered accounting treatments, significant unusual transactions and key accounting judgements; and
- Reviewed and recommended the Integrated Annual Report to the Board for approval.

Based on the above, the committee formed the opinion that there were no material breakdowns in internal control, including financial control, business risk management and maintenance of effective material control processes. The A&RC is satisfied with the experience and expertise of the Chief Financial Officer; and the competence, qualification and experience of the Company Secretary.

The A&RC reviewed and approved all non-audit services performed by the external auditor, as well as the value and scope of the non-audit services during the year, ensuring that only those non-audit services that do not affect their independence and entail skills and experience that make them the most appropriate suppliers were approved during the year.

In the context of the rule IRBA has issued prescribing that auditors of public interest entities in South Africa must comply with mandatory audit firm rotation with effect from 1 April 2023, the committee has reviewed the tenure of PricewaterhouseCoopers and was satisfied that given this is the third financial year end that PricewaterhouseCoopers have been the auditors of the Company, this new promulgation (once implemented) would not impact the Company for approximately another seven years.

## Material Matters

The A&RC has considered the appropriateness of the key audit matters reported in the external audit opinion and considered the significant audit matters relating to the Annual Financial Statements and how these were addressed by the committee.

Material Matter	Manner addressed by the Audit and Risk Committee
Valuation of unlisted investments	<p>The investment guidelines which were adopted upon listing of the Company on 7 September 2017 were reviewed in the current year and the A&amp;RC of the Company concluded no further revision was required. In the prior year, these were also adopted by the Investment Committee of the General Partner and give guidelines on the investment portfolio valuation and reporting processes.</p> <p>As discussed above, the A&amp;RC also reviewed the accounting policies of the Company, with a particular focus on the fair value requirements arising from IFRS 13, Fair Value Measurement.</p> <p>Over the course of the financial year, management reported to the A&amp;RC on the valuation models which formed the basis of the quarterly reporting and supported the valuation of the Intrinsic Portfolio Values arrived at with a detailed valuation report on each Portfolio Investment entity Company.</p> <p>The processes, key areas of judgement and outcomes were found to be appropriate.</p>

The A&RC has further considered the remaining significant judgements and sources of estimation uncertainty as articulated in the accounting policy note and is satisfied that appropriate judgements have been made and adequate processes followed. The A&RC recommended the Annual Financial Statements for the year ended 30 June 2019 for approval to the Board. The Board has approved the Annual Financial Statements which will be open for discussion at the forthcoming Annual General Meeting of shareholders.



**Clive Msipha**

Chairman of the Audit and Risk Committee  
9 September 2019

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of African Rainbow Capital Investments Limited

## Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of African Rainbow Capital Investments Limited (the Company) as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## What we have audited

African Rainbow Capital Investments Limited's financial statements set out on pages 26 to 83 comprise:

- the statement of financial position as at 30 June 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the accounting policies;
- the segmental information; and
- the notes to the annual financial statements and other explanatory information.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>The fair value of the unlisted investment held in the ARC Fund</b></p> <p>The Company holds a 99.95% interest as a single investment in the ARC Fund, an en-commandite partnership established in South Africa, in its capacity as a Limited Partner. The ARC Fund is invested in several listed and unlisted investments. The fair value of the Company's interest in the ARC Fund is principally derived from the fair value of the underlying listed and unlisted investments held by the ARC Fund. The fair value of the Company's effective interest in the unlisted investments that are held by ARC Fund at 30 June 2019 is R7,814 million as disclosed in note 4.4 of the Financial Statements (Page 54). The fair values of the unlisted investments, as determined by UBI General Partner (Pty) Ltd (the "General Partner"), are determined by applying the valuation methodology which encompasses the income approach, including discounted cash flow models, and comparing the results against the valuations determined using a market approach. Refer to Note 3.1 of the Accounting policies for further detail.</p> <p>The most significant assumptions used in discounted cash flow models are the estimations of expected future post-taxation cash flows (including forecast growth rates), terminal growth rates, and risk adjusted discount rates. The most significant assumption applied in the market approach is the determination of the appropriate comparable companies, taking into account differences in size, risk profile and earnings prospects.</p> <p>Appropriate adjustments are made to the valuations determined above in order to account for the impact of control (or the lack thereof), as well as the marketability of the investments held.</p> <p>Due to the magnitude of the investment, the estimation uncertainties in the assumptions, and the degree of judgement required, the assessment of the fair value of the Company's investment in the ARC Fund, specifically as it relates to the valuation of the underlying unlisted investments held by the fund, is considered to be a matter of most significance to our audit.</p> <p>The investment and the valuation models applied in valuing the ARC Fund investment are presented in note 4.2.</p>	<p>The reasonability of the fair values assigned to the unlisted investments within the ARC Fund was assessed using our valuation expertise for a sample of investments. The valuation methodologies applied by the General Partner were assessed for appropriateness based on the nature of the investments and were deemed appropriate.</p> <p>In order to determine the reasonableness of the risk adjusted discount rates used in the cash flow models, we compared risk adjusted discount rates for the sample selected to a range of discount rates independently calculated by us using our valuation expertise based on the markets in which the investee entities operate, taking into account the nature of the individual entities. Based on the procedures performed, the discount rates were deemed reasonable.</p> <p>In order to assess the reasonability of the forecasted cash flows used in the models, previous budgets were compared to the relevant actual results of the respective unlisted entities. Cash flow forecasts were compared to investee management's budgets and forecasts, and assessed for reasonableness. Terminal growth rates have been assessed for reasonableness based on market expected long-term growth rates through the use of our valuation expertise. Based on procedures performed, the forecasted cash flow models and terminal growth rates applied, were deemed reasonable.</p> <p>Leveraging our valuation expertise, market multiples have been independently compared to those of similar entities, which have been adjusted for entity specific factors which include size, diversification and country risk adjustments, amongst others. Based on the procedures performed, the market multiples used by management were deemed reasonable.</p> <p>Discounts and premiums applied in order to take into account the impact of control (or lack thereof) as well as marketability, were assessed for appropriateness making use of our valuation expertise. The discounts and premiums applied were deemed reasonable.</p> <p>Using independently determined discount rates, multiples and assumptions, a range of fair values was calculated and compared to the fair value calculated by management for the purpose of determining whether a material difference exists between the value determined by management, and that independently determined by ourselves. The fair values determined by management were within our independently calculated range.</p>

# REPORT OF THE INDEPENDENT AUDITOR

To the Shareholders of African Rainbow Capital Investments Limited

## Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "ARC Investments Audited Annual Financial Statements for the year ended 30 June 2019" which we obtained prior to the date of this auditor's report, and the document titled "African Rainbow Capital Investments Limited Integrated Report for the year ended 30 June 2019", which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:**

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**  
Director: Chantel van den Heever  
**Registered Auditor**

Cape Town  
11 September 2019

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

R million	Notes	Audited 30 June 2019	Audited 30 June 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in the ARC Fund at FVTPL*	5.2	9 854	9 582
<b>Current assets</b>			
Trade and other receivables		–	1
Cash and cash equivalents		24	29
<b>Total assets</b>		<b>9 878</b>	9 612
<b>EQUITY</b>			
Stated capital	7.1	8 903	8 832
Accumulated loss		(92)	(131)
Performance Participation reserve	9	–	115
Fair value reserve		1 067	795
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		–	1
<b>Total equity and liabilities</b>		<b>9 878</b>	9 612

\* FVTPL: Fair value through profit or loss.

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

R million	Notes	Audited 30 June 2019	Audited 30 June 2018
Fair value movements on the investment in the ARC Fund at FVTPL*	4.3	272	795
Other income		2	2
Other expenses	6	(7)	(7)
Performance Participation expense	9	–	(115)
<b>Profit before taxation</b>		<b>267</b>	675
Taxation	10	–	–
<b>Profit for the year</b>		<b>267</b>	675
Other comprehensive income for the year		–	–
<b>Total comprehensive income for the year</b>		<b>267</b>	675
<b>Earnings per share:</b>			
Basic earnings per ordinary share (cents)	7.2	26	81
Diluted earnings per ordinary share (cents)	7.2	26	79

\* FVTPL: Fair value through profit or loss.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

R million	Notes	Stated Capital	Accumulated Loss	Performance Participation Reserve	Fair Value Reserve	Total Equity
<b>Balance at incorporation 30 June 2017</b>						
		–	(11)	–	–	(11)
<i>Issue of shares:</i>						
- Acquisition of portfolio assets settled with equity	7.1	4 563	–	–	–	4 563
- Issue of shares	7.1	4 300	–	–	–	4 300
- Share issue costs	7.1	(31)	–	–	–	(31)
Total comprehensive income for the year		–	675	–	–	675
Transfer to fair value reserve		–	(795)	–	795	–
Performance Participation	9	–	–	115	–	115
<b>Balance at 30 June 2018</b>		<b>8 832</b>	<b>(131)</b>	<b>115</b>	<b>795</b>	<b>9 611</b>
Total comprehensive income for the year		–	267	–	–	267
Conversion of C shares	7.1	71	–	(71)	–	–
Transfer to accumulated loss		–	44	(44)	–	–
Transfer to fair value reserve		–	(272)	–	272	–
Performance Participation	9	–	–	–	–	–
<b>Balance at 30 June 2019</b>		<b>8 903</b>	<b>(92)</b>	<b>–</b>	<b>1 067</b>	<b>9 878</b>

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

R million	Notes	Audited 30 June 2019	Audited 30 June 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash utilised in operations before investments made	11	(5)	(16)
Cash capital contribution to the investment in ARC Fund at FVTPL*	5.2	–	(4 224)
<i>Net cash outflows from operating activities</i>		(5)	(4 240)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of shares	7.1	–	4 300
Share issue costs	7.1	–	(31)
<i>Net cash inflows from financing activities</i>		–	4 269
Net increase in cash and cash equivalents		(5)	29
Cash and cash equivalents at the beginning of the year		29	–
<b>Total cash and cash equivalents</b>		<b>24</b>	<b>29</b>

\* FVTPL: Fair value through profit or loss.

# ACCOUNTING POLICIES

For the year ended 30 June 2019

## 1. DEFINITIONS

The following definitions are key to the understanding of the Company's Annual 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 4.4.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The Annual 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 Annual Financial Statements are consistent with those applied in the Company's 30 June 2018 Annual Financial Statements.

The disclosures in the 30 June 2019 Annual Financial Statements have been reviewed to simplify and eliminate repetition in disclosure and succinctly disclose the financial results and performance of the Company. As a consequence of this, the comparative information has been re-presented.

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

### 2.2 Functional currency and presentation currency

The Company's Annual 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 Annual 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 Annual Financial Statements as the Directors have a reasonable expectation that the Company will continue as a going concern for the foreseeable future.

## 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 controllminority 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.



# ACCOUNTING POLICIES *continued*

For the Annual Financial Statements for the year ended 30 June 2019

## 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.

# SEGMENTAL INFORMATION

For the Annual Financial Statements for the year ended 30 June 2019

## 4. SEGMENTAL INFORMATION

### Accounting policies and choices

The company has determined its operating segments based on investments held. At year end, 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 to ensure the right level of monitoring and oversight is achieved with individuals 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;
- Agriculture;
- Property; and
- Other Diversified Investments.

#### Diversified 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 portfolio is organised into the following categories:

- Insurance and Asset Management;
- Specialist Financial Services; and
- Banking and Digital.

# SEGMENTAL INFORMATION *continued*

For the year ended 30 June 2019

## 4.1 SEGMENTAL PORTFOLIO VALUE MOVEMENTS

Investment (R million)	IFRS to INTRINSIC ADJUSTMENTS		
	IFRS Balance 30 June 2018	Spot Price Versus 30 Day VWAP Price <sup>1</sup>	B-BBEE Lock-in Discounts <sup>1</sup>
<b>Diversified Investments</b>			
<b>Telecommunications</b>	<b>2 280</b>	<b>-</b>	<b>-</b>
Rain	2 144	-	-
MetroFibre	136	-	-
<b>Mining, Construction and Energy</b>	<b>1 351</b>	<b>48</b>	<b>(113)</b>
Afrimat#	726	28	(113)
Kropz Plc	-	-	-
Kropz Elandsfontein	455	-	-
Last Mile Fund	133	-	-
Other Mining, Construction and Energy	37	20	-
<b>Business Process Outsourcing</b>	<b>1 251</b>	<b>(6)</b>	<b>-</b>
Bluespec	509	-	-
Gemcap	432	(3)	-
Humanstate	139	-	-
Other Business Process Outsourcing	171	(3)	-
<b>Agriculture</b>	<b>877</b>	<b>-</b>	<b>-</b>
BKB	416	-	-
Acorn Agri and Food	277	-	-
RSA	106	-	-
Subtropico	78	-	-
<b>Property</b>	<b>523</b>	<b>-</b>	<b>-</b>
Majik	238	-	-
Val de Vie	164	-	-
Other Property	121	-	-
<b>Other</b>	<b>374</b>	<b>(2)</b>	<b>-</b>
Fledge Capital	342	-	-
Other Diversified Investments	32	(2)	-
<b>Total Diversified Investments</b>	<b>6 656</b>	<b>40</b>	<b>(113)</b>

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

<sup>1</sup> The values are stated net of related expected taxation cash flow adjustments for the portfolio assets held in ARC FinHoldCo.

Net Balance 30 June 2018	INTRINSIC			Net Balance 30 June 2019
	Acquisition or (Divestiture)	Net Interest Capitalised	Fair Value, Forex & Disposal Gain/Loss	
2 280	56	-	375	2 711
2 144	-	-	364	2 508
136	56	-	11	203
1 286	646	46	(509)	1 469
641	-	-	97	738
-	510	-	(130)	380
455	(60)	38	(328)	105
133	140	7	(58)	222
57	56	1	(90)	24
1 245	68	9	(191)	1 131
509	-	-	(239)	270
429	53	9	54	545
139	5	-	-	144
168	10	-	(6)	172
877	(415)	-	(39)	423
416	(410)	-	(6)	-
277	-	-	(66)	211
106	(5)	-	5	106
78	-	-	28	106
523	1	16	10	550
238	-	16	(4)	250
164	-	-	14	178
121	1	-	-	122
372	62	-	64	498
342	21	-	106	469
30	41	-	(42)	29
6 583	418	71	(290)	6 782

B-BBEE Lock-in Discounts <sup>1</sup>	INTRINSIC to IFRS ADJUSTMENTS		IFRS Balance 30 June 2019
	Spot Price Versus 30 Day VWAP Price <sup>1</sup>		
-	-		2 711
-	-		2 508
-	-		203
82	18		1 569
82	18		838
-	-		380
-	-		105
-	-		222
-	-		24
-	(3)		1 128
-	-		270
-	-		545
-	-		144
-	(3)		169
-	-		423
-	-		-
-	-		211
-	-		106
-	-		106
-	-		550
-	-		250
-	-		178
-	-		122
-	(4)		494
-	-		469
-	(4)		25
82	11		6 875

# SEGMENTAL INFORMATION *continued*

For the year ended 30 June 2019

## 4.1 SEGMENTAL PORTFOLIO VALUE MOVEMENTS *continued*

Investment (R million)	IFRS to INTRINSIC ADJUSTMENTS		
	IFRS Balance 30 June 2018	Spot Price Versus 30 Day VWAP Price <sup>1</sup>	B-BBEE Lock-in Discounts <sup>1</sup>
<b>Diversified Financial Services</b>			
<b>Insurance and Asset Management</b>	<b>1 129</b>	<b>17</b>	<b>-</b>
Alexander Forbes Group Holdings#	346	25	-
Alexander Forbes Limited	321	-	-
Rand Mutual Holdings	-	-	-
Afrocentric#	137	(6)	-
Other Insurance and Asset Management	325	(2)	-
<b>Specialist Financial Services</b>	<b>261</b>	<b>-</b>	<b>-</b>
Ooba	110	-	-
Other Specialist Financial Services	151	-	-
<b>Banking and Digital</b>	<b>158</b>	<b>-</b>	<b>-</b>
TymeBank	158	-	-
Other Banking and Digital	-	-	-
<b>Total Diversified Financial Services</b>	<b>1 548</b>	<b>17</b>	<b>-</b>
<b>Total Fund Invested Portfolio value</b>	<b>8 204</b>	<b>57</b>	<b>(113)</b>

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

<sup>1</sup> The values are stated net of related expected taxation cash flow adjustments for the portfolio assets held in ARC FinHoldCo.

Net Balance 30 June 2018	Acquisition or (Divestiture)	Net Interest Capitalised	Fair Value, Forex & Disposal Gain/Loss	Current Expected Taxation Cash Flows	Net Balance 30 June 2019
<b>1 146</b>	<b>450</b>	<b>(6)</b>	<b>(47)</b>	<b>12</b>	<b>1 555</b>
371	153	-	(37)	8	495
321	-	-	(8)	2	315
-	289	-	-	-	289
131	-	-	(13)	3	121
323	8	(6)	11	(1)	335
<b>261</b>	<b>(25)</b>	<b>3</b>	<b>13</b>	<b>(2)</b>	<b>250</b>
110	-	-	2	-	112
151	(25)	3	11	(2)	138
<b>158</b>	<b>287</b>	<b>-</b>	<b>421</b>	<b>(94)</b>	<b>772</b>
158	240	-	355	(79)	674
-	47	-	66	(15)	98
<b>1 565</b>	<b>712</b>	<b>(3)</b>	<b>387</b>	<b>(84)</b>	<b>2 577</b>
<b>8 148</b>	<b>1 130</b>	<b>68</b>	<b>97</b>	<b>(84)</b>	<b>9 359</b>

B-BBEE Lock-in Discounts <sup>1</sup>	Spot Price Versus 30 Day VWAP Price <sup>1</sup>	IFRS Balance 30 June 2019
<b>-</b>	<b>21</b>	<b>1 576</b>
-	22	517
-	-	315
-	-	289
-	1	122
-	(2)	333
<b>-</b>	<b>-</b>	<b>250</b>
-	-	112
-	-	138
<b>-</b>	<b>-</b>	<b>772</b>
-	-	674
-	-	98
<b>-</b>	<b>21</b>	<b>2 598</b>
<b>82</b>	<b>32</b>	<b>9 473</b>

# SEGMENTAL INFORMATION *continued*

For the year ended 30 June 2019

## 4.2 SEGMENTAL INTRINSIC PORTFOLIO VALUATION

Valuation Method	30 June 2019			30 June 2019				Balance 30 June 2019	% of Fund Value
	Ownership %	Gross Portfolio Value <sup>1</sup> R million	Minority Discount		Marketability Discount				
			R million	%	R million	%			
<b>Diversified Investments</b>									
<b>Telecommunications</b>								<b>2 711</b>	<b>29.0%</b>
Rain	Discounted Cash Flow	20.6%	3 276	(410)	12.5%	(358)	12.5%	2 508	26.8%
MetroFibre	Recent Transaction	15.2%						203	2.2%
<b>Mining, Construction and Energy</b>								<b>1 469</b>	<b>15.7%</b>
Afrimat#	Listed Price	18.4%	820	–	–	(82)	10.0%	738	7.9%
Kropz Plc	Sum of the Parts	47.8%						380	4.1%
Kropz Elandsfontein	Discounted Cash Flow	26.0%						105	1.1%
Last Mile Fund	Sum of the Parts	71.2%						222	2.4%
Other Mining, Construction and Energy								24	0.3%
<b>Business Process Outsourcing</b>								<b>1 131</b>	<b>12.1%</b>
Bluespec	PE Multiple	24.8%	376	(38)	10.0%	(68)	20.0%	270	2.9%
Gemcap	Sum of the Parts	96.8%						545	5.8%
Humanstate	Recent Transaction	10.2%						144	1.5%
Other Business Process Outsourcing								172	1.8%
<b>Agriculture</b>								<b>423</b>	<b>4.5%</b>
Acorn Agri and Food	Over the Counter Price	7.8%	211	–	–	–	–	211	2.3%
RSA	PE Multiple	40.0%	139	(14)	10.0%	(19)	15.0%	106	1.1%
Subtropico	PE Multiple	25.1%	143	(18)	12.5%	(19)	15.0%	106	1.1%
<b>Property</b>								<b>550</b>	<b>5.9%</b>
Majik	Net Asset Value	20.0%	265	(8)	15.0%	(7)	15.0%	250	2.7%
Val de Vie	Discounted Cash Flow	20.0%	247	(31)	12.5%	(38)	17.5%	178	1.9%
Other Property								122	1.3%
<b>Other</b>								<b>498</b>	<b>5.3%</b>
Fledge Capital	Sum of the Parts	52.0%	581	(29)	5.0%	(83)	15.0%	469	5.0%
Other Diversified Investments								29	0.3%
<b>Total Diversified Investments</b>								<b>6 782</b>	<b>72.5%</b>

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

<sup>1</sup> Gross portfolio value represents a controlling stake in the portfolio entity with the exception of the listed investments which are based on listed share prices.

# SEGMENTAL INFORMATION *continued*

For the year ended 30 June 2019

## 4.2 SEGMENTAL INTRINSIC PORTFOLIO VALUATION *continued*

Valuation Method	30 June 2019			30 June 2019				Net Portfolio Value Before Expected Taxation Cash Flows	Expected Taxation Cash Flows	Balance 30 June 2019	% of Fund Value
	Ownership %	Gross Portfolio Value <sup>1</sup> R million		Minority Discount		Marketability Discount					
				R million	%	R million	%				
<b>Diversified Financial Services</b>											
<b>Insurance and Asset Management</b>								<b>1 562</b>	<b>(7)</b>	<b>1 555</b>	<b>16.6%</b>
Alexander Forbes Group Holdings#	Listed Price	6.5%	481	–	–	–	–	481	14	495	5.3%
Alexander Forbes Limited	Listed Price Proxy	5.0%	422	(63)	15.0%	(36)	10.0%	323	(8)	315	3.4%
Rand Mutual Holdings	Recent Transaction	15.0%						289	–	289	3.1%
Afrocentric#	Listed Price	4.4%	124	–	–	–	–	124	(3)	121	1.3%
Other Insurance and Asset Management								345	(10)	335	3.5%
<b>Specialist Financial Services</b>								<b>255</b>	<b>(5)</b>	<b>250</b>	<b>2.7%</b>
Ooba	Embedded Value and Discounted Cash Flow	15.0%	139	(10)	7.5%	(13)	10.0%	116	(4)	112	1.2%
Other Specialist Financial Services								139	(1)	138	1.5%
<b>Banking and Digital</b>								<b>866</b>	<b>(94)</b>	<b>772</b>	<b>8.2%</b>
TymeBank	Recent Transaction	32.7%						753	(79)	674	7.2%
Other Banking and Digital								113	(15)	98	1.0%
<b>Total Diversified Financial Services</b>								<b>2 683</b>	<b>(106)</b>	<b>2 577</b>	<b>27.5%</b>
<b>Total Fund Invested Portfolio value</b>									<b>(106)</b>	<b>9 359</b>	<b>100.0%</b>

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

<sup>1</sup> Gross portfolio value represents a controlling stake in the portfolio entity with the exception of the listed investments which are based on listed share prices.

# SEGMENTAL INFORMATION *continued*

For the year ended 30 June 2019

## 4.2 SEGMENTAL INTRINSIC PORTFOLIO VALUATION *continued*

Valuation Method	30 June 2018			30 June 2018				Balance 30 June 2018	% of Fund Value
	Ownership %	Gross Portfolio Value <sup>1</sup> R million	Minority Discount		Marketability Discount				
			R million	%	R million	%			
<b>Diversified Investments</b>									
<b>Telecommunications</b>								<b>2 280</b>	<b>28.0%</b>
Rain	Discounted Cash Flow	20.6%	2 800	(350)	12.5%	(306)	12.5%	2 144	26.3%
MetroFibre	EBITDA multiple	15.4%	178	(18)	10.0%	(24)	15.0%	136	1.7%
<b>Mining, Construction and Energy</b>								<b>1 286</b>	<b>15.8%</b>
Afrimat#	Listed Price	18.5%	754	–	–	(113)	15.0%	641	7.9%
Kropz Elandsfontein	Discounted Cash Flow	26.3%	513	(19)	39.0%	(39)	30.0%	455	5.6%
Last Mile Fund	Recent Transaction	71.2%						133	1.6%
Other Mining, Construction and Energy								57	0.7%
<b>Business Process Outsourcing</b>								<b>1 245</b>	<b>15.2%</b>
Bluespec	PE Multiple	25.0%						509	6.2%
Gemcap	Sum of the Parts	100%						429	5.3%
Humanstate	Recent Transaction	10.0%						139	1.7%
Other Business Process Outsourcing								168	2.0%
<b>Agriculture</b>								<b>877</b>	<b>10.8%</b>
BKB	Exit Price	20.0%						416	5.1%
Acorn Agri and Food	Over the Counter Price	7.8%						277	3.4%
RSA	Recent Transaction	40.0%						106	1.3%
Subtropico	Recent Transaction	25.0%						78	1.0%
<b>Property</b>								<b>523</b>	<b>6.4%</b>
Majik	Net Asset Value	25.0%	253	(8)	15.0%	(7)	15.0%	238	2.9%
Val de Vie	Discounted Cash Flow	20.0%	227	(28)	13.0%	(35)	18.0%	164	2.0%
Other Property								121	1.5%
<b>Other</b>								<b>372</b>	<b>4.6%</b>
Fledge Capital	Sum of the Parts	51.0%	423	(21)	10.0%	(60)	20.0%	342	4.2%
Other Diversified Investments								30	0.4%
<b>Total Diversified Investments</b>								<b>6 583</b>	<b>80.8%</b>

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

<sup>1</sup> Gross portfolio value represents a controlling stake in the portfolio entity with the exception of the listed investments which are based on listed share prices.

# SEGMENTAL INFORMATION *continued*

For the year ended 30 June 2019

## 4.2 SEGMENTAL INTRINSIC PORTFOLIO VALUATION *continued*

Valuation Method	30 June 2018			30 June 2018				Net Portfolio Value Before Expected Taxation Cash Flows	Expected Taxation Cash Flows	Balance 30 June 2018	% of Fund Value
	Ownership %	Gross Portfolio Value <sup>1</sup> R million		Minority Discount		Marketability Discount					
				R million	%	R million	%				
<b>Diversified Financial Services</b>											
<b>Insurance and Asset Management</b>								1 159	(13)	1 146	14.1%
Alexander Forbes Group Holdings#	Listed Price	4.6%	365	–	–	–	–	365	6	371	4.6%
Alexander Forbes Limited	Listed Price Proxy	5.0%	486	(73)	15.0%	(83)	20.0%	330	(9)	321	3.9%
Afrocentric#	Listed Price	3.5%	132	–	–	–	–	132	(1)	131	1.6%
Other Insurance and Asset Management								332	(9)	323	4.0%
<b>Specialist Financial Services</b>								266	(5)	261	3.2%
Ooba	Embedded Value and Discounted Cash Flow	14.7%	137	(10)	8.0%	(13)	10.0%	114	(4)	110	1.4%
Other Specialist Financial Services								152	(1)	151	1.8%
<b>Banking and Digital</b>								158	–	158	1.9%
TymeBank	Recent Transaction	5.0%						158	–	158	1.9%
<b>Total Diversified Financial Services</b>									<b>(18)</b>	<b>1 565</b>	<b>19.2%</b>
<b>Total Fund Invested Portfolio value</b>									<b>(18)</b>	<b>8 148</b>	<b>100%</b>

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

<sup>1</sup> Gross portfolio value represents a controlling stake in the portfolio entity with the exception of the listed investments which are based on listed share prices.

# SEGMENTAL INFORMATION *continued*

For the year ended 30 June 2019

## 4.3 SEGMENTAL PORTFOLIO RETURNS

	30 June 2019					30 June 2019		
	Dividend Income <sup>1</sup>	Fair Value Adjustment	Other Income <sup>2</sup>	Total Intrinsic Return		Spot Price Versus 30 Day VWAP Price net of Taxation Cash Flows	B-BBEE Lock-in Discounts net Taxation	Total IFRS Return
<b>Diversified Investments</b>								
<b>Telecommunications</b>	-	375	-	375		-	-	375
Rain	-	364	-	364				364
MetroFibre	-	11	-	11				11
<b>Mining, Construction and Energy</b>	48	(534)	81	(405)		(20)	30	(395)
Afrimat#	21	97	-	118		(20)	30	128
Kropz Plc	-	(130)	-	(130)				(130)
Kropz Elandsfontein	-	(353)	70	(283)				(283)
Last Mile Fund	27	(58)	10	(21)				(21)
Other Mining, Construction and Energy	-	(90)	1	(89)		-	-	(89)
<b>Business Process Outsourcing</b>	26	(191)	9	(156)		(10)	-	(166)
Bluespec	25	(239)	-	(214)				(214)
Gemcap	-	54	9	63		(3)		60
Humanstate	-	-	-	-				-
Other Business Process Outsourcing	1	(6)	-	(5)		(7)	-	(12)
<b>Agriculture</b>	24	(33)	(6)	(15)		-	-	(15)
BKB	9	-	(6)	3				3
Acorn Agri and Food	6	(66)	-	(60)				(60)
RSA	6	5	-	11				11
Subtropico	3	28	-	31				31
<b>Property</b>	-	17	9	26		-	-	26
Majik	-	3	9	12				12
Val de Vie	-	14	-	14				14
Other Property	-	-	-	-		-	-	-
<b>Other</b>	-	64	-	64		(6)	-	58
Fledge Capital	-	106	-	106				106
Other Diversified Investments	-	(42)	-	(42)		(6)	-	(48)
<b>Total Diversified Investments</b>	<b>98</b>	<b>(302)</b>	<b>93</b>	<b>(111)</b>		<b>(36)</b>	<b>30</b>	<b>(117)</b>

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

<sup>1</sup> Dividend income represents cash dividend receipts in the ARC Fund.

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



# SEGMENTAL INFORMATION *continued*

For the year ended 30 June 2019

## 4.3 SEGMENTAL PORTFOLIO RETURNS *continued*

	30 June 2019						30 June 2019		
	Dividend Income <sup>1</sup>	Fair Value Adjustment	Other Income <sup>2</sup>	Expected Taxation Cash flows	Total Intrinsic Return		Spot Price Versus 30 Day VWAP Price net of Taxation Cash Flows	B-BBEE Lock-in Discounts net Taxation	Total IFRS Return
<b>Diversified Financial Services</b>									
<b>Insurance and Asset Management</b>	79	(52)	(1)	12	38	38	–	76	
Alexander Forbes Group Holdings#	25	(37)	–	8	(4)	47		43	
Alexander Forbes Limited	31	(8)	–	2	25			25	
Rand Mutual Holdings	–	–	–	–	–			–	
Afrocentric#	14	(13)	–	3	4	(5)		(1)	
Other Insurance and Asset Management	9	6	(1)	(1)	13	(4)	–	9	
<b>Specialist Financial Services</b>	10	11	5	(2)	24	–	–	24	
Ooba	7	2	–	–	9			9	
Other Specialist Financial Services	3	9	5	(2)	15	–	–	15	
<b>Banking and Digital</b>	–	421	–	(94)	327	–	–	327	
TymeBank	–	355	–	(79)	276			276	
Other Banking and Digital	–	66	–	(15)	51	–	–	51	
<b>Total Diversified Financial Services</b>	<b>89</b>	<b>380</b>	<b>4</b>	<b>(84)</b>	<b>389</b>	<b>38</b>	<b>–</b>	<b>427</b>	
<b>Total Fund Invested Portfolio value</b>	<b>187</b>	<b>78</b>	<b>97</b>	<b>(84)</b>	<b>278</b>	<b>2</b>	<b>30</b>	<b>310</b>	
Fund Management Fee					(153)			(153)	
Interest Income on Cash and Cash Equivalents					96			96	
Other Net Income					19			19	
<b>Total Fair Value Movements on the Investment in the ARC Fund at FVTPL*</b>					<b>240</b>			<b>272</b>	

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

<sup>1</sup> Dividend income represents cash dividend receipts in the ARC Fund.

<sup>2</sup> 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.

# SEGMENTAL INFORMATION *continued*

For the year ended 30 June 2019

## 4.3 SEGMENTAL PORTFOLIO RETURNS *continued*

	30 June 2018					30 June 2018			
	Dividend Income <sup>1</sup>	Fair Value Adjustment	Other Income <sup>2</sup>	Intrinsic Total		Spot Price Versus 30 Day VWAP Price net of Taxation Cash Flows	Equity Day One Gains <sup>3</sup>	B-BBEE Lock-in Discounts net Taxation	IFRS Total
<b>Diversified Investments</b>									
<b>Telecommunications</b>	-	379	-	379	-	-	-	379	
Rain	-	366	-	366		-		366	
MetroFibre	-	13	-	13		-		13	
<b>Mining, Construction and Energy</b>	16	(15)	(2)	(1)	(49)	(77)	113	(14)	
Afrimat#	16	(15)	-	1	(28)	(79)	113	7	
Kropz Elandsfontein	-	-	(2)	(2)		2		-	
Last Mile Fund	-	-	-	-		-		-	
Other Mining, Construction and Energy	-	-	-	-	(21)	-	-	(21)	
<b>Business Process Outsourcing</b>	24	(182)	16	(142)	4	85	-	(53)	
Bluespec	17	-	-	17		-		17	
Gemcap	-	69	16	85	2	-		87	
Humanstate	-	-	-	-		-		-	
Other Business Process Outsourcing	7	(251)	-	(244)	2	85	-	(157)	
<b>Agriculture</b>	10	261	-	271	-	-	-	271	
BKB	7	196	-	203		-		203	
Acorn Agri and Food	-	65	-	65		-		65	
RSA	-	-	-	-		-		-	
Subtropico	3	-	-	3		-		3	
<b>Property</b>	18	150	18	186	-	(68)	-	118	
Majik	6	38	18	62		-		62	
Val de Vie	12	22	-	34		-		34	
Other Property	-	90	-	90	-	(68)	-	22	
<b>Other</b>	-	27	-	27	2	-	-	29	
Fledge Capital	-	27	-	27		-		27	
Other Diversified Investments	-	-	-	-	2	-	-	2	
<b>Total Diversified Investments</b>	<b>68</b>	<b>620</b>	<b>32</b>	<b>720</b>	<b>(43)</b>	<b>(60)</b>	<b>113</b>	<b>730</b>	

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

<sup>1</sup> Dividend income represents cash dividend receipts in the ARC Fund.

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

<sup>3</sup> Gains on transfer of the portfolio assets from ARC where the transfer value per the transfer agreement was lower than the fair value at the date of transfer have been recognised as a capital contribution directly in equity. These have not been adjusted for in the Intrinsic Portfolio Value.

# SEGMENTAL INFORMATION *continued*

For the year ended 30 June 2019

## 4.3 SEGMENTAL PORTFOLIO RETURNS *continued*

	30 June 2018						30 June 2018			
	Dividend Income <sup>1</sup>	Fair Value Adjustment	Other Income <sup>2</sup>	Expected Taxation Cash Flows	Intrinsic Total		Spot Price Versus 30 Day VWAP Price net of Taxation Cash Flows	Equity Day One Gains <sup>3</sup>	B-BBEE Lock-in Discounts net Taxation Cash Flows	IFRS Total
<b>Diversified Financial Services</b>										
<b>Insurance and Asset Management</b>	15	62	6	(13)	70	(25)	(25)	6	26	
Alexander Forbes Group Holdings#	11	(27)	–	6	(10)	(26)	(3)		(39)	
Alexander Forbes Limited	–	46	–	(13)	33		–		33	
Afrocentric#	–	6	–	(1)	5	5	(15)		(5)	
Other Insurance and Asset Management	4	37	6	(5)	42	(4)	(7)	6	37	
<b>Specialist Financial Services</b>	4	16	1	(2)	19	–	–	–	19	
Ooba	4	14	–	(2)	16		–		16	
Other Specialist Financial Services	–	2	1	–	3	–	–	–	3	
<b>Banking and Digital</b>	–	–	–	–	–	–	–	–	–	
TymeBank	–	–	–	–	–		–		–	
Other Banking and Digital	–	–	–	–	–	–	–	–	–	
<b>Total Diversified Financial Services</b>	<b>19</b>	<b>78</b>	<b>7</b>	<b>(15)</b>	<b>89</b>	<b>(25)</b>	<b>(25)</b>	<b>6</b>	<b>45</b>	
<b>Total Fund Invested Portfolio value</b>	<b>87</b>	<b>698</b>	<b>39</b>	<b>(15)</b>	<b>809</b>	<b>(68)</b>	<b>(85)</b>	<b>119</b>	<b>775</b>	
Fund Management Fee					(94)				(94)	
Interest Income on Cash and Cash Equivalents					133				133	
Other Net Income					12				(19)	
<b>Total Fair Value Movements on the Investment in the ARC Fund at FVTPL*</b>					<b>860</b>				<b>795</b>	

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

<sup>1</sup> Dividend income represents cash dividend receipts in the ARC Fund.

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

<sup>3</sup> Gains on transfer of the portfolio assets from ARC where the transfer value per the transfer agreement was lower than the fair value at the date of transfer have been recognised as a capital contribution directly in equity. These have not been adjusted for in the Intrinsic Portfolio Value.

\* FVTPL: Fair Value Through Profit or Loss.

# SEGMENTAL INFORMATION *continued*

For the year ended 30 June 2019

## 4.4 SEGMENTAL PORTFOLIO NET ASSET VALUE MOVEMENTS - OTHER DISCLOSURE

Investment (R million)	IFRS to INTRINSIC ADJUSTMENTS		
	Net Balance 30 June 2018	Spot Price Versus 30 Day VWAP net of Expected Taxation Cash Flows	B-BBEE Lock-in Discounts net of Expected Taxation Cash Flows
<b>Nature classification of investments</b>			
<b>Listed</b>	<b>1 462</b>	<b>57</b>	<b>(113)</b>
Diversified Investments	924	40	(113)
Diversified Financial Services	538	17	
<b>Unlisted</b>	<b>6 742</b>	<b>-</b>	<b>-</b>
Diversified Investments	5 732		
Diversified Financial Services	1 010		
<b>Total Nature classification</b>	<b>8 204</b>	<b>57</b>	<b>(113)</b>
<b>Geographic classification of investments</b>			
<b>Diversified Investments</b>	<b>6 656</b>	<b>40</b>	<b>(113)</b>
South Africa	6 279	40	(113)
Rest of Africa	-		
International	377		
<b>Diversified Financial Services</b>	<b>1 548</b>	<b>17</b>	<b>-</b>
South Africa	1 548	17	
Rest of Africa	-		
International	-		
<b>Total Geographic Classification</b>	<b>8 204</b>	<b>57</b>	<b>(113)</b>
<b>Investment Instrument Type</b>			
<b>Diversified Investments</b>	<b>6 656</b>	<b>40</b>	<b>(113)</b>
Equity	5 883	40	(113)
Loans	672		
Preference Shares	101		
<b>Diversified Financial Services</b>	<b>1 548</b>	<b>17</b>	<b>-</b>
Equity	1 484	17	
Loans	46		
Preference Shares	18		
<b>Total Instrument Type Classification</b>	<b>8 204</b>	<b>57</b>	<b>(113)</b>

INTRINSIC					
Net Balance 30 June 2018	Acquisition or (Divestitures)	Net Interest Capitalised	Fair Value, Forex & Disposal Gain/Loss	Current Year Expected Taxation Cash Flows	Net Balance 30 June 2019
1 406	153	-	(23)	9	1 545
851	-	-	20	-	871
555	153	-	(43)	9	674
6 742	977	68	120	(93)	7 814
5 732	418	71	(310)	-	5 911
1 010	559	(3)	430	(93)	1 903
8 148	1 130	68	97	(84)	9 359
6 583	418	71	(290)	-	6 782
6 206	(103)	55	(156)	-	6 002
-	6	-	-	-	6
377	515	16	(134)	-	774
1 565	712	(3)	387	(84)	2 577
1 565	697	(3)	321	(69)	2 511
-	-	-	-	-	-
-	15	-	66	(15)	66
8 148	1 130	68	97	(84)	9 359
6 583	418	71	(290)	-	6 782
5 810	625	-	(91)	-	6 344
672	(387)	59	(199)	-	145
101	180	12	-	-	293
1 565	712	(3)	387	(84)	2 577
1 501	729	-	387	(84)	2 533
46	(20)	(3)	-	-	23
18	3	-	-	-	21
8 148	1 130	68	97	(84)	9 359

INTRINSIC to IFRS ADJUSTMENTS		
B-BBEE Lock-in Discounts net of Expected Taxation Cash Flows	Spot Price Versus 30 Day VWAP net of Expected Taxation Cash Flows	Net Balance 30 June 2019
82	32	1 659
82	11	964
-	21	695
-	-	7 814
-	-	5 911
-	-	1 903
82	32	9 473
82	11	6 875
82	11	6 095
-	-	6
-	-	774
-	21	2 598
-	21	2 532
-	-	-
-	-	66
82	32	9 473
82	11	6 875
82	11	6 437
-	-	145
-	-	293
-	21	2 598
-	21	2 554
-	-	23
-	-	21
82	32	9 473

# SEGMENTAL INFORMATION *continued*

For the year ended 30 June 2019

## 4.4 SEGMENTAL PORTFOLIO NET ASSET VALUE MOVEMENTS - OTHER DISCLOSURE *continued*

Investment (R million)	IFRS			
	Balance 30 June 2019	Balance 30 June 2018	Change	
			R million	%
<b>Total Fund Invested Portfolio value</b>	<b>9 473</b>	<b>8 204</b>	<b>1 269</b>	<b>15.5%</b>
Deferred Consideration	(148)	(95)	(53)	
Portfolio Company loans payable	–	(136)	136	
Fund Management fee liability	(78)	(31)	(47)	
<b>Total</b>	<b>(226)</b>	<b>(262)</b>	<b>36</b>	
<b>Intrinsic Portfolio net of liabilities</b>	<b>9 247</b>	<b>7 942</b>	<b>1 305</b>	<b>16.4%</b>
Cash and cash equivalents in the ARC Fund	725	1 601	(876)	
Other net assets/(liabilities) in the ARC Fund	(118)	39	(157)	
<b>Total investment in ARC Fund at FVTPL*</b>	<b>9 854</b>	<b>9 582</b>	<b>272</b>	<b>2.8%</b>
Cash in the Company	24	29	(5)	
<b>Net Asset Value</b>	<b>9 878</b>	<b>9 611</b>	<b>267</b>	<b>2.8%</b>
<b>Number of shares (million)</b>	<b>1 045</b>	<b>1 032</b>	<b>13</b>	<b>1.3%</b>
<b>Diluted number of shares (million)</b>	<b>–</b>	<b>13</b>	<b>(13)</b>	
	<b>1 045</b>	<b>1 045</b>	<b>–</b>	
<b>Net Asset Value per share (cents)</b>	<b>945</b>	<b>931</b>	<b>14</b>	<b>1.5%</b>
<b>Diluted Net Asset Value per share (cents)</b>	<b>945</b>	<b>920</b>	<b>25</b>	<b>2.7%</b>

• The details of valuation inputs are included in note 5.2.

\* FVTPL: Fair Value Through Profit or Loss.

Investment (R million)	INTRINSIC			
	Balance 30 June 2019	Balance 30 June 2018	Change	
			R million	%
<b>Total Fund Invested Portfolio value</b>	<b>9 359</b>	<b>8 148</b>	<b>1 211</b>	<b>14.9%</b>
Deferred Consideration	(148)	(95)	(53)	
Portfolio Company loans payable	–	(136)	136	
Fund Management fee liability	(78)	(31)	(47)	
<b>Total</b>	<b>(226)</b>	<b>(262)</b>	<b>36</b>	
<b>Intrinsic Portfolio net of liabilities</b>	<b>9 133</b>	<b>7 886</b>	<b>1 247</b>	<b>15.8%</b>
Cash and cash equivalents in the ARC Fund	725	1 601	(876)	
Other net assets/(liabilities) in the ARC Fund	(118)	13	(131)	
<b>Total investment in ARC Fund at FVTPL*</b>	<b>9 740</b>	<b>9 500</b>	<b>240</b>	<b>2.5%</b>
Cash in the Company	24	29	(5)	
<b>Net Asset Value</b>	<b>9 764</b>	<b>9 529</b>	<b>235</b>	<b>2.5%</b>
<b>Number of shares (million)</b>	<b>1 045</b>	<b>1 032</b>	<b>13</b>	<b>1.3%</b>
<b>Diluted number of shares (million)</b>	<b>–</b>	<b>13</b>	<b>(13)</b>	
	<b>1 045</b>	<b>1 045</b>	<b>–</b>	
<b>Net Asset Value per share (cents)</b>	<b>934</b>	<b>923</b>	<b>11</b>	<b>1.2%</b>
<b>Diluted Net Asset Value per share (cents)</b>	<b>934</b>	<b>912</b>	<b>22</b>	<b>2.4%</b>

# NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 5.1 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 thus a financial asset measured at Fair Value through profit or 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 Annual 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.

### Prior year accounting policy

In the prior year, the investment in the ARC Fund was a financial instrument designated at fair value through profit or loss and recognised and measured in accordance with the principles in IAS 39, 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.

### 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) as the General Partner.

## 5.2 INVESTMENT IN THE ARC FUND AT FVTPL *continued*

### 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](http://www.arci.mu).

R million	Notes	Audited 30 June 2019	Audited 30 June 2018
<b>The movement of the investment in the ARC Fund at FVTPL* are as follows:</b>			
Opening balance		9 582	–
Contribution of Portfolio Assets	7.1	–	4 563
Cash capital contribution	7.1	–	4 224
Fair value movements on the investment in the ARC Fund at FVTPL*	4.3	272	795
<b>Total</b>	<b>4.4</b>	<b>9 854</b>	9 582
<b>Total INTRINSIC Investment in the ARC Fund at FVTPL*</b>			
<b>Valuation information:</b>			
IFRS 13 fair value hierarchy		Level 3	Level 3
Valuation methodology		Sum of the Parts#	Sum of the Parts#

\* FVTPL - Fair Value Through Profit or Loss.

# Adjusted for minority discounts as applicable.

# NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2019

## 5.2 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. Please refer to the Segmental Report for the marketability and minority discounts applied.

Details of valuation inputs	Telecommunications		MetroFibre	30 June 2018		
	Rain				30 June 2019	
	30 June 2019	30 June 2018			30 June 2019	30 June 2018
<b>ARC Fund valuation</b>	<b>3 276</b>	2 800	<b>214</b>	178		
Investment type	Equity		Equity			
<b>Valuation information:</b>						
IFRS 13 fair value hierarchy	Level 3	Level 3	Level 3	Level 3		
Valuation methodology	Eight year discounted cash flow	Ten year discounted cash flow	Recent Transaction	EBITDA multiple		
<b>Portfolio entity disclosures:</b>						
Listed/unlisted	Unlisted		Unlisted			
BEE lock-in period	Transfer restrictions and pre-emptives apply to the ARC Fund's interest.		Five years from March 2016. One year and nine months remaining at 30 June 2019.			
Reserved matters	Yes		Yes			
Other minority protections	Yes		Yes			
Board representation	Dr Johan van Zyl		Marlene Jennings			
<b>Key inputs:</b>						
Input 1	WACC	WACC	Not applicable.	EBITDA multiple		
Input variable	16.8%	18.7%		7.3 x		
Input 2	Terminal growth rate	Terminal growth rate				
Input 2 variable	3.0%	3.0%				
<b>Sensitivity of key inputs:</b>						
Input 1	WACC	WACC	Not applicable.	EBITDA multiple		
Input variable	R253.0 million decrease per 1% increase	R204.0 million decrease per 1% increase		R1.5 million decrease per 1% decrease		
Input 2	Terminal growth rate	Terminal growth rate				
Input 2 variable	R148.0 million decrease per 1% decrease	R103.0 million decrease per 1% decrease				
Input 3						
Input 3 Variable						

Details of valuation inputs	Business Process Outsourcing		Gemcap	30 June 2018		
	Bluespec				30 June 2019	
	30 June 2019	30 June 2018			30 June 2019	30 June 2018
<b>ARC Fund valuation</b>	<b>376</b>	509	<b>545</b>	429		
Investment type	Equity		Equity	Equity and loans		
<b>Valuation information:</b>						
IFRS 13 fair value hierarchy	Level 3	Level 3	Level 3	Level 3		
Valuation methodology	PE Multiple	Recent Transaction	Sum of the parts	Sum of the parts		
<b>Portfolio entity disclosures:</b>						
Listed/unlisted	Unlisted		Unlisted			
BEE lock-in period	Five years from September 2017. Three years and three months remaining at 30 June 2019.		Five years from April 2017. Two years and ten months remaining at 30 June 2019.			
Reserved matters	Yes		Yes			
Other minority protections	Yes		Yes			
Board representation	Johan van der Merwe Brenda Matyolo	Johan van der Merwe Brenda Matyolo Charmaine Padayachy	None			
<b>Key inputs:</b>						
Input 1	PE multiple	Not applicable.	EBITDA multiple (avg)	EBITDA multiple (avg)		
Input variable	8.4 x		6.5 x	6.9 x		
Input 2				Growth rate		
Input 2 variable				6.0%		
<b>Sensitivity of key inputs:</b>						
Input 1	Level of net earnings	Not applicable.	EBITDA multiple	EBITDA multiple		
Input variable	R2.7 million decrease per 1% decrease.		R5 million decrease per 1% decrease	R4 million decrease per 1% decrease		
Input 2				Growth rate		
Input 2 variable				R17.5 million decrease per 1% decrease		
Input 3						
Input 3 Variable						

# NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2019

## 5.2 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS *continued*

Details of valuation inputs	Business Process Outsourcing	
	Humanstate	
R million	30 June 2019	30 June 2018
<b>ARC Fund valuation</b>	<b>144</b>	139
Investment type	Equity	
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy	Level 3	Level 3
Valuation methodology	Recent Transaction	Recent Transaction
<b>Portfolio entity disclosures:</b>		
Listed/unlisted	Unlisted	
Other details	None	
BEE lock-in period	None	
Reserved matters	No	
Other minority protections	None	
Board representation	Johan van der Merwe	
<b>Key inputs:</b>		
Input 1	Not applicable.	Not applicable.
Input variable		
Input 2		
Input 2 variable		
<b>Sensitivity of key inputs:</b>		
Input 1	Not applicable.	Not applicable.
Input variable		
Input 2		
Input 2 variable		
Input 3		
Input 3 Variable		

Details of valuation inputs	Mining, Construction and Energy	
	Kropz Plc	
R million	30 June 2019	30 June 2018
<b>ARC Fund valuation</b>	<b>380</b>	–
Investment type	Equity	Not applicable
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy	Level 3	Not applicable
Valuation methodology	Sum of the parts	Not applicable
<b>Portfolio entity disclosures:</b>		
Listed/unlisted	Listed (trade on this entity has very low volumes and thus it has been classified as level 3 instead of level 1)	Not applicable
Other details	As a consequence of the matters relating to Kropz Elandsfontein (as explained under the Kropz Elandsfontein investment), the investment in Kropz Plc was written down to a fair value of R380 million at 30 June 2019, resulting in a fair value write-down of R130 million for the portfolio asset.	
BEE lock-in period	None	Not applicable
Reserved matters	No	Not applicable
Other minority protections	Yes	Not applicable
Board representation	Machiel Reyneke	Not applicable
<b>Key inputs:</b>		
Input 1	Commodity price	Not applicable
Input variable	\$/t FOB 91	
Input 2	USD : ZAR rate	
Input 2 variable	R/\$ spot 14.09 and forward rate based on 2.6% inflation differential	
Input 3	Cost of Equity	
Input 3 variable	16.0%	
<b>Sensitivity of key inputs:</b>		
Input 1	Commodity price	
Input variable	R17.1 million decrease per 1% change	
Input 2	USD : ZAR rate	
Input 2 variable	R17.1 million decrease per 1% change	
Input 3		
Input 3 Variable		

Details of valuation inputs	Kropz Elandsfontein	
	30 June 2019	30 June 2018
<b>ARC Fund valuation</b>	<b>105</b>	513
Investment type	Equity and loans	
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy	Level 3	
Valuation methodology	Nine year life of mine discounted cash flow. The decrease in the life of mine is due to uncertainty on proven ore body.	Fourteen year life of mine discounted cash flow. The increase in the life of mine is because of increased proven ore body.
<b>Portfolio entity disclosures:</b>		
Listed/unlisted	Unlisted	
Other details	In addition, there is uncertainty in relation to the estimated capital and operating cost in relation to the alternative process solution which is required to allow for the production of a more consistent product grade from the Elandsfontein ore resource.	
BEE lock-in period	Ten years from April 2016. Six years and ten months remaining at 30 June 2019.	Ten years from April 2016. Seven years and ten months remaining at 30 June 2018.
Reserved matters	No	
Other minority protections	Yes	
Board representation	Dr Rejoice Simelane Machiel Reyneke Thandabantu Nhlapo	
<b>Key inputs:</b>		
Commodity price	Commodity price	Commodity price
\$/t FOB 91	\$/t FOB 91	\$/t FOB 107
USD : ZAR rate	USD : ZAR rate	USD : ZAR rate
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	R/\$ spot 14.3 and forward rate based on 2.6% inflation differential
Cost of Equity	WACC	WACC
16.0%	17.3%	
<b>Sensitivity of key inputs:</b>		
Commodity price	Commodity price	Commodity price
R6.2 million decrease per 1% change	R8.0 million per 1% change	R8.0 million per 1% change
USD : ZAR rate	USD : ZAR rate	USD : ZAR rate
R6.2 million decrease per 1% change	R8.0 million per 1% change	R8.0 million per 1% change
WACC	WACC	WACC
R21.0 million per % change		



# NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2019

## 5.2 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS *continued*

Details of valuation inputs	Mining, Construction and Energy	
	Last Mile Fund	
R million	30 June 2019	30 June 2018
<b>ARC Fund valuation</b>	<b>222</b>	133
Investment type	Equity, loans and preference shares	Equity and loans
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy	Level 3	Level 3
Valuation methodology	Sum of the Parts	Recent Transaction
<b>Portfolio entity disclosures:</b>		
Listed/unlisted		Unlisted
Other details		None
BEE lock-in period		None
Reserved matters		No
Other minority protections		No
Board representation		Johan van der Merwe
<b>Key inputs:</b>		
Input 1	Not applicable.	
Input variable		
Input 2		
Input 2 variable		
Input 3		
Input 3 variable		
<b>Sensitivity of key inputs:</b>		
Input 1		
Input variable		
Input 2		
Input 2 variable		
Input 3		
Input 3 Variable		

Details of valuation inputs	Agriculture	
	BKB	
R million	30 June 2019	30 June 2018
<b>ARC Fund valuation</b>	Not applicable	416
Investment type		Equity
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy		Level 3
Valuation methodology		Option value offered by Acorn Agri and Food.
<b>Portfolio entity disclosures:</b>		
Listed/unlisted		Unlisted
Other details	The investment was disposed of at a proceeds of R410 million realising a R189 million profit on disposal.	The investment may be disposed of at the agreement option price subject to the arbitration outcome
BEE lock-in period	Not applicable	Lock in was until 30 June 2018 for 18 months.
Reserved matters		No
Other minority protections		Yes
Board representation		Dr Johan van Zyl
<b>Key inputs:</b>		
Input 1		Acorn Agri Share Price
Input variable		R26.00
Input 2		
Input 2 variable		
Input 3		
Input 3 variable		
<b>Sensitivity of key inputs:</b>		
Input 1		Acorn Agri Share Price
Input variable		R4.2 million per 1% change
Input 2		
Input 2 variable		
Input 3		
Input 3 Variable		

Details of valuation inputs	Acorn Agri and Food	
	30 June 2019	30 June 2018
<b>ARC Fund valuation</b>	<b>211</b>	277
Investment type	Equity	
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy	Level 1	
Valuation methodology	Over the counter share price.	
<b>Portfolio entity disclosures:</b>		
Listed/unlisted	Unlisted	
Other details	Three years from April 2017. Ten months remaining at 30 June 2019.	
BEE lock-in period	Yes	
Reserved matters	Yes	
Other minority protections	Johan van der Merwe	
Board representation		
<b>Key inputs:</b>		
Input 1	Not applicable due to portfolio asset being a level 1 fair value hierarchy.	Not applicable due to portfolio asset being a level 1 fair value hierarchy.
Input variable		
Input 2		
Input 2 variable		
Input 3		
Input 3 variable		
<b>Sensitivity of key inputs:</b>		
Input 1	Not applicable due to portfolio asset being a level 1 fair value hierarchy.	Not applicable due to portfolio asset being a level 1 fair value hierarchy.
Input variable		
Input 2		
Input 2 variable		
Input 3		
Input 3 Variable		

# NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2019

## 5.2 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS *continued*

Agriculture		
Details of valuation inputs	Subtropico	
	30 June 2019	30 June 2018
<b>R million</b>		
<b>ARC Fund valuation</b>	<b>143</b>	78
Investment type	Equity	
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy	Level 3	Level 3
Valuation methodology	PE Multiple	Recent Transaction
<b>Portfolio entity disclosures:</b>		
Listed/unlisted	Unlisted	
Other details	None	
BEE lock-in period	None	
Reserved matters	No	
Other minority protections	Yes	
Board representation	Ainsley Moos	
<b>Key inputs:</b>		
Input 1	PE multiple	Not applicable
Input variable	8.1 x	
Input 2		
Input 2 variable		
Input 3		
Input 3 variable		
<b>Sensitivity of key inputs:</b>		
Input 1	Level of earnings	
Input variable	R1.1 million decrease per 1% decrease.	
Input 2		
Input 2 variable		
Input 3		
Input 3 Variable		

RSA		
Details of valuation inputs	Subtropico	
	30 June 2019	30 June 2018
<b>R million</b>		
<b>ARC Fund valuation</b>	<b>139</b>	106
Investment type	Equity	
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy	Level 3	
Valuation methodology	PE multiple	Recent Transaction
<b>Portfolio entity disclosures:</b>		
Listed/unlisted	Unlisted	
Other details	None	
BEE lock-in period	None	
Reserved matters	No	
Other minority protections	No	
Board representation	Charmaine Padayachy	
<b>Key inputs:</b>		
Input 1	PE multiple	Not applicable
Input variable	8 x	
Input 2		
Input 2 variable		
Input 3		
Input 3 variable		
<b>Sensitivity of key inputs:</b>		
Input 1	PE multiple	
Input variable	Minority and marketability discounts of 10% and 12.5% respectively .	
Input 2		
Input 2 variable		
Input 3		
Input 3 Variable		

Property		
Details of valuation inputs	Majik Property Holdings	
	30 June 2019	30 June 2018
<b>R million</b>		
<b>ARC Fund valuation</b>	<b>265</b>	253
Investment type	Equity, listed debt notes and loans	
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy	Level 3	
Valuation methodology	Net Asset Value	
<b>Portfolio entity disclosures:</b>		
Listed/unlisted	Unlisted	
Other details	None	
BEE lock-in period	None	
Reserved matters	Yes	
Other minority protections	Yes	
Board representation	None	
<b>Key inputs:</b>		
Input 1	GBP : ZAR	GBP : ZAR
Input variable	18.65	18.29
Input 2		
Input 2 variable		
<b>Sensitivity of key inputs:</b>		
Input 1	GBP : ZAR	GBP : ZAR
Input variable	R2.5 million decrease per 1% change	R2.4 million decrease per 1% decrease in GBP:ZAR rate
Input 2		
Input 2 variable		

Val de Vie		
Details of valuation inputs	Majik Property Holdings	
	30 June 2019	30 June 2018
<b>R million</b>		
<b>ARC Fund valuation</b>	<b>247</b>	227
Investment type	Equity	
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy	Level 3	
Valuation methodology	Ten year discounted cash flow.	
<b>Portfolio entity disclosures:</b>		
Listed/unlisted	Unlisted	
Other details	None	
BEE lock-in period	None	
Reserved matters	Yes	
Other minority protections	Yes	
Board representation	Johan van der Merwe	
<b>Key inputs:</b>		
Input 1	Real WACC	Real WACC
Input variable	8.23%	7.80%
Input 2		
Input 2 variable		
<b>Sensitivity of key inputs:</b>		
Input 1	WACC	WACC
Input variable	R7.0 million decrease per 1% increase	R5.8 million decrease for every 1% increase
Input 2		
Input 2 variable		

# NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2019

## 5.2 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS *continued*

Details of valuation inputs	Other	
	Fledge Capital	
R million	30 June 2019	30 June 2018
<b>ARC Fund valuation</b>	<b>581</b>	423
Investment type	Equity	
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy	Level 3	
Valuation methodology	Sum of the Parts	
<b>Portfolio entity disclosures:</b>		
Listed/unlisted	Unlisted	
Other details	None	
BEE lock-in period	None	
Reserved matters	No	
Other minority protections	Yes	
Board representation	None	
<b>Key inputs:</b>		
Input 1	Weighted average PE	Weighted average PE
Input variable	6.6 x	6.7 x
Input 2		
Input 2 variable		
<b>Sensitivity of key inputs:</b>		
Input 1	Weighted average PE	Weighted average PE
Input variable	R4 million decrease per 1% decrease	R3.4 million decrease per 1% decrease
Input 2		
Input 2 variable		

## 5.2 DIVERSIFIED 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 Diversified 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. Please refer to the Segmental Report for the marketability and minority discounts applied.

Details of valuation inputs	Insurance and Asset Management		Rand Mutual Assurance	
	Alexander Forbes Limited		30 June 2019	30 June 2018
R million	30 June 2019	30 June 2018	30 June 2019	30 June 2018
<b>ARC Fund valuation</b>	<b>422</b>	486	<b>289</b>	–
Investment type	Equity		Equity	Not applicable
<b>Valuation information:</b>				
IFRS 13 fair value hierarchy	Level 2		Level 3	
Valuation methodology	Proxy to listed share price 30 day VWAP.		Recent Transaction	
<b>Portfolio entity disclosures:</b>				
Listed/unlisted	Unlisted		Unlisted	
Other details	Alexander Forbes Limited is subject to flip up to the listed entity which flip up is due to occur in February 2020. this will result in the group having at least an additional 9% interest in Alexander Forbes Group Holdings Limited.			Entity was acquired in the FY 2019 financial year and thus no comparative information.
BEE lock-in period	Three years from February 2017. Eight months remaining at 30 June 2019.		None	Not applicable
Reserved matters	No			
Other minority protections	Yes			
Board representation	Bridget Radebe		Charmaine Padayachy Brian Mushongo	
<b>Key inputs:</b>				
Input 1	Not applicable due to portfolio asset being a level 2 fair value hierarchy.		Not applicable	
Input variable				
Input 2				
Input 2 variable				
<b>Sensitivity of key inputs:</b>				
Input 1	Not applicable due to portfolio asset being a level 2 fair value hierarchy.			
Input variable				
Input 2				
Input 2 variable				

# NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2019

## 5.2 DIVERSIFIED FINANCIAL SERVICES PORTFOLIO VALUATION INPUTS *continued*

Details of valuation inputs	Specialist Financial Services		Banking	
	Ooba		TymeBank	
R million	30 June 2019	30 June 2018	30 June 2019	30 June 2018
<b>ARC Fund valuation</b>	<b>139</b>	137	<b>253</b>	158
Investment type	Equity		Equity	
<b>Valuation information:</b>				
IFRS 13 fair value hierarchy	Level 3		Level 3	
Valuation methodology	Embedded value and five-year discounted cash flow.	Five-year discounted cash flow.	Recent transaction	Recent transaction
<b>Portfolio entity disclosures:</b>				
Listed/unlisted	Unlisted		Unlisted	
Other details			A controlling stake was acquired by ARC FSH in the current year in TymeBank. 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 ARC FSH interest dilute further.	The bank was owned by Commonwealth Bank of Australia at 90% and ARC FSH owned a 10% interest resulting in a 4.9% effective interest held by the ARC Fund.
BEE lock-in period	Three years from February 2016.		Not applicable	
Reserved matters	Yes			
Other minority protections	Yes			
Board representation	Rojie Kristen Johan van der Merwe		Charmaine Padayachy Johan van Zyl	
<b>Key inputs:</b>				
Input 1	WACC	WACC	None applicable	None applicable
Input variable	14.6%	14.0%		
Input 2	Growth	Growth		
Input 2 variable	5.5%	5.5%		
Input 3				
Input 3 variable				
<b>Sensitivity of key inputs:</b>				
Input 1	WACC	WACC	None applicable	None applicable
Input variable	R14.6 million decrease per 1% increase	R5.3 million decrease per 1% increase		
Input 2	Growth rate	Growth rate		
Input 2 variable	R11 million decrease per 1% increase	R4.7 million decrease per 1% decrease		
Input 3				
Input 3 variable				

## REALISATION AND DERECOGNITION OF INVESTMENT IN THE ARC FUND AT FVTPL

### Accounting Policies and Choices

The Company applies the derecognition principles 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

Per the Dividend and Dividend Policy in note 8, the strategic objective and policy of the Company as it relates to dividend, is not to declare any dividends in the short- to medium-term as it is dependent on return of capital from the ARC Fund.

As such, the Company's partnership profit share in 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 and are therefore unrealised. The Company has thus 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.

## 6. Other expenses

R million	Notes	Audited 30 June 2019	Audited 30 June 2018
<b>Details of other expenses is as follows:</b>			
Listing costs		1	4
Audit fees		1	1
Directors fees	13	1	–
Other expenses		4	2
		7	7

# NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2019

## 7. CAPITAL AND RETURN ON CAPITAL

### 7.1 Stated capital

R million	Notes	Audited 30 June 2019	Audited 30 June 2018
ARC Investments has the following categories of share capital:			
<b>Category</b>	<b>Rights</b>		
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 note 9 below).		
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.			
<b>Issued share capital</b>			
<b>Ordinary shares</b>			
- 100 Ordinary shares of no par value issued at incorporation at USD1 per share (translated at R12.91) <sup>1</sup> .		-	-
- 526 588 235 shares issued to ARC Proprietary Limited under an asset-for-share sale transaction.		4 563	4 563
- 505 882 353 shares issued at listing date at R8.50 per share.		4 300	4 300
- Share issue costs.		(31)	(31)
- Conversion of 12 577 126 C shares for FY 2018 Performance Participation	9	71	-
<b>Total issued share capital at the end of the year</b>		<b>8 903</b>	<b>8 832</b>
<b>B share</b>			
1 share issued to ARC Proprietary Limited at a nominal value of R1.		-	-
<b>C shares</b>			
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, thus 4 987 422 874 C shares were outstanding at 30 June 2019.		-	-

<sup>1</sup> The amount is less than R1 million and is rounded to Rnil.

## 7. CAPITAL AND RETURN ON CAPITAL *continued*

### 7.2 Earnings per share

R million	Notes	Audited 30 June 2019	Audited 30 June 2018
Basic earnings per ordinary share (cents)		26	81
Diluted earnings per ordinary share (cents)		26	79
Headline earnings per ordinary share (cents)		26	81
Diluted headline earnings per ordinary share (cents)		26	79
<b>7.2.1 Reconciliation of reported earnings to headline earnings:</b>			
Earnings/Headline earnings of the Company		267	675
There were no items that require adjustment from the reported earnings in terms of SAICA Circular 4/2018, Headline Earnings.			
<b>7.2.2 Number of ordinary shares (million):</b>			
Number of shares in issue at the end of the year		1 045	1 032
Weighted average number of shares in issue during the year (million)		1 040	836
Diluted weighted average number of shares in issue during the year (million)		1 040	849
Diluted number of shares at the end of the year (million)		1 045	1 045
On 7 September 2017, the Company issued 1 032 470 588 shares upon listing on the JSE initially through an asset-for-share transfer transaction with ARC Proprietary Limited (as discussed above in note 7.1) and thereafter a private placement including cornerstone investors Public Investment Corporation Limited (PIC), GIC Private Limited and Sanlam Private Wealth Proprietary Limited. On 11 December 2018, 12 577 126 C shares were converted into A ordinary shares. As the issued number of shares at the beginning of the year was 1 032 million, the impact of the new issue has been weighted for the 201 days they were in issue at 30 June 2019 over the 365-day reporting period resulting in a weighted average number of shares of 1 040 million for the year.			
As at 30 June 2019, the Company did not achieve the participation hurdle of 10%. No dilutive shares have been recognised.			

# NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2019

## 8. DIVIDENDS AND DIVIDEND POLICY

### Company Context in Application of Accounting Policy Choices

#### Company strategic objective

The Company is a capital-pooling 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.

## 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.

<b>Grant date:</b>	14 August 2017
<b>Grant price:</b>	R1 for the full 5 billion shares.
<b>Performance hurdle:</b>	10%
<b>Participation percentage:</b>	16%, provided the IPV NAV at the beginning of the measurement period not being less than the previous highest IPV NAV.
<b>Performance period:</b>	Each annual financial year of the Company commencing 1 July and ending 30 June. <sup>1</sup>
<b>Conversion date:</b>	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.
<b>C shares conversion formula:</b>	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.

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

R million	Audited 30 June 2019	Audited 30 June 2018
The annualised growth in Intrinsic Portfolio Value for the year amounted to 2.4%, no Performance Participation has been recognised since the hurdle has not been met.		
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, thus 4 987 422 874 C shares were outstanding at 30 June 2019.		
Total Performance Participation expense	–	115

# NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2019

## 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, thus having a standard taxation rate of 3%.

R million	Audited 30 June 2019	Audited 30 June 2018
No provision has been made for taxation as the Company incurred an estimated taxation loss carried forward amounting to R22 million (at 30 June 2018: R17 million loss). Mauritian taxation Regulations permit the carryforward 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	5	
Arising in FY 2018 and prior years, carry forward up to 2023 financial year	18	18
<b>Reconciliation of loss before income taxation:</b>		
Profit before taxation	267	675
<b>Taxation at a statutory effective rate of 3% after foreign taxation credit</b>	<b>8</b>	20
<b>Taxation consequences in the year:</b>		
<b>Non-deductible expenditure</b>		4
Performance Participation expense	–	4
Other (incorporation fees and realised foreign exchange losses) <sup>1</sup>	–	–
<b>Non-taxable income</b>	<b>(8)</b>	(24)
Fair value movements on the investment in the ARC Fund at FVTPL*	(8)	(24)
Interest earned on local bank account <sup>1</sup>	–	–
Deferred taxation asset not raised	–	–
<b>Taxation expense for the year</b>	<b>–</b>	–

<sup>1</sup> The amount is less than R1 million and is rounded to Rnil.

\* FVTPL - Fair Value Through Profit or Loss.

## 10. TAXATION *continued*

R million	Audited 30 June 2019	Audited 30 June 2018
A deferred taxation asset amounting to R0.7 million (at 30 June 2018: R0.5 million) has not been raised as the Directors have uncertainty about the Company's ability to generate sufficient taxable profits in the foreseeable future against which the deferred taxation asset can be utilised.		
<b>Reconciliation of taxation rate:</b>		
Mauritian standard income taxation rate for a company with a Category one Global Business License	% 15	% 15
Foreign taxation credit	(12)	(12)
Non-deductible expenditure	–	1
Non-taxable income	(3)	(4)
Deferred taxation asset not raised	–	–
Effective taxation rate	–	–

## 11. RECONCILIATION OF CASH UTILISED IN OPERATIONS BEFORE INVESTMENTS MADE

R million	Notes	Audited 30 June 2019	Audited 30 June 2018
<b>Profit/(loss) before taxation</b>		267	675
<b>Adjustment for non-cash items</b>		(273)	(680)
Fair value movements on the investment in the ARC Fund at FVTPL*	4.3	(272)	(795)
Performance Participation expense	9	–	115
Unrealised foreign exchange gains/(losses)		(1)	–
<b>Working capital movements</b>		1	(11)
(Increase)/decrease in trade and other receivables		1	(1)
Increase/(decrease) in trade and other payables		–	(10)
<b>Cash utilised in operations before investment activities</b>		<b>(5)</b>	(16)

\* FVTPL - Fair Value Through Profit or Loss.

# NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2019

## 12. FINANCIAL INSTRUMENTS

### 12.1 Financial Instruments in the Company are categorised as follows:

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

R million	Audited 30 June 2018			Total
	Financial Asset at fair value through profit or loss	Loans and receivables at amortised cost	Financial liabilities at amortised cost	
<b>Financial assets</b>	<b>9 582</b>	<b>30</b>	<b>-</b>	<b>9 612</b>
Investment in the ARC Fund at FVTPL	9 582	-	-	9 582
Trade and other receivables	-	1	-	1
Cash and cash equivalents	-	29	-	29
<b>Financial liabilities</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
Trade and other payables	-	-	1	1

### 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.

### 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 30 June 2019; 91% at 30 June 2018), 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	Audited 30 June 2019	Audited 30 June 2018
<b>Change in portfolio equity prices</b>		
+5%	<b>9 441</b>	7 840
Equity component being 95% (30 June 2018: 91%) of Reported IFRS Portfolio Value	<b>8 991</b>	7 466
- 5%	<b>8 542</b>	7 093
<b>Interest rate risk</b>		
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 R850 million (as at 30 June 2018: R 2 200 million) in its portfolio.		
<b>Change in portfolio loan receivable interest rates - annualised</b>		
+ 100 basis points	<b>9</b>	22

##### 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 8.9% denominated in foreign currency. The exposure to currency risk is thus 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 a 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.



# NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2019

## 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 year's Annual Financial Statements:

Name	Relationship	Nature of transaction/terms
<b>Companies:</b>		
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
<b>Key management personnel:</b>		
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.

## 13. RELATED PARTY DISCLOSURES *continued*

R million	30 June 2019		30 June 2018	
	Audited transactions during the year	Audited balance due from/(to) 30 June 2019	Audited transactions during the year	Audited balance due from/(to) 30 June 2018
<b>UBI</b>	<b>71</b>	-	115	-
Issue of C shares (note 7.1) <sup>1</sup>	-	-	-	-
Issue of A shares (note 7.1)	71	-	-	-
Performance Participation (note 9)	-	-	115	-
<b>ARC</b>	-	-	4 574	-
Issue of B-share (note 7.1) <sup>1</sup>	-	-	-	-
Recovery of expenses payable by ARC	-	-	3	-
Settlement of incorporation loan	-	-	8	-
Asset-for-share transaction prior to listing (note 7.1)	-	-	4 563	-
<b>The ARC Fund</b>	<b>272</b>	<b>9 854</b>	9 582	9 582
Contribution of Portfolio Assets (note 5)	-	4 563	4 563	4 563
Cash capital contribution (note 5)	-	4 224	4 224	4 224
Partnership profit share for the year (note 4.3)	272	1 067	795	795
<b>General Partner</b>	<b>(78)</b>	<b>(78)</b>	(31)	(31)
Fund management fees accrued for the year (note 4.4)	(156)	(156)	(94)	(94)
Fund management fees paid for the year	78	78	63	63
<b>Directors' interest</b>				
MC Olivier - 305 882 shares in the Company at a 0.005% interest	n/a	n/a	n/a	n/a
<b>Key management personnel<sup>2</sup></b>	<b>(1.0)</b>	<b>(0.7)</b>	(0.3)	(0.3)
MC Olivier fees accrued	(0.3)	(0.2)	(0.3)	(0.3)
- fees paid to MC Olivier	0.1	0.1	0.2	0.2
T Lo Seen Chong fees accrued <sup>1</sup>	-	-	(0.1)	(0.1)
- fees paid to T Lo Seen Chong	-	-	0.1	0.1
C Msipha fees accrued	(0.3)	(0.2)	(0.3)	(0.3)
- fees paid to C Msipha	0.1	0.1	0.2	0.2
R Mokate fees accrued	(0.3)	(0.2)	(0.3)	(0.3)
- fees paid to R Mokate	0.1	0.1	0.2	0.2
A Currimjee fees accrued	(0.1)	(0.1)	-	-
- fees paid to A Currimjee	-	-	-	-
NB Radebe	-	-	-	-
K Bodenstein executive salary accrued <sup>2</sup>	(0.3)	(0.3)	(0.1)	(0.1)
- salary paid to K Bodenstein <sup>1</sup>	-	-	0.1	0.1

<sup>1</sup> Amount is less than R100 000 and is rounded to Rnil.

<sup>2</sup> 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.

# NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

For the year ended 30 June 2019

## 14. COMMITMENTS

As at 30 June 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 a commitment to existing investments, amounting to R1 981 million as at 30 June 2019. These will be funded through the existing cash within the ARC Fund and the R1 billion facility from Rand Merchant Bank which at year end was in the process of being agreed to and implemented.

Contracted (R million)	Audited 30 June 2019	Audited 30 June 2018
Contingent consideration on existing portfolio investments	–	46
Contractual commitments arising from signed investment agreements <sup>1</sup>	1 592	375
Contractual commitments arising from signed memoranda of understanding (MOU)	–	1 594
Total approved not yet contracted	389	–
<b>Total commitments</b>	<b>1 981</b>	<b>2 015</b>

<sup>1</sup> An estimated R390 million of these commitments is due within the 30 June 2020 financial year.

## 15. SUBSEQUENT EVENTS

The ARC Fund made various investments aggregating less than R100 million post the reporting period.

Other than the investment activities post the reporting period detailed above, the Company and the ARC Fund had no other subsequent events that required adjustment or disclosure in the reported results.

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

### New standards adopted in the current reporting period:

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
<b>IFRS 9 - Financial instruments</b>	<b>Summary of amendment</b>	<b>1 January 2018</b>
	This standard replaced the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.	
	<b>Summary impact on the Company</b>	
	The amendments have been applied in the financial results for the year ended 30 June 2019. The business model of the Company as clarified under the provisions and guiding principles of IFRS 9, specifically, to its main financial instrument - the investment in the ARC Fund has remained unchanged from the prior financial year. Since the investment in the fund is a fair value through profit or loss investment which is managed on its intrinsic fair value performance, the adoption of the new standard has not changed the basis of recognition and measurement of the financial instruments of the Company. It has thus had no impact. From a classification perspective, trade and other receivables and cash and cash equivalents have now been classified as financial assets at amortised cost in terms of IFRS 9 as opposed to loans and receivables under IAS 39. The measurement remains unchanged at amortised cost. In addition, due to the cash and cash equivalents of the company being invested with reputable financial intermediaries with a low probability of default and due to the immateriality of the value arising from trade and other receivables, the expected credit loss model did not have a significant impact on the company on date of adoption.	

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

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

The following amendments to standards have been published and are deemed relevant to the Company but are not yet effective and have also not been early adopted:

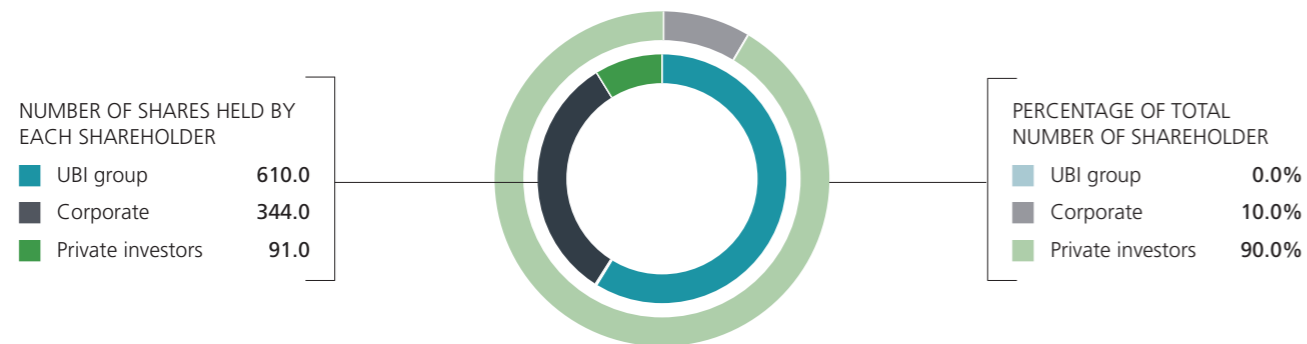
Standard, amendment or interpretation	Summary of expected impact	Effective for financial periods beginning on or after
<b>Amendment to IAS 1, Presentation of financial statements and IAS 8, Accounting policies, changes in accounting estimates and errors' on the definition of material.</b>	<b>Summary of amendment</b>	<b>1 January 2020</b>
	These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: <ul style="list-style-type: none"> <li>- use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;</li> <li>- clarify the explanation of the definition of material; and</li> <li>- incorporate some of the guidance in IAS 1 about immaterial information.</li> </ul>	
	<b>Summary impact on the Company</b>	
	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.	
<b>Amendments to IFRS 9 – Financial instruments on prepayment features with negative compensation and modification of financial liabilities.</b>	<b>Summary of amendment</b>	<b>1 January 2019</b>
	The narrow-scope amendment covers two issues: <ul style="list-style-type: none"> <li>- The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities.</li> <li>- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.”</li> </ul>	
	<b>Summary impact on the Company</b>	
	The Directors anticipate that these amendments will be applied in the financial statements for the annual period beginning 1 July 2020. The Company does not make prepayments on investments. The amendments are thus expected to have a minimal impact.	

# I - SHAREHOLDER ANALYSIS

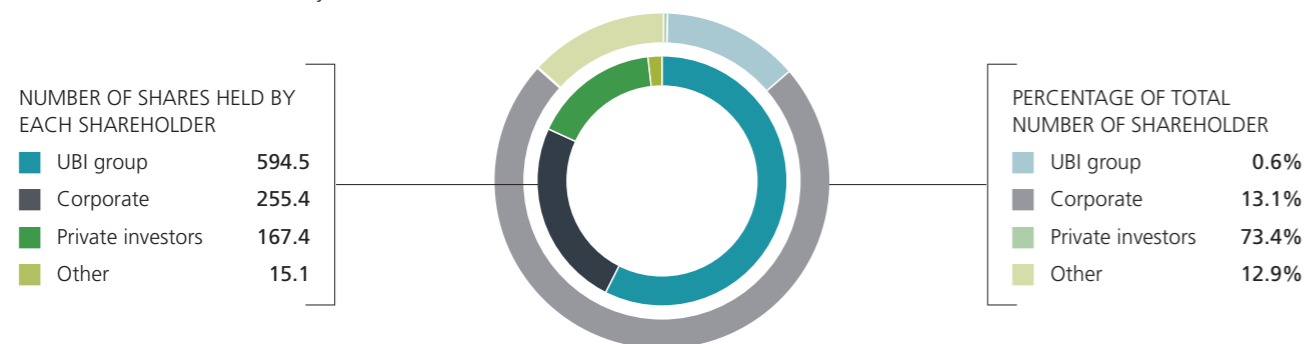
The Company complies with the minimum shareholder spread requirements as set out in the JSE Listings Requirements paragraphs 3.37 and 4.28(e) as 39.4% of the A Ordinary shares disclosed below are held by the public at 30 June 2019.

DISTRIBUTION OF SHAREHOLDERS	For the year ended 30 June 2019			
	Number of Shareholders	% of total Shareholders	Number of shares	% of total issued shares
<b>Shareholder type</b>				
Entities in the UBI Group	4	-	609 527 669	58.3
Banks	5	-	44 480 818	4.3
Brokers	10	0.1	1 067 886	0.1
Close Corporations	44	0.4	1 070 956	0.1
Endowment Funds	22	0.2	342 595	-
Individuals	8 853	84.9	62 261 379	6.0
Insurance Companies	47	0.5	31 893 419	3.1
Investment Companies	14	0.1	1 008 294	0.1
Key Management	19	0.2	6 673 776	0.6
Medical Aid Scheme	4	-	985 622	0.1
Mutual Funds	136	1.3	72 061 741	6.9
Nominees and Trusts	805	7.7	21 106 501	2.0
Other Corporations	52	0.5	1 681 894	0.2
Pension Funds	162	1.6	158 537 810	15.2
Private Companies	246	2.4	30 706 779	2.9
Public Companies	7	0.1	1 640 575	0.1
<b>Total</b>	<b>10 430</b>	<b>100</b>	<b>1 045 047 714</b>	<b>100</b>

SHAREHOLDER TYPE for the year ended 30 June 2019

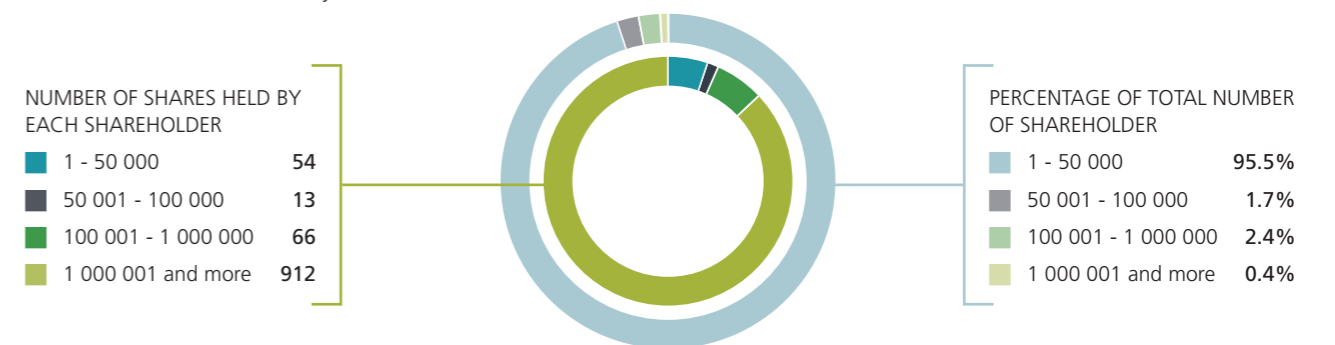


SHAREHOLDER TYPE for the year ended 30 June 2018

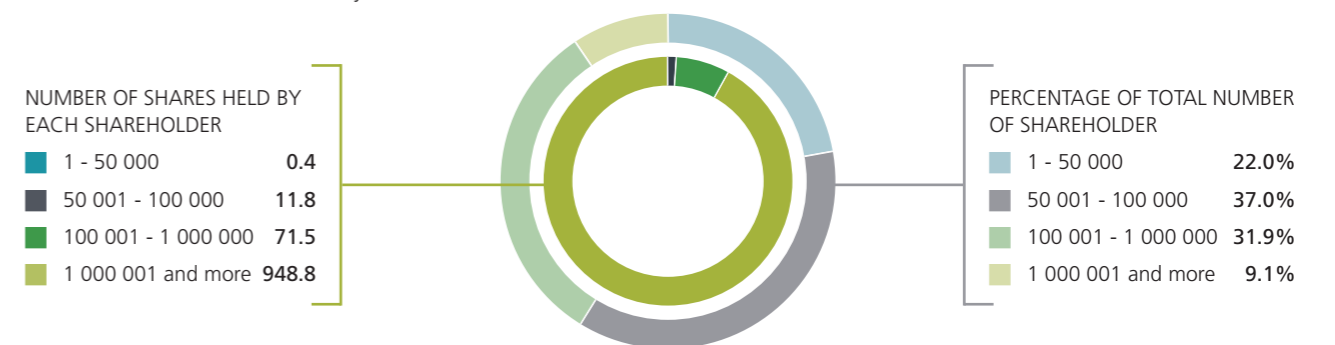


SHAREHOLDER SPREAD	For the year ended 30 June 2019			
	Number of Shareholders	% of total Shareholders	Number of shares	% of total issued shares
1 - 50,000 shares	9 962	95.5	53 559 236	5.1
50,001 - 100,000 shares	180	1.7	12 786 161	1.2
100,001 - 1,000,000 shares	244	2.4	66 191 124	6.4
1,000,001 shares and over	44	0.4	912 511 193	87.3
<b>Total</b>	<b>10 430</b>	<b>100</b>	<b>1 045 047 714</b>	<b>100</b>

SHAREHOLDER TYPE for the year ended 30 June 2019



SHAREHOLDER SPREAD for the year ended 30 June 2018



# I - SHAREHOLDER ANALYSIS *continued*

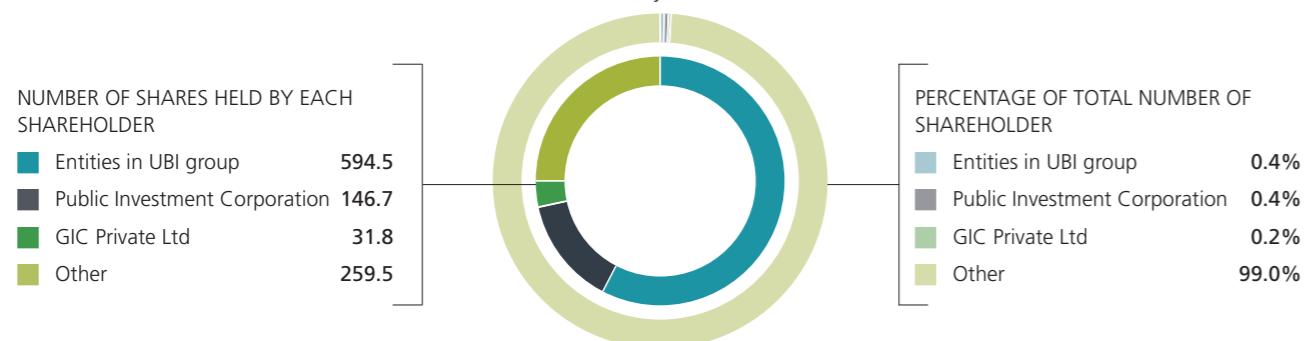
## Breakdown of Non-Public Holdings

Beneficial shareholders holding 5% or more	Number of shares	% of total issued shares
African Rainbow Capital Proprietary Limited	533 846 624	51.1
Public Investment Corporation (SOC) Limited	139 945 398	13.4
Ubuntu-Botho & Sanlam Community Development Trusts	58 823 529	5.6

### BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE for the year ended 30 June 2019



### BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE for the year ended 30 June 2018



Key Management, Public & other shareholders	For the year ended 30 June 2019			
	Number of Shareholders	% of total Shareholders	Number of shares	% of total issued shares
Key Management	19	0,2	6 673 776	0,6
Public Shareholders	10 407	99,8	428 846 269	39,4
Non - Public Shareholders	4	-	609 527 669	60,0
<b>Total</b>	<b>10 430</b>	<b>100</b>	<b>1 045 047 714</b>	<b>100</b>
Van Zyl. J			4 858 328	0.46
Van Der Merwe. JHP			1 393 559	0.13
Reyneke. MJ			350 170	0.03
Moos. A			65 051	0.01

# II - SHAREHOLDERS' DIARY

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

Details	Date
Annual General Meeting	18 November 2019
Interim Results Announcement	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

# III - CORPORATE INFORMATION

<b>Contact Information</b>	African Rainbow Capital Investments Limited (A Company registered and domiciled in the Republic of Mauritius) www.arci.mu	<b>Sponsor</b>	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)
<b>Registration number</b>	C148430	<b>Transfer Secretaries</b>	Computershare Investor Services Proprietary Limited Registration number 2004/003647/07) Rosebank Towers 15 Biermann Avenue Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) South Africa
<b>JSE share code</b>	AIL		
<b>ISIN code</b>	MU0553S00000	<b>Independent Auditors</b>	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
<b>Directors</b>	Mark Cyril Olivier (Chairman) Deans Tommy Lo Seen Chong Clive Msipa Renosi Mokate Anil Currimjee Bridget Ntombenhle Radebe		
<b>Executive Management</b>	Karen Bodenstein (Chief Financial Officer)	<b>Investor Relations</b>	Ainsley Moos investors@arci.mu +230 (403) 0800 +21 (21) 180 0107 +27 (83) 296 4697
<b>Registered Address</b>	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.		
<b>Company Secretary</b>	Intercontinental Trust Limited Level 3, Alexander House, 35 Cybercity, Ebène, 72201 (Level 3, Alexander House, 35 Cybercity, Ebène, 72201) Mauritius (Company number: C23546)		



[www.arci.mu](http://www.arci.mu)