



Incorporated in the Republic of Mauritius  
Company number: C148430  
JSE share code: AIL  
A2X share code: AILJ  
ISIN code: MU0553S00000  
LEI: 378900F086B090C6FB94

**Annual Financial Statements**  
for the year ended 30 June 2021

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The reports and statements set out below form the Annual Financial Statements of African Rainbow Capital Investments Limited (ARC Investments or the Company) for the year ended 30 June 2021 presented to shareholders. It was prepared under the supervision of Karen Bodenstern, Chief Financial Officer, B Compt (Accounting Science).

The Annual Financial Statements have been prepared in compliance with the applicable requirements of the Mauritius Companies Act 2001.

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

# STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

For the year ended 30 June 2021

The Directors are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of the Company including the Audit and Risk Committee report on pages 4 to 71, as well as the annexures on pages 72 to 75. 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 and 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 an evolving control environment, which is appropriate in terms of the nature, scale and complexity of the company. It 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 has supported the operations of the ARC Fund (its primary investment in which it is a Limited Partner through the *en commandite* partnership agreement with UBI GP Co 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. The directors are responsible for implementing controls and security to maintain the integrity of the website.

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 for the twelve-month period post approval of the annual financial statements, 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 Annual Financial Statements were approved by the Company's Board of Directors on 13 September 2021 and are signed on its behalf by:



**Mark Cyril Olivier**  
Chairman of the Board

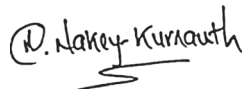


**Clive Msipha**  
Chairman of the Audit and Risk Committee

# CERTIFICATE BY THE COMPANY SECRETARY

For the year ended 30 June 2021

The Company has lodged with the Registrar of Companies all such returns for the year ended 30 June 2021 as are required of the Company under the Mauritius Companies Act .



**Toorisha Nakey-Kurnauth**

For and on behalf of Intercontinental Trust Limited Company Secretary

13 September 2021

# DECLARATION BY CHIEF FINANCIAL OFFICER

For the year ended 30 June 2021

The CFO of African Rainbow Capital Investments Limited (ARC Investments) and the CFO of Ubuntu-Botho Investments hereby confirm that:

- a. The Company Annual Financial Statements set out on pages 31 to 71, fairly represent in all material respects the financial position, financial performance and cash flows of African Rainbow Capital Investments Limited in terms of IFRS;
- b. no facts have been omitted or untrue statements made that would make the Annual Financial Statements false or misleading;
- c. internal financial controls have been put in place to ensure that material information relating to ARC Investments Limited have been provided to effectively prepare the financial statements; and
- d. the internal financial controls are adequate and effective and can be relied upon in compiling the Annual Financial Statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Report on Corporate Governance™ for South Africa, 2016 (King IV). Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have the necessary remedial action.



**Karen Bodenstein**  
Chief Financial Officer  
ARC Investments



**Refiloe Nkadimeng**  
Chief Financial Officer - UBI  
Non-executive director - ARC Investments

# KEY HIGHLIGHTS

For the year ended 30 June 2021



Intrinsic Portfolio Value increased by **16.3%** to **R12 275 million**

(30 June 2020: R10 556 million)

The R1 719 million comprised of R909 million net fair value gains and net investments of R810 million which was funded through bank debt and capital from the rights issue.



INAV per share decrease of **8.1%** to **R8.77**, mainly due to the increased number of shares in issue at the end of June 2021

(30 June 2020: R9.54)



IFRS NAV per share decrease of **7.5%** to **R8.85**

(30 June 2020: R9.57)



Debt in the ARC Fund increased by **R429 million** to **R869 million**

(30 June 2020: R440 million)



Cash in the ARC Fund of **R239 million**

(30 June 2020: R35 million)



Successful capital raise of **R750 million** through a rights offer in October 2020



Strong share price performance increases Afrimat fair value by **R601 million**



**3.45 million** TymeBank customers at 30 June 2021

Significant international equity funding secured in TymeBank and Tyme Global



Sanlam acquired **25%** shareholding in ARC FSI



ARC Fund acquired an effective interest of **12.5%** in Sanlam Third Party Asset Manager, one of the largest black asset managers in South Africa

# REPORT BY THE BOARD OF DIRECTORS

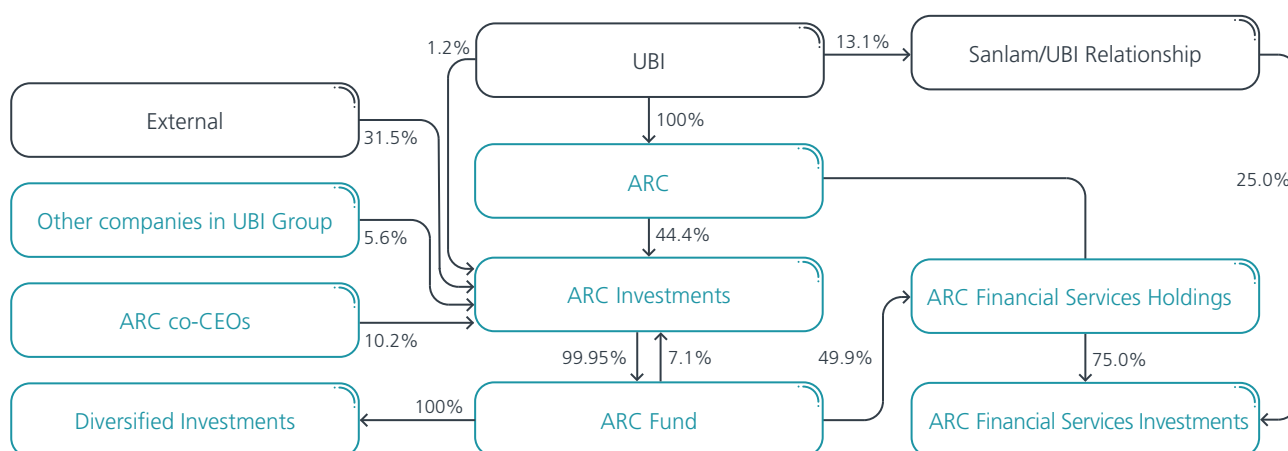
For the year ended 30 June 2021

## NATURE OF BUSINESS

African Rainbow Capital Investments Limited (ARC Investments/the Company) is incorporated in the Republic of Mauritius and holds a Category One Global Business Licence under the Mauritian Financial Services Act of 2007. It is regulated by the Mauritian Financial Services Commission and is listed on the JSE Limited with a secondary listing on A2X, also in South Africa. ARC Investments is an investment holding company and focuses on being a broad-based, Black-controlled investment vehicle of significant scale, offering shareholders the opportunity to indirectly invest in a diversified portfolio of listed and unlisted investments.

### Group structure

ARC Investments is 44.4% effectively owned by African Rainbow Capital Proprietary Limited (ARC) which is in turn 100% owned by Ubuntu-Botho Investments Proprietary Limited (UBI). UBI effectively owns 51.2% of ARC Investments.



### Investment strategy

The ARC Fund's investment strategy remains unchanged and is available on the Company's website. The ARC Fund's investment portfolio includes a blend of start-ups, early-stage businesses as well as established businesses. Early-stage businesses comprise 45.5% of the ARC Fund's Intrinsic Portfolio Value (IPV) and includes businesses such as Rain, TymeBank and Kropz. The ARC Fund takes a medium to long-term view on start-up investments it believes will make a significant impact in established markets.

### Operating environment

The year under review has been characterised by strained trading conditions, mainly resulting from the contracting economy and the continued impact of the government implemented National Lockdowns to curb the spread of the Covid-19 virus. The impact and measures to mitigate the effects on the Company and the underlying investee companies were fully disclosed in the Audited Financial Statements for the year ended 30 June 2020 and are ongoing. There has been some recovery from the pandemic but the operating environment remains challenging. Market sentiment and activity in certain sectors have also seen improvement, especially with the positive news of an ongoing, albeit gradual, vaccine roll-out. The net result is that despite the adverse trading conditions, the diversified nature of our portfolio shielded it to a large extent from the vagaries of the market.

What has become apparent is that the impact of the Covid-19 pandemic is likely to be felt for years to come. The ARC Fund and its portfolio companies reassessed their respective business forecasts, where appropriate, to consider a potential slower recovery to pre-Covid-19 operating and performance levels.

### Going concern and impact of Covid-19

The financial statements were prepared on the going concern basis. The assets of the company, fairly valued, exceed its liabilities. The directors are of the opinion that the company will continue as a going concern based on forecasts and available resources including cash, unutilised borrowing facilities and the proceeds from the R750 million rights during the year under review.

### Impact of Covid-19

The South African Government imposed a National Lockdown to contain the spread of Covid-19 in South Africa on 26 March 2020. All non-essential businesses were ordered to close for the duration of the National Lockdown. As part of the National Lockdown, Government announced a risk-adjusted approach to phase in the re-opening of the economy. The National Lockdown has been extended numerous times, with varying lockdown levels depending on perceived risk at the time and is still in operation.

Investee companies in the ARC Fund portfolio have all taken appropriate measures to combat the spread of the virus among their employees. ARC management, as contracted by the UBI General Partner of the ARC Fund will, alongside investee companies' management, continue to proactively measure and manage the ongoing impact of the National Lockdown.

# REPORT BY THE BOARD OF DIRECTORS

For the year ended 30 June 2021

Considering the ARC Fund's diverse portfolio, the National Lockdown resulted in both a positive and negative impact within the portfolio. The marked impact of Covid-19, both globally and on South Africa, was initially severe and has brought about many changes that will prevail for quite some time. All the companies in the ARC Fund portfolio have however successfully managed through the most difficult period and have adjusted to the new environment. The ongoing impact of Covid-19 has been considered in determining the fair values of individual investments at 30 June 2021.

## Performance highlights

In accordance with paragraph 3.4(b)(vi) of the JSE Listings Requirements, the Company confirms the use of net asset value per share for trading statement purposes. This is still considered an appropriate measure given the nature of the business conducted by the Company and its core strategic objective being to grow net asset value per share.

The Company's intrinsic investment value in the ARC Fund increased by 16.0% from R9 948 million at 30 June 2020 to R11 541 million at 30 June 2021. During the year its effective share of the invested assets (or the IPV) has increased by 16.3% from R10 556 million to R12 275 million at 30 June 2021 as a result of net new investments of R810 million and increased asset values of R909 million.

The diluted Intrinsic Net Asset Value (INAV) per share, however, decreased from R9.54 per share at 30 June 2020 to R8.77 per share at 30 June 2021. This decrease in the diluted INAV per share is directly attributable to the dilutory impact of the increase in issued shares emanating from the R750 million rights issue in October 2020. The rights issue was done at an approximately 10% discount to the then prevailing market price, which was at a significant discount to the intrinsic share value. The impact of the dilution was countered to some extent by the good performance of the ARC Fund during the year.

The IFRS Net Asset Value (NAV) per share decreased by 7.5% from R9.57 per share at 30 June 2020 to R8.85 at 30 June 2021.

The growth in the Company's share in the IPV of the ARC Fund, before the impact of acquisitions and disposals for the year, was 8.6%. The achieved growth is below the 10% Performance Participation hurdle and consequently no provision has been raised in terms of IFRS 2 for the issue of Performance Participation shares to UBI Proprietary Limited. The provision that was raised at 30 December 2020 was reversed.

During the process of listing ARC Investments in 2017, the Company and the General Partner indicated that they would review the fee structure of the ARC Fund after five years. The global and domestic investment and trading environment has changed considerably since ARC Investments listed and consequently the parties have started working on a process to review the fee.

The strategic focus of the ARC Fund is on consolidating its capital in specific businesses and working with its investment partners to unlock synergies that will derive additional value in the underlying businesses. This, combined with the progress being made by start-ups such as TymeBank and Rain that have moved along the maturity curve, should go some way towards closing the gap between the intrinsic and market value.

## Performance analysis

For the year ended 30 June 2021

In the current year, the investment in ARC Financial Services Holdings Proprietary Limited (ARC FSH) has been disclosed as a one-line item in the ARC Fund segment tables with additional notes detailing the breakdown of the ARC Financial Services Portfolio. The prior year Segment tables have also been adjusted. This was done to improve the disclosure.

Investment in ARC Fund	Net Asset Value 30 June 20 R million	Net Investment R million	Net Increase in Net Asset Value R million	Net Asset Value 30 June 21 R million	Growth
<b>Intrinsic Portfolio Value</b>	10 556	810	909	12 275	16.3%
Cash in the ARC Fund	35	(406)	610	239	582.9%
Debt in ARC Fund	(440)	(399)	(30)	(869)	97.5%
Other net assets in the ARC Fund	(203)	–	99	(104)	(48.8%)
UBI GP fee payable	(194)	–	94	(100)	(48.5%)
Other assets (liabilities) in the ARC Fund	(9)	–	5	(4)	(55.6%)
<b>Intrinsic Investment in the ARC Fund at FVTPL</b>	<b>9 948</b>	<b>5</b>	<b>1 588</b>	<b>11 541</b>	<b>16.0%</b>





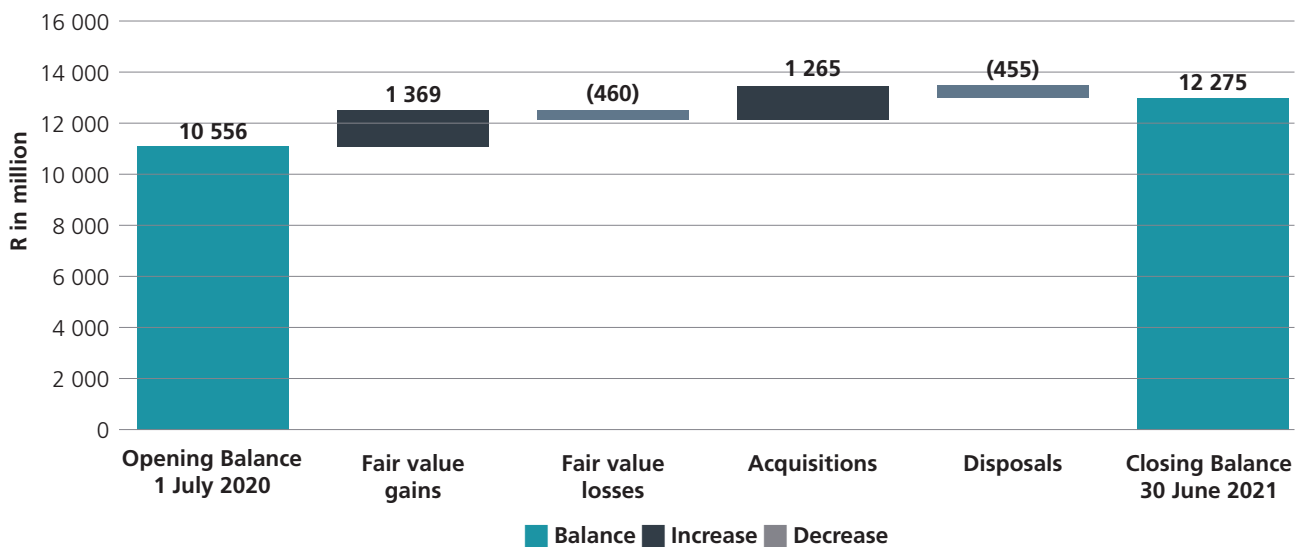
For the year ended 30 June 2020

Investment in ARC Fund	Net Asset Value 30 June 19 R million	Net Investment R million	Net Increase in Net Asset Value R million	Net Asset Value 30 June 20 R million	Growth
<b>Intrinsic Portfolio Value</b>	<b>9 301</b>	<b>717</b>	<b>538</b>	<b>10 556</b>	<b>13.5%</b>
Cash in the ARC Fund	661	(232)	(394)	35	(94.7%)
Debt in ARC Fund	–	(440)	–	(440)	–
Other net assets in the ARC Fund	(222)	–	19	(203)	(8.6%)
UBI GP fee payable	(78)	–	(116)	(194)	148.7%
Other assets (liabilities) in the ARC Fund	(144)	–	135	(9)	(93.8%)
<b>Intrinsic Investment in the ARC Fund at FVTPL*</b>	<b>9 740</b>	<b>45</b>	<b>163</b>	<b>9 948</b>	<b>2.1%</b>

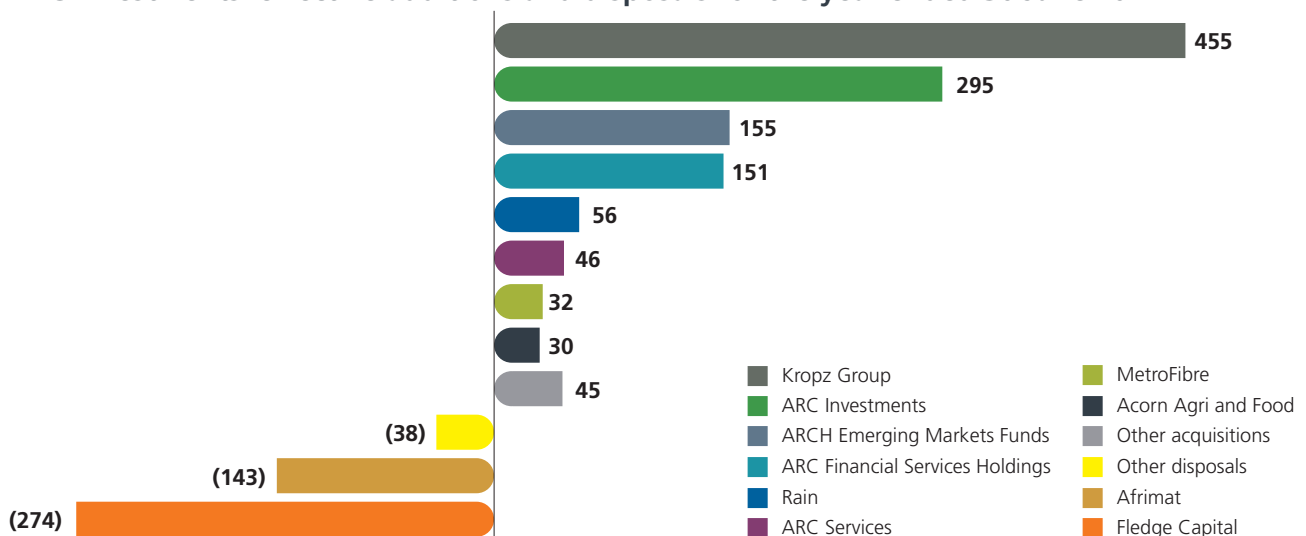
\* FVTPL: Fair Value Through Profit or Loss

During the year under review ARC Investments, through its investment in the ARC Fund, effectively made acquisitions and disposals amounting to R1 265 million and R455 million respectively. The following significant movements occurred:

### Intrinsic portfolio value movement from 1 July 2020 to 30 June 2021



### ARC Investments' effective additions and disposals for the year ended 30 June 2021



# REPORT BY THE BOARD OF DIRECTORS

For the year ended 30 June 2021

## Significant effective acquisitions and disposals in the Diversified Investments Portfolio through ARC Fund

### Acquisitions of ARC Investments shares

During the year, the ARC Fund invested R295 million in ARC Investments at share prices well below its intrinsic value.

### Kropz Plc

A total investment of R455 million has been made. The ARC Fund subscribed for additional shares in Kropz Plc in various tranches during the year in terms of the convertible loan facility of US\$ 40 million (not exceeding a maximum of ZAR 680 million) previously entered into. The funding is required to finance the Kropz Elandsfontein phosphate mine until production commences in the last quarter of 2021. At 30 June 2021, R569 million of the total facility had been drawn.

### ARCH Emerging Markets Partners Limited

A total investment of R155 million has been made. During the year ARC Investments effectively invested R106 million and R49 million in the ARCH Renewable Power Fund and ARCH Cold Chain Solutions East Africa Fund respectively. Both funds are managed by ARCH Emerging Markets Partners Limited (ARCH EM), which is a joint venture between JCH & Partners LLP and ARC.

### Fledge Capital share buy-back

A disposal of R270 million has been made. The ARC Fund sold 30% of its interest in Fledge Capital as part of a Fledge Capital share buy-back transaction, realising an internal rate of return of 15.9%. Fledge Capital furthermore issued additional shares to new shareholders during the review period. Following these transactions, the ARC Fund's effective interest in Fledge Capital reduced from 51.5% to 25.9%.

## Acquisitions in the Financial Services Portfolio

During the year, the Company effectively made the following significant investments through the ARC Fund's interest in ARC FSH:

### Sanlam Third Party Asset Management Business

One of the largest black-empowered asset management companies was established in South Africa when ARC FSH acquired a 25% economic interest in Sanlam's South African Third Party Asset Management Business (excluding the investment management business conducted by Sanlam Private Wealth (Pty) Ltd and the Sanlam Specialised Finance division) for R817 million during December 2020. This acquisition completes the foundational building blocks of the financial services business, and provides critical mass, as well as the opportunity to forge synergies between the portfolio of businesses.

### TymeBank

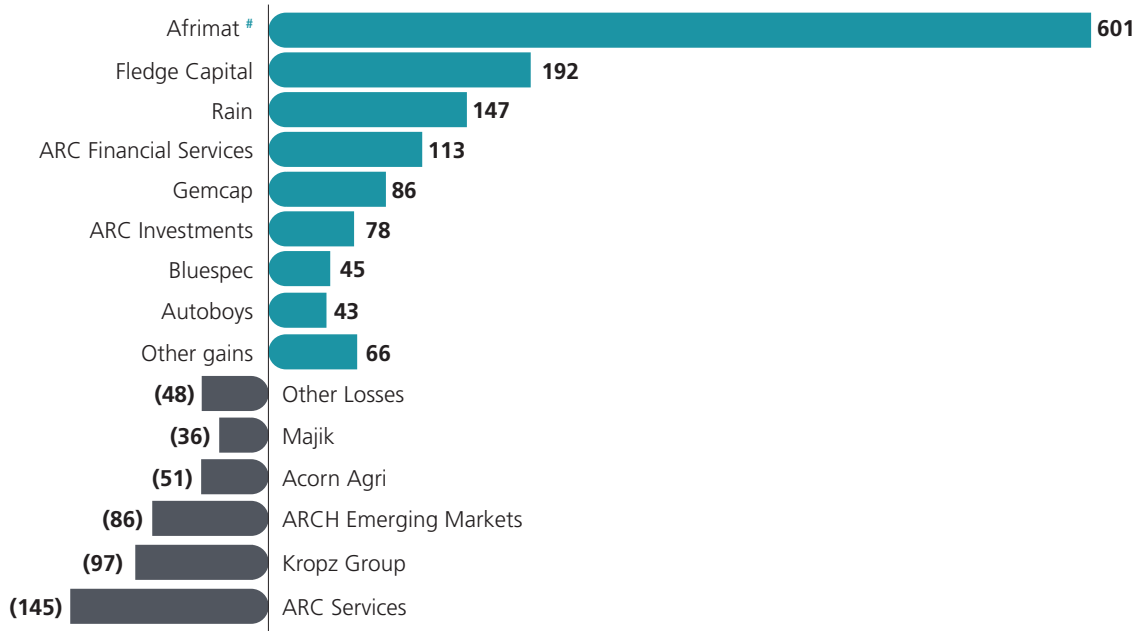
ARC FSH injected an additional R505 million into TymeBank and TymeGlobal during the year as part of the scheduled capital requirements for the bank. At 30 June 2021 the ARC Fund had an effective interest of 28.8% in TymeBank, being its 49.9% of the 57.7% interest held by ARC FSH in TymeBank. TymeBank and TymeGlobal have secured additional equity funding of US\$110 million from ARC FSH and two new international shareholders, Apis Growth Fund II and JG Summit Holdings. The additional equity funding is split into two tranches. The first tranche of \$80 million was concluded post signing of the agreements in April 2021. The second tranche was not yet concluded at the time of reporting.



## Performance review for the year

The 16.0% increase in ARC Investment's share in the INAV of the ARC Fund at FVTPL was largely as a result of funds injected into the ARC Fund following ARC Investments rights issue of R750 million, as well as the Company's effective share in net fair value gains of R909 million. The latter is graphically depicted below.

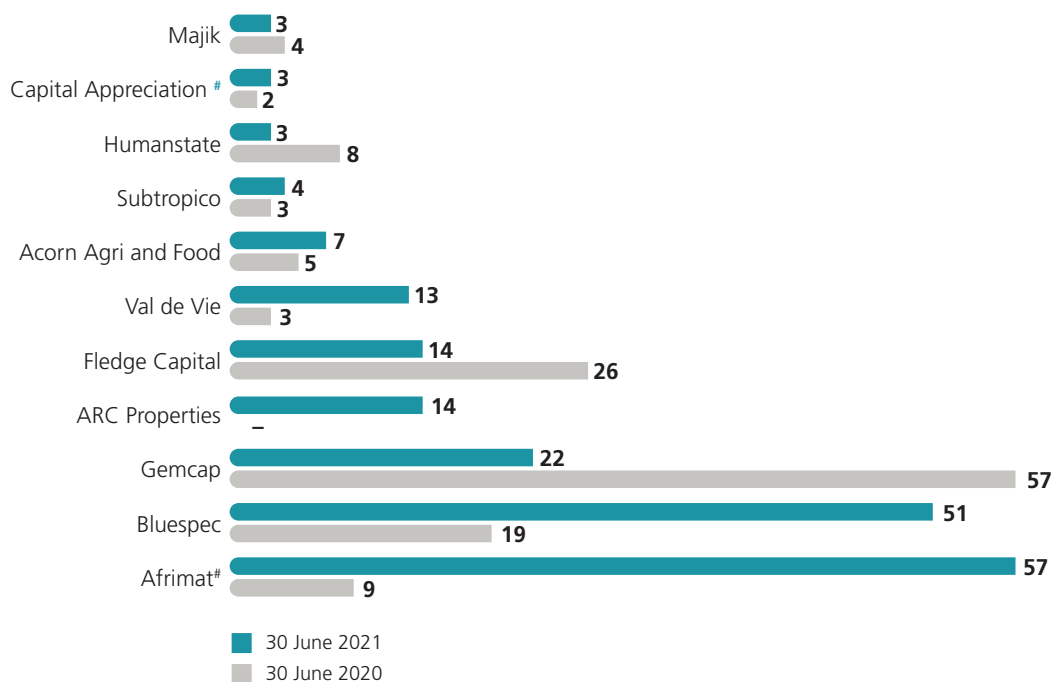
### Fair value, foreign exchange and disposal gains and losses for the year ended 30 June 2021



## Dividend income

The Company's effective share in dividend income for the year increased by 40.4% to R191 million (30 June 2020: R136 million), consisting of dividends from:

### Dividend income for 2020 vs 2021



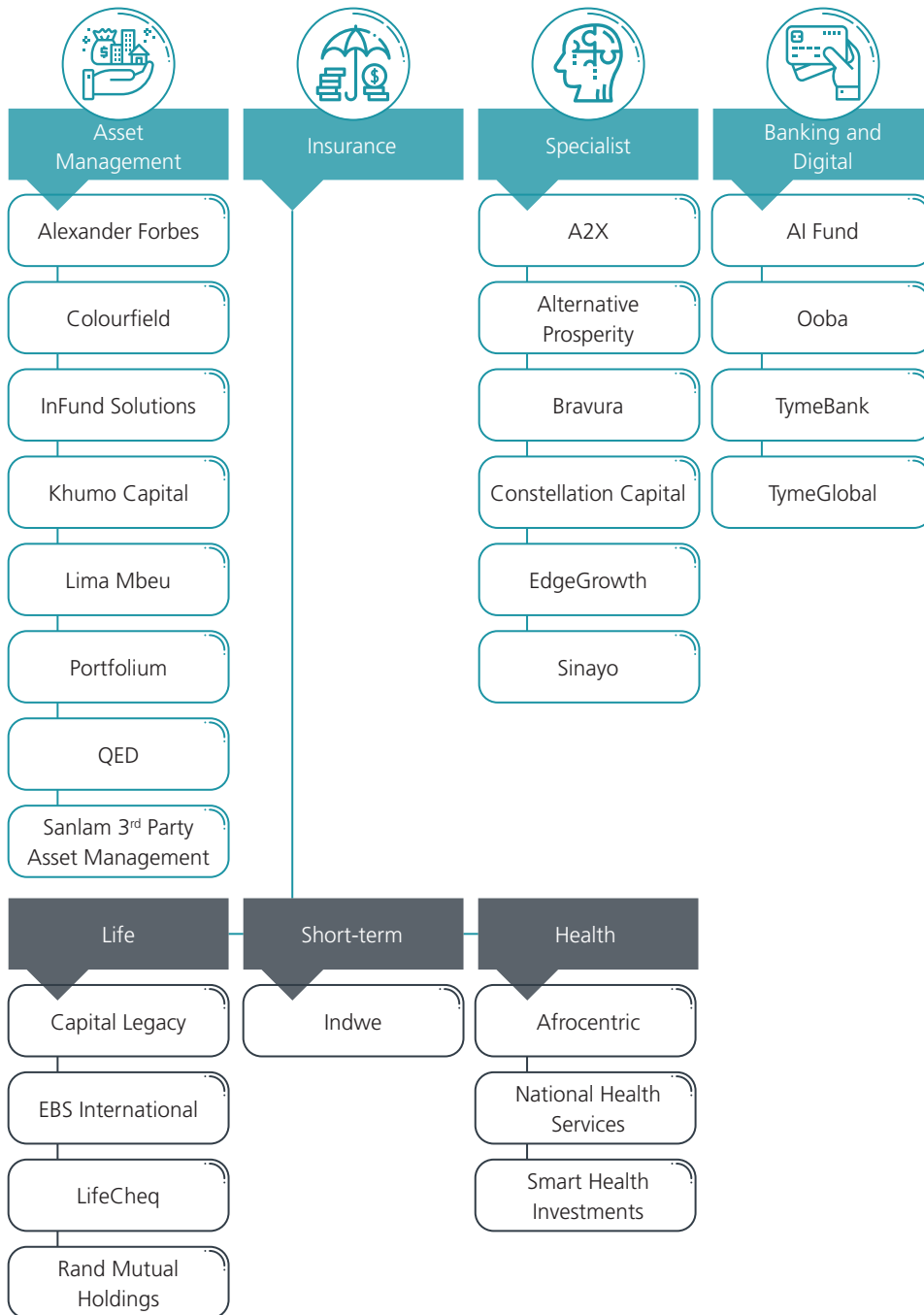
# Denotes a listed entity classified as level 1 fair value hierarchy.

# REPORT BY THE BOARD OF DIRECTORS

For the year ended 30 June 2021

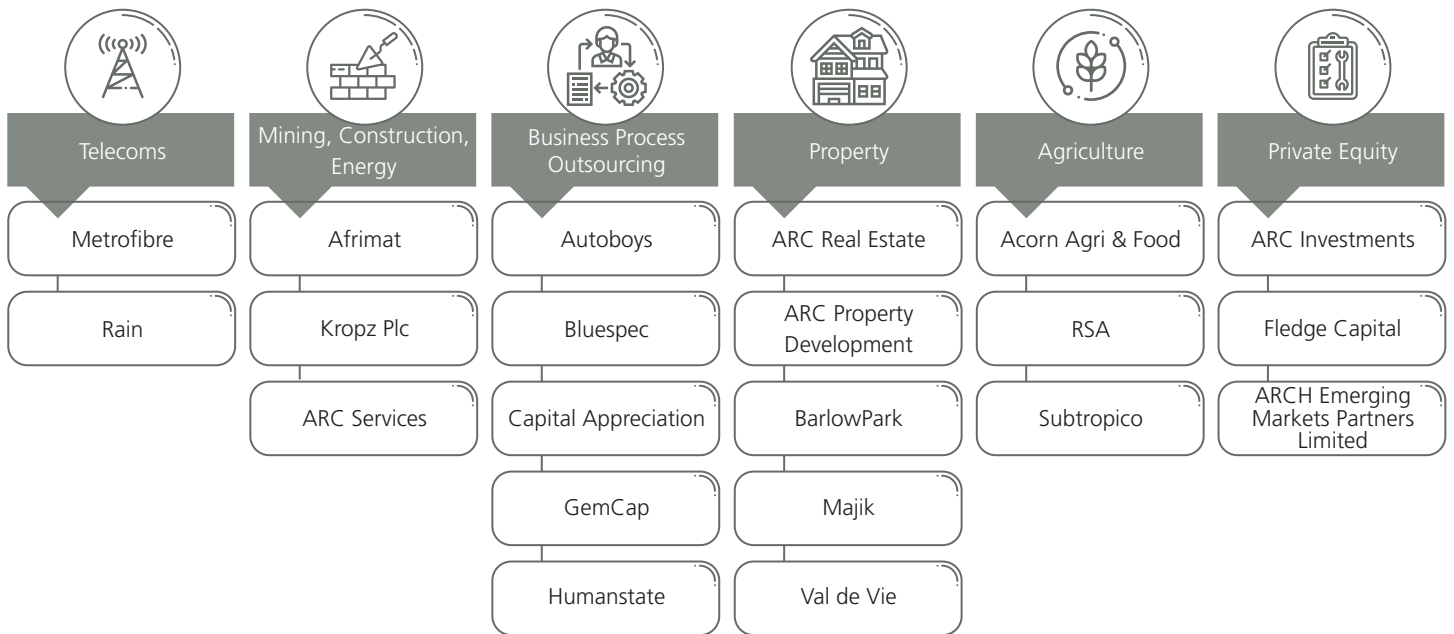
Below is a summarised review of the performance of the significant portfolio assets for the Diversified Investments and Financial Services. A more detailed schedule of all the assets within the ARC Fund Portfolio, indicating investment and disposal activities, as well as their performance is available on the Company's website [www.arci.mu](http://www.arci.mu).

## Financial Services





## Diversified Investments



# REPORT BY THE BOARD OF DIRECTORS

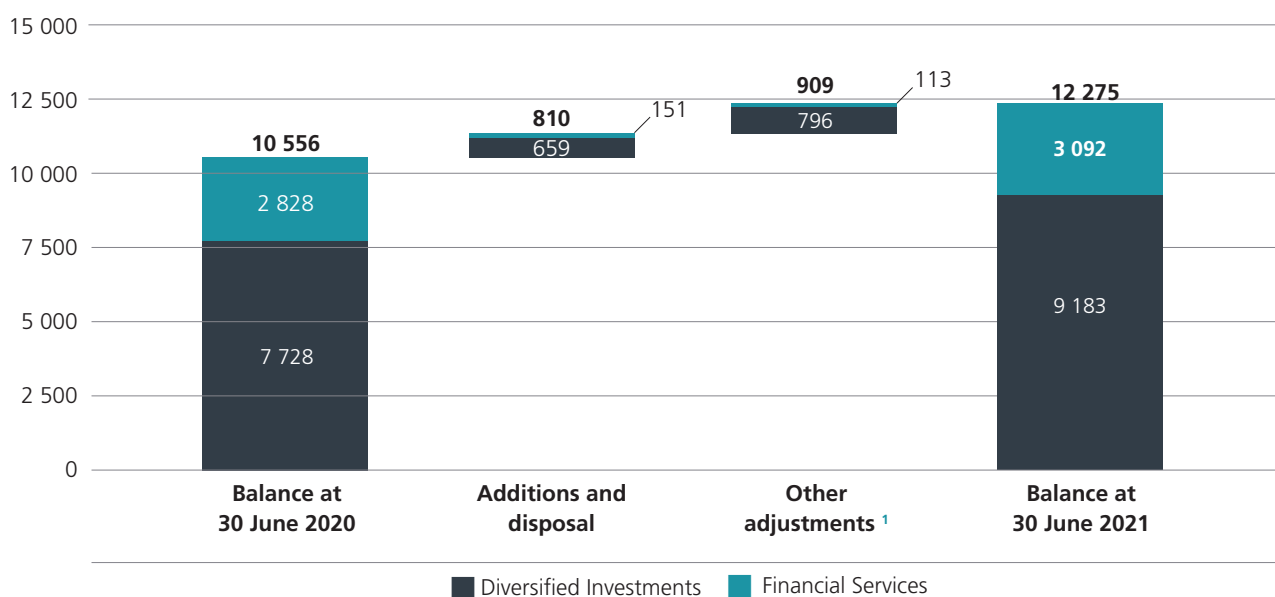
For the year ended 30 June 2021

## PORTFOLIO DESCRIPTION AND REVIEW

### Growth in Intrinsic Portfolio Value

The Company's effective investment in the Intrinsic Portfolio Value (IPV) of the ARC Fund increased by R1 719 million, comprising net acquisitions of R810 million, fair value gains including net foreign exchange movements and accrued interest on loans of R1 369 million and fair value losses of R460 million.

### Portfolio movement per sector for the year ended 30 June 2021



<sup>1</sup> Fair value net of expected tax, cash flows, interest, forex movements and disposal gain/loss

### Diversified Investments Portfolio (74.8% of Fund Value, 30 June 2020: 73.2%)

The Company's effective investment in the IPV of the Diversified Investments Portfolio increased from R7 728 million at 30 June 2020 to R9 183 million at 30 June 2021, resulting in an 18.8% increase during the year as shown in the table below.

	Net IPV 30 June 20 R million	Investments R million	Increase (decrease) in Fair Asset Value R million	Net IPV 30 June 21 R million	Increase/ (decrease) %
Telecommunications	3 353	88	141	3 582	6.8%
Mining, Construction and Energy	1 711	358	359	2 428	41.9%
Business Process Outsourcing	1 116	(3)	209	1 322	18.5%
Property	536	10	(74)	472	(11.9%)
Agriculture	369	30	(23)	376	1.9%
Other	643	176	184	1 003	56.0%
	<b>7 728</b>	<b>659</b>	<b>796</b>	<b>9 183</b>	<b>18.8%</b>



## **Telecommunications (29.2% of Fund Value, 30 June 2020: 31.8%)**

The Company's effective interest in the IPV of the investments in Telecommunications increased by 6.8% from R3 353 million at 30 June 2020 to R3 582 million at 30 June 2021.

### **Rain (27.0% of Fund Value, 30 June 2020: 29.5%)**

Rain continued to surpass expectations in terms of performance and has managed to sustain its high level of customer growth throughout the reporting period. It exceeded its subscribers targets in both the 4G and the 5G market.

Rain continues to progress well on its 5G roll-out. It has expanded its 5G coverage almost six-fold since rolling out the service some 18 months ago and it now covers approximately 3 million households in Pretoria, Johannesburg and Cape Town.

A key focus area of Rain remains to improve its customer experience and it continues to make progress in addressing customer queries and complaints. Over the past 18 months, the business has been experiencing an unprecedented surge in demand for its products and services. As the business case did not make provision for such rapid and significant growth in customer numbers, it naturally led to some customer challenges being experienced. These issues were further exacerbated by unprecedented demand for Rain's products on the fringe of its coverage footprint. Rain is striving to improve customer service and communication while continuously expanding its coverage footprint.

The company initiated a campaign to educate prospective clients who seek to acquire Rain's service but falls outside of Rain's network footprint.

Rain is expected to fully participate in the upcoming government-initiated spectrum auction. In this regard it should be noted that a modest capital raise from Rain's shareholders is in progress. This capital is to be used to accelerate the roll-out of the 5G network and to support Rain's participation in the spectrum auction.

The Company's share in the value of the investment in Rain increased from R3 111 million at 30 June 2020 to R3 314 million at 30 June 2021, as a result of a R56 million addition and a fair value gain of R147 million over the year.

### **MetroFibre (2.2% of Fund Value, 30 June 2020: 2.3%)**

MetroFibre is an internet infrastructure company that provides managed fibre optic broadband connectivity in South Africa. The business experienced a satisfactory financial year, despite some challenges with its infrastructure roll-out brought on by Covid-19.

The ARC Fund has reached an agreement to dispose of its entire investment in MetroFibre, pending regulatory approval.

The Company's effective investment in MetroFibre increased from R242 million at 30 June 2020 to R268 million at 30 June 2021 as a result of an additional R32 million capital injection and a fair value loss of R6 million.

## **Mining, Construction and Energy (19.8% of Fund Value, 30 June 2020: 16.2%)**

The Company's effective investment in the IPV of Mining, Construction and Energy investment increased by 41.9% from R1 711 million at 30 June 2020 to R2 428 million at 30 June 2021.

### **Afrimat (10.0% of Fund Value, 30 June 2020: 7.3%)**

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

As the company is listed, its financial performance is publicly available. Afrimat continues to report impressive performance, largely as a result of excellent management, as well as significant improvements in certain commodity prices.

During the year, the ARC Fund reduced its shareholding in the business from 18.4% to 16.1%. The Company's effective share in the fair value of the Afrimat investment amounted to R1 231 million at 30 June 2021.

The ARC Fund sold further 8.4 million Afrimat shares for a consideration of R496 million during July 2021. Following this transaction, the ARC Fund's effective interest in Afrimat decreased to approximately 10%.

### **Kropz Plc (8.9% of Fund Value, 30 June 2020: 7.0%)**

The Kropz Group is a nutrient producer with an advanced development stage phosphate mine in South Africa and exploration assets in the Republic of Congo.

Kropz Elandsfontein is situated on the West Coast of South Africa. After the project suffered initial setbacks, significant progress has been made and the construction of the reconfigured processing plant is largely on track. It is anticipated that first ore through the plant will be processed during December 2021.

# REPORT BY THE BOARD OF DIRECTORS

For the year ended 30 June 2021

Kropz Plc is performing an updated feasibility study regarding its asset in the Republic of the Congo. This process is expected to be completed during October 2021.

The Company effectively invested R455 million in the Kropz Group in the year under review to fund both the implementation of the required modification of the plant at Elandsfontein as well as the cost to complete an updated feasibility study for Hinda (Cominco). The ARC Fund holds 82.7% of the issued share capital in the Kropz Group's holding company, Kropz Plc, which is listed on the Alternative Investment Market stock exchange in London. The Company's effective investment value as at 30 June 2021 totals R1 092 million.

## ARC Services (0.9% of Fund Value, 30 June 2020: 1.9%)

ARC Services (previously called the Last Mile Fund) is a newly established entity which holds operating companies mainly in the mining and energy space. These include Mooiplaats coal mine, Stahl Cranes, Ramco Holdings (diesel, tyre and lubricant supplier) and Bohlale Energy (wholesale fuel distribution business).

Mooiplaats restarted operations in 2021 after having been placed under care and maintenance for 6 months (July 2020 to December 2020). Mooiplaats was able to stabilise production and achieve production levels that have not been achieved in the past three years. The mine also secured an off-take agreement.

The ARC Fund has taken a decision to wind down the mining operations and shut the mine down. This process is expected to be funded through the proceeds from the sale of the wash plant and mining equipment.

The valuation of ARC Services is largely based on offers received for Mooiplaats (providing for expected mine closure costs), as well as the value of other financial instruments held in ARC Services.

The investment is valued at R105 million at 30 June 2021 after a fair value write-down of R145 million from the R204 million carrying value at 30 June 2020 plus an additional investment of R46 million during the year.

## Business Process Outsourcing (10.8% of Fund Value, 30 June 2020: 10.6%)

The Company's effective interest in the IPV of the Business Process Outsourcing investments increased from R1 116 million at 30 June 2020 to R1 322 million at 30 June 2021.

## Gemcap (5.3% of Fund Value, 30 June 2020: 5.2%)

Gemcap is an investment holding company. Its significant investments include Payprop SA, Upstream Group, CSG Holdings Limited, Infoslips, Linebooker and Moonstone.

In the year under review the ARC Fund acquired the minority interests in Gemcap resulting in the latter being wholly owned by the ARC Fund. The ARC Fund took over the management and administration of the Gemcap portfolio, which will be aligned and integrated with the rest of the ARC Fund portfolio.

The Gemcap portfolio demonstrated resilience in the financial year, and operations are recovering to pre-Covid levels in most of Gemcap's portfolio companies. These companies continue to yield significant cash and capital returns. Gemcap delivered a total dividend yield of 11% in the 2021 financial year.

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. The business continues to gain new clients under challenging trading conditions.

Upstream Group provides comprehensive outsourced services for accounts receivable that have entered debt rehabilitation or have become part of the debt recovery process.

Linebooker operates a transport technology platform, which is disintermediating the transport value chain and offering clients significant cost savings.

InfoSlips is a platform provider that facilitates interactive document composition and distribution.

Moonstone is one of the three largest independent national compliance services providers (and the only registered training and examination body) to the Financial Advisory and Intermediary Services (FAIS) regulated Financial Services Provider (FSP) industry in South Africa.

The Company's effective investment in Gemcap increased by R98 million from R553 million at 30 June 2020 to R651 million at 30 June 2021, comprising of a fair value gain of R86 million and additional investments amounting to R12 million.





### Bluespec (2.5% of Fund Value, 30 June 2020: 2.5%)

Bluespec is a holding company comprised of several specialist businesses which collectively aim to transform the motor repair and recovery industry. In the year under review Bluespec management responded well to the tough trading environment which was characterised by market volume declines and disruptions in some of its operations.

In response to these challenges, management spread its geographical presence, introduced innovative routes to market which grew its market share, increased its focus on core business units, and reduced costs by improving efficiencies. These initiatives generated significant improvements in its financial performance and profitability.

The fair value of the investment increased from R259 million at 30 June 2020 to R304 million at 30 June 2021, as a result of fair value gain of R45 million.

### Other Business Process Outsourcing (BPO) (3.0% of Fund Value, 30 June 2020: 2.9%)

The other BPO portfolio investments include Humanstate, Autoboy, and Capital Appreciation. The EOH shares were sold during the year at a fair value of R21 million.

### Agriculture (3.1% of Fund Value, 30 June 2020: 3.5%)

The Company's effective interest in the IPV of the Agricultural investments increased from R369 million at 30 June 2020 to R376 million at 30 June 2021, following an impairment of R23 million and additional investments of R30 million during the year ending 30 June 2021.

### Acorn Agri and Food (1.2% of Fund Value, 30 June 2020: 1.6%)

Acorn Agri and Food is a long-term investor focusing on food and food processing, agricultural processing and the agricultural value chain. The company demonstrated resilience during tough trading conditions in the year under review. The group's recent restructuring and effective cost management, coupled with a bumper harvest season resulted in improved profitability and cash generation.

Acorn Agri and Food shares currently trade at a 51% discount to NAV, as a result of structural changes which are not yet reflecting in the Over The Counter market price.

The ARC Fund acquired an additional R30 million in Acorn Agri and Food shares in the open market during the year.

The Company's effective investment in Acorn Agri and Food decreased in value from R174 million at 30 June 2020 to R153 million at 30 June 2021, as a result of a fair value loss of R51 million and additional investment of R30 million.

### Subtropico (1.1% of Fund Value, 30 June 2020: 1.0%)

Subtropico operates in the food and services sector of the agricultural sector. Considering the generally challenging trading conditions, Subtropico performed above expectations and achieved a year-on-year recovery in both revenue and profits while also increasing its markets share.

The Company's effective investment in Subtropico is valued at R135 million, which includes fair value gain of R28 million during the year.

### RSA (0.7% of Fund Value, 30 June 2020: 0.8%)

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 distribution channels. RSA has a nationwide footprint with a presence in all the major metropolitan areas.

During the year under review RSA's operating environment was impacted by a sluggish economy, which has adversely impacted consumers' disposable income and therefore reduced consumer spend. This resulted in a continued decline in sales of higher margin produce. Despite this challenge, the business managed to improve its profitability.

The Company's effective investment in RSA remained static from 30 June 2020 to 30 June 2021 at R88 million.

# REPORT BY THE BOARD OF DIRECTORS

For the year ended 30 June 2021

## Property (3.8% of Fund Value, 30 June 2020: 5.0%)

The Company's effective share of the IPV of the Property investments decreased from R536 million at 30 June 2020 to R472 million at 30 June 2021, largely due to fair value loss of R74 million for the year.

### Majik Property Holdings (1.8% of Fund Value, 30 June 2020: 2.6%)

Majik Investments holds an investment in Squarestone Growth LLP, which owns a high yield regional commercial property portfolio in the UK, managed by Squarestone. Squarestone is an experienced asset manager with offices in London and Edinburgh. The core investment strategy is to acquire well located modern properties at a discount to replacement building cost with demonstrable potential to enhance rental and capital growth through active asset management.

Majik is currently involved in a transaction to dispose of its investment in Squarestone Growth LLP in exchange for a combination of cash and shares in a listed REIT, called Regional Reit Ltd. Notwithstanding tough market conditions, Majik managed to maintain high occupancy and profitability levels throughout the reporting year. As at 30 June 2021 the investment value was however adversely impacted by the strengthening of the ZAR against the GBP.

The Company's effective investment in Majik decreased from R277 million at 30 June 2020 to R224 million at 30 June 2021, partly attributable to the strengthening of the Rand against the British Pound.

### Other Property (2.0% of Fund Value, 30 June 2020: 2.4%)

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

## Other Diversified Investments (8.1% of Fund Value, 30 June 2020: 6.1%)

The Company's effective interest in the IPV of the Other Diversified Investments increased from R643 million at 30 June 2020 to R1 003 million at 30 June 2021. The increase is mainly attributable to additional investment in the ARCH Emerging Market Funds and African Rainbow Capital Investments.

### Fledge Capital (3.0% of Fund Value, 30 June 2020: 4.3%)

The ARC Fund invested in Fledge Capital which is able to exploit smaller investment opportunities than the ideal size for investments by the ARC Fund. Fledge Capital provides funding solutions to private companies within a broad range of industries and its investments include Safari and Outdoor, WeBuyCars, King Price and the mortgage originator BetterBond Group.

In the year under review, Fledge Capital's net asset value increased by 53%, largely driven by the performance of its investment in WeBuyCars and a partial disposal of this investment to Transaction Capital.

During the year the ARC Fund sold 30% of its 51.5% holding in Fledge Capital for R270 million, yielding a profit of R53 million, as part of a share buy-back transaction during August 2020. Fledge Capital furthermore issued additional shares to new shareholders during the year. Following these transactions, the ARC Fund's effective interest in Fledge Capital decreased from 51.5% to 25.9%. The Company's effective investment is valued at R371 million at 30 June 2021.

### ARC Investments (3.1% of Fund Value, 30 June 2020: 0.1%)

During the year the ARC Fund increased its investment in ARC Investments and the Company's effective investment increased from R13 million at 30 June 2020 to R386 million at 30 June 2021. The increase is largely due to a fair value gain of R78 million and additional investment of R295 million at an average cost of R3.29 per share.

### ARCH Emerging Markets (2.0% of Fund Value, 30 June 2020: 1.7%)

ARCH EM is a London based emerging markets private equity advisory firm focused on private equity investments across Africa specifically (excluding South Africa). It has specifically targeted energy and logistics. ARCH has two active funds: an Africa renewable energy fund and an East Africa cold chain fund. To date, ARCH has called for drawdowns in respect of both funds.

The renewable power fund reached a second close on 23 July 2019 at US\$124.6 million. Due to the impact of Covid-19, the fund's final closing date was extended to 31 May 2021 to allow time for three further potential investors to complete their due diligence. The fund achieved a final close in July 2021 at US\$135 million.

The cold chain fund has achieved good progress in its fundraising during a difficult 2020, with additional commitments received totaling US\$25 million and due diligences continuing with other potential investors to achieve the targeted US\$100 million. The majority of the capital drawn down to date funded the acquisition of land at Tatu City and commencement of construction for the Nairobi facility.



During the year the Company effectively increased its investment in both ARCH Emerging Markets Funds by R155 million. Both funds are still only just started deploying capital and therefore still at the bottom end of their J-Curves. Furthermore, the strengthening ZAR also had an adverse impact on the investment value at 30 June 2021. A fair value loss of R85 million was recognised during the year. ARCH EM, however, remains confident that the current project and transaction pipeline will deliver acceptable returns in the short to medium term in both their existing funds.

The ARC Fund has committed a total of US\$50 million to the ARCH Emerging Market Funds. At 30 June 2021 the ARC Fund already invested US\$20 million (R330 million) of the total committed capital. R237 million of this was invested in the renewable power fund of which R106 million was invested during the current period. The other R95 million was invested in the ARCH Cold Chain Fund of which R49 million was contributed during the current year.

### Financial Services Portfolio (27.3% of Fund Value, 30 June 2020: 26.8%)

The Company's effective interest in the gross IPV of the Financial Services Portfolio decreased from R3 411 million at 30 June 2020 to R3 346 million at 30 June 2021, resulting in a 2% decrease during the year as detailed in the table below. The decrease was mainly as a result of the sale of 25% of the investment in the Financial Services Portfolio assets (excluding banking assets) to Sanlam. Net IPV of the Financial Services Portfolio, taking in to account ARC Investments' indirect share of the debt funding and other assets and liabilities in the Financial Services structure, increased by 9.4% from R2 828 million at 30 June 2020 to R3 092 million at 30 June 2021. The increase in the Net IPV resulted from a further capital contribution of R151 million to ARC FSH and ARC Investments' share of the fair value gains in the Financial Services Portfolio.

	Net IPV 30 June 20 R million	Movements R million	Net IPV 30 June 21 R million	Increase/ (decrease) %	Dividend from Portfolios** R million
Insurance and Asset Management	2 121	(346)	1 775	(16%)	280
Banking & Digital*	1 128	326	1 454	29%	16
Specialist Financial Services	162	(45)	117	(28%)	2
<b>Total Financial Services Portfolio</b>	<b>3 411</b>	<b>(65)</b>	<b>3 346</b>	<b>(2%)</b>	<b>298</b>

\* Ooba was reclassified from Specialist Financial Services to Banking and Digital

\*\* The effective share of the Company in the dividends received within the ARC Financial Services structure – not directly received by the ARC Fund

### Insurance and Asset Management (14.5% of Fund Value, 30 June 2020: 20.1%)

The Company's effective interest in the gross IPV of the Insurance and Asset Management investments decreased from R2 121 million at 30 June 2020 to R1 775 million at 30 June 2021, mainly attributable to the sale of an effective 12.5% of the Insurance and Asset Management portfolio to Sanlam during the year.

#### Alexander Forbes (6.2% of Fund Value, 30 June 2020: 11.5%)

ARC Financial Services Investments (ARC FSI) holds a 35.09% interest in Alexander Forbes Group Holdings Limited (AFGH), which is listed on the JSE. The ARC Fund therefore has an effective shareholding of 13.1% in AFGH through its 49.9% interest in ARC FSH.

The Company's effective investment in AFGH decreased from R1 218 million at 30 June 2020 to R767 million at 30 June 2021, mainly as a result of the AFGH share price being impacted by both the payment of special dividends as well as the effective impact of the transaction with Sanlam. The Company's indirect share of dividends received from AFGH during the year amounted to R184 million.

#### Sanlam Third Party Asset Management Business (2.5% of Fund Value, 30 June 2020: n/a)

ARC FSI acquired a 25% interest in Sanlam's Third Party Asset Management Business for a consideration of R817 million during the year under review. The business has the objective to become the largest empowerment asset manager in South Africa.

ARC FSI will competitively position and support Sanlam management to pursue growth opportunities. The Company's effective investment in the Sanlam Third Party Asset Management business is valued at R306 million, being the acquisition cost.

# REPORT BY THE BOARD OF DIRECTORS

For the year ended 30 June 2021

## Rand Mutual Holdings (RMH) (2.0% of Fund Value, 30 June 2020: 2.9%)

RMH administers 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.

The business is well positioned to use its competitive position in the Compensation for Occupational Injuries and Diseases (COID) sector via its technology and administration platforms to secure other classes and/or sectors from the Compensation Fund. In addition, RMA management is implementing a new strategy, which is tracking as planned.

The value of the Company's effective investment in RMH amounted to R245 million at 30 June 2021 the Company's indirect share of dividends received from RMH during the year amounted to R45 million.

## Other Insurance and Asset Management (3.7% of Fund Value, 30 June 2020: 5.6%)

The other portfolio investments include Afrocentric, Colourfield, Smart Health Investments, Capital Legacy, Indwe, QED, Khumo Capital, LifeCheq, Infund Solutions, Lima Mbeu, National Health Solutions and Global ASP. The ARC Fund's investment in African Rainbow Life was sold during the year.

## Specialist Financial Services (1.0% of Fund Value, 30 June 2020: 2.7%)

The Company's effective interest in the IPV of the Specialist Financial Services investments decreased by R45 million from R162 million at 30 June 2020 to R117 million at 30 June 2021.

The Specialist Financial Services portfolio investments includes Sinayo, Bravura, A2X, Constellation Capital, EdgeGrowth and Alternative Prosperity. Ooba was reclassified to the Banking and Digital cluster during the year.

## Banking and Digital (11.8% of Fund Value, 30 June 2020: 9.5%)

The Company's effective interest in the gross IPV of the ARC FSH's investments in Banking and Digital increased by 29% to R1 454 million at 30 June 2021 with the most significant asset being TymeBank valued at R1 173 million.

### TymeBank (9.6% of Fund Value, 30 June 2020: 8.8%)

TymeBank is a digital bank that leverages the use of digital technology to make banking simple and affordable. The bank is focused on acquiring customers who want to benefit from lower banking costs as well as improved customer experience.

The business managed to achieve its revenue and cost targets, despite experiencing some significant headwinds during this financial year. TymeBank forecasts to break even in 2022.

TymeBank successfully onboarded 3.45 million customers in just over two years since launching. It entered into an agreement with the Zionist Christian Church (ZCC) in February 2020 to onboard a large proportion of the ZCC's 9 million member base. This initiative had largely been postponed due to the impact of the Covid-19 pandemic and the National Lockdown and should gain momentum once preventative Covid-19 measures are relaxed and it is reasonably safe to resume activities to onboard church members.

TymeBank management enhanced their value proposition to consumers by adding insurance, as well as a buy now, pay later product called MoreTyme. In the new financial year, the business will seek to get key existing products to scale, introduce new salary advance products, and implement various measures to diversify its customer profile.

The progress on strategy implementation to date, combined with the additional capital that has been injected up to 30 June 2021, results in the Company's share in the fair value of TymeBank amounting to R1 173 million at 30 June 2021. The Company's effective additional investment in TymeBank during the year under review amounted to R232 million.

### Other Banking and Digital (1.1% of Fund Value, 30 June 2020: 0.7%)

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

## Governance and Leadership

ARC Investments is managed and controlled in Mauritius by an experienced, multinational Board of Directors (the Board) of which the majority is 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. 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 comprised: <sup>1,2</sup>

Name (age)	Nationality	Function
Mark Cyril Olivier (53)	British	Independent Non-executive Director (Chairperson)
Clive Msipha (39)	Zimbabwean	Independent Non-executive Director (Chairperson of Audit and Risk Committee)
Anil Currimjee (59)	Mauritian	Independent Non-executive Director
Deans Tommy Lo Seen Chong (62) <sup>1</sup>	Mauritian	Independent Non-executive Director
Renosi Mokate (63)	South African	Independent Non-executive Director
Mmamodiane Refiloe Nkadimeng (40)	South African	Non-executive Director
Smitha Algoo-Bissonauth (36) <sup>2</sup>	Mauritian	Independent Non-executive Director

<sup>1</sup> Mr. Deans Tommy Lo Seen resigned as an Independent Non-executive Director with effect from 13 September 2020.

<sup>2</sup> Ms. Smitha Algoo-Bissonauth has been appointed as an Independent Non-executive Director with effect from 14 September 2020.

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

The 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 comprised:

Name (age)	Function
Patrice Motsepe (60)	Non-executive Director (Chairperson)
Alexander Maditsi (59)	Non-executive Director
Michael Arnold (64)	Non-executive Director
Abigail Mukhuba (42)**	Non-executive Director
Boipelo Lekubo (38)	Non-executive Director
Tsundzukani Mhlanga (38)***	Non-executive Director
Johan van der Merwe (56)	Executive Director
Johan van Zyl (65)	Non-executive Director

\* Tom Boardman is a standing invitee of the Board of Directors of the General Partner, the Chairman of the Investment Committee and the Audit and Risk Committee.

\*\* Abigail Mukhuba resigned on 30 September 2020.

\*\*\* Tsundzukani Mhlanga was appointed 01 October 2020

# REPORT BY THE BOARD OF DIRECTORS

For the year ended 30 June 2021

## Events after the reporting period

### Sale of Afrimat shares

The ARC Fund sold 8.4 million Afrimat shares for a consideration of R496 million after the reporting date.

### Kropz Elandsfontein

On 6 September 2021 the appeal against the Water Use Licence which was issued to Elandsfontein during April 2017, was dismissed by The Water Tribunal.

## 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 2020 Annual Financial Statements.

## APPROVAL

The Annual Financial Statements for the year ended 30 June 2021 were approved by the Board of Directors of the Company on 13 September 2021 in Mauritius.



**Mark Cyril Olivier**  
Chairman of the Board



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



**Karen Bodenstein**  
Chief Financial Officer

# REPORT OF THE AUDIT AND RISK COMMITTEE

For the year ended 30 June 2021

ARC Investments Limited has been in operational existence for under four years and this is its third Integrated Annual Report. The report by the Audit and Risk Committee (A&RC), which is chaired by Mr Clive Masipha, 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 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 *en commandite* 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.

The Committee meets three times a year (seven 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 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 2021 financial year are set out below:

Name	Attendance*
Clive Msipha ( <i>Chairman</i> )	3/3
Anil Currimjee	3/3
Renosi Mokate	3/3
Ms. Smitha Algoo-Bissonaut <sup>1</sup>	2/3

\* Meeting dates: 28 September 2020, 10 March 2021 and 13 September 2021.

<sup>1</sup> Ms. Smitha Algoo-Bissonauth has been appointed as an Independent Non-executive Director with effect from 14 September 2020.

The composition and attendance of meetings of the A&RC at the General Partner is as follows:

Name	Attendance*
Tom Boardman ( <i>Chairman</i> )	7/7
Alexander Maditsi	7/7
Michael Arnold	7/7
Abigail Mukhuba**	1/7
Boipelo Lekubo	5/7
Tsundzukani Mhlanga ***	5/7

\* Meeting dates: 23 September 2020; 26 November 2020; 25 February 2021; 4 March 2021, 03 June 2021, 24 August 2021; 2 September 2021.

\*\* Abigail Mukhuba resigned on 30 September 2020.

\*\*\* Tsundzukani Mhlanga was appointed 01 October 2020

# REPORT OF THE AUDIT AND RISK COMMITTEE

For the year ended 30 June 2021

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 Committees 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 Committees, over and above closed sessions without management at every meeting, on any matter that they regard as relevant to the fulfilment of the Committees' 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.

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 appropriate and complied with;
- 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.





## External Auditors

- Determined the terms of engagement and fees to be paid to PricewaterhouseCoopers (for the statutory Mauritius reporting) and PricewaterhouseCoopers Inc. (for JSE reporting); 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, Mr Vincent Tshikhovhokhovho; and
- Nominated the re-appointment of PricewaterhouseCoopers (for the statutory Mauritius reporting) and PricewaterhouseCoopers Inc (for JSE reporting) as the registered independent auditor after satisfying itself through enquiry that PricewaterhouseCoopers and PricewaterhouseCoopers Inc. 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.
- Nominated the re-appointment of Mr Vincent Tshikhovhokhovho, as the engagement partner, after satisfying itself through enquiry that Mr Vincent Tshikhovhokhovho is 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. The Committee has requested and evaluated the information detailed in paragraph 22.15(h) of the JSE Listing Requirements.

## 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 and annual results; short form announcement and advertisement for interim and annual results; 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;
- Confirmed the existence of appropriate financial reporting procedures and that those procedures are operating; 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 01 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 6 years.

# REPORT OF THE AUDIT AND RISK COMMITTEE

For the year ended 30 June 2021

## MATERIAL AUDIT 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 Audit 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 half-yearly reporting and supported the valuation of the Intrinsic Portfolio Values arrived at with a detailed valuation report on each Portfolio Company.</p> <p>The processes, key areas of judgement and outcomes were deemed 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 2021 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*

13 September 2021

# 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 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## What we have audited

African Rainbow Capital Investments Limited's financial statements set out on pages 31 to 71 comprise:

- the statement of financial position as at 30 June 2021;
- 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 notes to the financial statements, which include a summary of significant accounting policies.

## 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 Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

## 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 period. 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.

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of African Rainbow Capital Investments Limited

Key audit matter	How our audit addressed the key audit matter
<p><b><i>The fair value of the unlisted investment in the African Rainbow Capital Fund (ARC Fund)</i></b></p> <p>Refer to the following accounting policies and notes to the financial statements for disclosures as it relates to the key audit matter:</p> <ul style="list-style-type: none"> <li>- Note 4.1 to the financial statements which discloses the value of unlisted investments at 30 June 2021;</li> <li>- Note 3.1 to the financial statements which deals with the valuation methodologies;</li> <li>- Note 16 which deals with the impact of Covid-19 on the unlisted investments;</li> <li>- Note 5 to the financial statements which deals with the inputs applied in the valuation models.</li> </ul> <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 invests in several listed and unlisted investments.</p> <p>This investment in the ARC Fund is measured at fair value through profit or loss. Fair value is principally derived from the fair value of the underlying listed and unlisted investments held by the ARC Fund.</p> <p>The fair value of the Company's effective interest in the unlisted investments that are held by the ARC Fund at 30 June 2021 is R10,586 million.</p> <p>The fair values of the unlisted investments, as determined by UBI General Partner (Pty) Ltd (the "General Partner") are valued primarily using either an income approach (IA) or a market approach (MA) valuation methodology or a combination of the two approaches. The discounted cash flow (DCF) is the preferred income approach methodology applied. In applying a market approach valuation methodology, an appropriate trading multiple or comparable transaction is selected, depending on the specific underlying investment being valued.</p> <p>Due to the diverse portfolio of the ARC Fund, the national lockdown has resulted in positive and negative impacts within the portfolio. The valuation models take into account the impact of the Covid-19 pandemic on the underlying unlisted investments.</p> <p>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, country risk and earnings prospects.</p> <p>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>We considered the fair value of the underlying unlisted investments in the ARC Fund to be a matter of most significance to the current year audit due to:</p> <ul style="list-style-type: none"> <li>• the magnitude of the unlisted investments in relation to the financial statements; and</li> <li>• the degree of judgement and estimation applied in determining the fair value of the underlying unlisted investments held by the ARC Fund.</li> </ul>	<p><b>Our audit addressed the key audit matter as follows:</b></p> <ul style="list-style-type: none"> <li>• Utilising our valuations expertise, we evaluated the appropriateness of the valuation methodology applied against industry available information and IFRS requirements for consistency.</li> <li>• Making use of our valuation expertise, we evaluated the significant assumptions used in determining the discounted cash flow, which included an independent comparison to industry norms and evaluation of the discount rates applied based on the markets in which the investee entities operate, and taking into account the nature of the individual entities.</li> <li>• We independently recalculated the valuations utilising the inputs and assumptions referred to above, in accordance with the discounted cash flow approach, and compared management's valuations to the amounts we calculated.</li> <li>• On a sample basis, we evaluated the reasonableness of the terminal growth rates and valuation adjustments applied to the forecasted cash flows with reference to the best available independent market information, taking into account the respective industry benchmarks and inflationary prospects within the country.</li> <li>• We assessed the reasonableness of the forecasted cash flows used in the discounted cash flow model by performing the following procedures: <ul style="list-style-type: none"> <li>- comparing previous budgeted cash flows to the actual results of the respective unlisted entities to assess the reasonability of management's budgeting techniques.</li> <li>- Making use of our valuation expertise, we assessed the reasonableness of the Covid-19 impacts on the forecasted cash flows by comparing actual performance for the period of the national lockdown to the actual results of the prior year to assess the Covid-19 impact on operations and on future cash flows.</li> <li>- The forecasted cash flow forecasts were also compared to investee management's approved budgets and forecasts.</li> </ul> </li> <li>• We assessed the reasonableness of the market multiples used in the valuation by leveraging our valuation expertise, by independently comparing the market multiples to those of similar entities, which have been adjusted for entity specific factors which include size, diversification, and country risk adjustments, amongst others.</li> <li>• We assessed the competence, capabilities and objectivity of management experts by performing the following procedures through obtaining an understanding of their work and inspection of their qualifications and statements confirming their objectivity.</li> </ul>



## Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "ARC Investments Annual Financial Statements for the year ended 30 June 2021" which we obtained prior to the date of this auditor's report, and the document titled "ARC Investments 2021 Integrated Annual Report", 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.

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of African Rainbow Capital Investments Limited

- 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.

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, actions taken to eliminate threats or safeguards applied.

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: Vincent Tshikhovhokhovho

Registered Auditor

Johannesburg

13 September 2021

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 R million	30 June 2020 R million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in the ARC Fund at FVTPL*	5	11 650	9 983
<b>Current assets</b>			
Trade and other receivables		–	–
Cash and cash equivalents		15	19
<b>Total assets</b>		<b>11 665</b>	<b>10 002</b>
<b>EQUITY</b>			
Stated capital	7.1	9 653	8 903
Accumulated loss		(105)	(98)
Performance Participation reserve	9	–	–
Fair value reserve		2 116	1 196
<b>Total equity</b>		<b>11 664</b>	<b>10 001</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1	1
<b>Total equity and liabilities</b>		<b>11 665</b>	<b>10 002</b>

\* FVTPL: Fair value through profit or loss.

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	30 June 2021 R million	30 June 2020 R million
Fair value movements on the investment in the ARC Fund at FVTPL*	4.2	920	129
Other income		1	1
Other expenses	6	(8)	(7)
Performance Participation expense	9	–	–
<b>Profit before taxation</b>		<b>913</b>	123
Taxation	10	–	–
<b>Profit for the year</b>		<b>913</b>	123
Other comprehensive income for the year		–	–
<b>Total comprehensive income for the year</b>		<b>913</b>	123
<b>Earnings per share:</b>			
Basic earnings per ordinary share (cents)	7.2	73	12
Diluted earnings per ordinary share (cents)	7.2	73	12

\* FVTPL: Fair value through profit or loss.



# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Notes	Stated Capital R million	Accumulated Loss R million	Performance Participation Reserve R million	Fair Value Reserve R million	Total Equity R million
<b>Balance at 30 June 2019</b>		8 903	(92)	–	1 067	9 878
Total comprehensive income for the year		–	123	–	–	123
Transfer to fair value reserve *		–	(129)	–	129	–
Performance Participation	9	–	–	–	–	–
<b>Balance at 30 June 2020</b>		<b>8 903</b>	<b>(98)</b>	<b>–</b>	<b>1 196</b>	<b>10 001</b>
Total comprehensive income for the year		–	<b>913</b>	–	–	<b>913</b>
Transfer to fair value reserve *		–	<b>(920)</b>	–	<b>920</b>	–
Shares issued	7.1	<b>750</b>	–	–	–	<b>750</b>
Performance Participation	9	–	–	–	–	–
<b>Balance at 30 June 2021</b>		<b>9 653</b>	<b>(105)</b>	<b>–</b>	<b>2 116</b>	<b>11 664</b>

\* The unrealised fair value adjustments on investments are transferred to the fair value reserve. On disposal of the investment, the related cumulative fair value adjustments are released to retained earnings.

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	30 June 2021 R million	30 June 2020 R million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash utilised in operations before investment activities	11	(7)	(5)
<b>Net cash outflows from operating activities</b>		<b>(7)</b>	<b>(5)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash capital contribution to the investment in ARC Fund at FVTPL*	5	(747)	–
<b>Net cash outflows from operating activities</b>		<b>(747)</b>	<b>–</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of shares	7.1	750	–
<b>Net cash inflows from financing activities</b>		<b>750</b>	<b>–</b>
Net decrease in cash and cash equivalents		(4)	(5)
Cash and cash equivalents at the beginning of the year		19	24
<b>Total cash and cash equivalents</b>		<b>15</b>	<b>19</b>

\* FVTPL: Fair value through profit or loss.

# ACCOUNTING POLICIES

For the year ended 30 June 2021

## 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 IPV 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, less debt.

### 1.4 NAV

IFRS Portfolio Value of ARC Investments plus cash and other net assets, less debt. NAV per share is reported in note 4.3.

## 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 2020 Audited Annual Financial Statements.

There have been changes to the composition or structure of the reportable segments during the year. The investment in ARC Financial Services has been disclosed as a one-line item in the ARC Fund segment tables with additional notes detailing the break-down of the ARC Financial Services Portfolio. This was done to improve disclosure.

### 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 is dependent on the 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 half yearly. All investments are valued in accordance with the valuation policy outlined below.

# ACCOUNTING POLICIES

For the year ended 30 June 2021

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 of the underlying investments in the ARC Fund at measurement date is 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 willing 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 the spot rate on measurement date) will be the basis for the measurement of the IFRS Portfolio Value for identical instruments.

Where investments in listed assets are thinly traded, due consideration needs to be given to the fact that the price at which the share trades may not be representative of the fair value of these investments. As such the General Partner may duly consider whether the cost of the investment or the fair value as determined by another valuation approach may not be a better representation of the fair value than the quoted market price on the exchange.

*Unlisted investments* are valued primarily using either an income approach (IA) or a market approach (MA) valuation methodology or a combination of the two approaches. The discounted cash flow (DCF) is the preferred income approach methodology applied. In applying a market approach valuation methodology an appropriate trading multiple or comparable transaction is selected, depending on the specific underlying investment being valued.

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

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.

The valuations of the investments get presented to the board of the Company.

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

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

*Restriction on trading / lack of marketability:* To the extent that the ARC Fund is restricted or prevented 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 an appropriate lack of marketability discount adjustment. This will include and consider any lock-ins agreed as part of an investment.

### 3.1.2 Income approach methodology

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

### 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. The forecast cashflows (free cash flows to the firm) and the terminal value (if applicable to the investment) are discounted to the present value using an appropriate risk adjusted weighted average cost of capital (WACC) as the discount rate. To arrive at the estimate equity value, an adjustment is made for net indebtedness. Where appropriate, an adjustment to the valuation would be made for non-operating assets and liabilities and any surplus or deficit working capital in the investment.

In some valuations (for example, insurance and banking valuations), the use of free cash flow to equity might be preferred. Free cash flows to equity are discounted using an appropriate cost of equity discount rate.

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

#### *Multiple approach*

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, country risk and earnings prospects of the underlying company. In other cases, where appropriate, EV/EBITDA and price/book value may also be considered.

#### *Comparable transaction approach*

Where comparable transaction data is available and deemed appropriate to use for valuation purposes the comparable transaction approach is considered. The comparable transaction approach looks at recent similar or comparable transactions of the company being valued or a company with similar business model to inform the basis of the valuation. The value of a business is determined by using a similar multiple that was achieved in past completed transactions after adjusting for any lack of marketability, minority or control premiums where appropriate.

The General Partner as the fund manager of the portfolio assets is contractually bound to perform half-yearly valuations of the investment portfolio and to report half-yearly to the partners of the ARC Fund. The half-yearly valuation reports are approved by the Audit and Risk Committee of the General Partner with the support and guidance of the Investment Committee. Whilst due professional judgement is exercised 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.

# ARC

## SEGMENTAL INFORMATION

For the year ended 30 June 2021

### 4. SEGMENTAL INFORMATION

#### Accounting policies

The company has determined its operating segments based on investments held. Since the Company held one investment at the end of the reporting year (the investment in ARC Fund), only one operating segment is defined 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. The fair value movement, as evaluated by the CODM, represents the measure of the segment performance. The IFRS values and Intrinsic values are reconciled in the tables below.

Information on the underlying investment held by ARC Fund is also reported to the CODMs for the purpose of assessing segment performance. The Investment Committee of the General Partner in the ARC Fund reports to the CODM in terms of the guidelines on the investment portfolio valuation and reporting processes as set out in the ARC Investments Limited Investment Guidelines.

#### Company context in application of accounting policies

##### 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 target return 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.

##### 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.

## 4.1 SEGMENTAL PORTFOLIO VALUE MOVEMENTS

Investment	INTRINSIC				
	Net Balance at 30 June 2020 R million	Acquisition or (Disposal) R million	Fair Value, Interest, Forex & Disposal Gain/Loss R million	Net Balance at 30 June 2021 R million	Percentage of Fund R million
<b>Diversified Investments</b>					
<b>Telecommunications</b>	<b>3 353</b>	<b>88</b>	<b>141</b>	<b>3 582</b>	<b>29.2%</b>
Rain	3 111	56	147	3 314	27.0%
MetroFibre	242	32	(6)	268	2.2%
<b>Mining Construction and Energy</b>	<b>1 711</b>	<b>358</b>	<b>359</b>	<b>2 428</b>	<b>19.8%</b>
Afrimat#	773	(143)	601	1 231	10.0%
Kropz Group	734	455	(97)	1 092	8.9%
Other Mining, Construction and Energy	204	46	(145)	105	0.9%
<b>Business Process Outsourcing</b>	<b>1 116</b>	<b>(3)</b>	<b>209</b>	<b>1 322</b>	<b>10.8%</b>
Gemcap	553	12	86	651	5.3%
Bluespec	259	-	45	304	2.5%
Other Business Process Outsourcing	304	(15)	78	367	3.0%
<b>Property</b>	<b>536</b>	<b>10</b>	<b>(74)</b>	<b>472</b>	<b>3.8%</b>
Majik	277	(17)	(36)	224	1.8%
Other	259	27	(38)	248	2.0%
<b>Agriculture</b>	<b>369</b>	<b>30</b>	<b>(23)</b>	<b>376</b>	<b>3.1%</b>
<b>Other</b>	<b>643</b>	<b>176</b>	<b>184</b>	<b>1 003</b>	<b>8.1%</b>
Fledge Capital	453	(274)	192	371	3.0%
African Rainbow Capital Investments#	13	295	78	386	3.1%
ARCH Emerging Markets	177	155	(86)	246	2.0%
<b>Total Company's share of Fund's Diversified Investments</b>	<b>7 728</b>	<b>659</b>	<b>796</b>	<b>9 183</b>	<b>74.8%</b>
<b>Financial Services *</b>	<b>2 828</b>	<b>151</b>	<b>113</b>	<b>3 092</b>	<b>25.2%</b>
ARC Financial Services Holdings	2 828	151	113	3 092	25.2%
<b>Total Company's share of Fund's Invested Portfolio value</b>	<b>10 556</b>	<b>810</b>	<b>909</b>	<b>12 275</b>	<b>100.0%</b>

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

\* Refer to note 4.1.1 for further detailed investments disclosure

# SEGMENTAL INFORMATION

For the year ended 30 June 2021

## 4.1 SEGMENTAL PORTFOLIO VALUE MOVEMENTS\*

Investment	INTRINSIC				
	Net Balance at 30 June 2019 R million	Acquisition or (Disposal) R million	Fair Value, Interest, Forex & Disposal Gain/Loss R million	Net Balance at 30 June 2020 R million	Percentage of Fund R million
<b>Diversified Investments</b>					
<b>Telecommunications</b>	<b>2 711</b>	<b>151</b>	<b>491</b>	<b>3 353</b>	<b>31.8%</b>
Rain	2 508	124	479	3 111	29.5%
MetroFibre	203	27	12	242	2.3%
<b>Mining Construction and Energy</b>	<b>1 469</b>	<b>311</b>	<b>(69)</b>	<b>1 711</b>	<b>16.2%</b>
Afrimat#	738	–	35	773	7.3%
Kropz Group	485	249	–	734	7.0%
Other Mining, Construction and Energy	246	62	(104)	204	1.9%
<b>Business Process Outsourcing</b>	<b>1 131</b>	<b>70</b>	<b>(85)</b>	<b>1 116</b>	<b>10.6%</b>
Gemcap	545	45	(37)	553	5.2%
Bluespec	270	–	(11)	259	2.5%
Other Business Process Outsourcing	316	25	(37)	304	2.9%
<b>Property</b>	<b>550</b>	<b>(13)</b>	<b>(1)</b>	<b>536</b>	<b>5.0%</b>
Majik	250	(13)	40	277	2.6%
Other	300	–	(41)	259	2.4%
<b>Agriculture</b>	<b>423</b>	<b>–</b>	<b>(54)</b>	<b>369</b>	<b>3.5%</b>
<b>Other</b>	<b>498</b>	<b>198</b>	<b>(53)</b>	<b>643</b>	<b>6.1%</b>
Fledge Capital	469	27	(43)	453	4.3%
African Rainbow Capital Investments#	23	–	(10)	13	0.1%
ARCH Emerging Markets	6	171	–	177	1.7%
<b>Total Company's share of Fund's Diversified Investments</b>	<b>6 782</b>	<b>717</b>	<b>229</b>	<b>7 728</b>	<b>73.2%</b>
<b>Financial Services *</b>	<b>2 368</b>	<b>426</b>	<b>34</b>	<b>2 828</b>	<b>26.8%</b>
ARC Financial Services Holdings	2 368	426	34	2 828	26.8%
<b>Total Company's share of Fund's Invested Portfolio value</b>	<b>9 150</b>	<b>1 143</b>	<b>263</b>	<b>10 556</b>	<b>100.0%</b>

\* The investment in ARC Financial Services has been disclosed as a one-line item in the ARC Fund segment tables with additional notes detailing the break-down of the ARC Financial Services Portfolio. This was done to improve disclosure. Refer to note 4.1.1 for further detailed investments disclosure.

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



## 4.1 SEGMENTAL PORTFOLIO VALUE MOVEMENTS

Reconciliation	30 June 2021			
	Share of ARC Fund's INTRINSIC net asset value to IFRS Value			
	Intrinsic Value 30 June 2021	Spot vs 30 day VWAP	Control Premium	IFRS Value 30 June 2021
Listed	1 676	122	–	1 798
Unlisted	10 599	45	(58)	10 586
<b>Total Company's share of ARC Fund's Invested Portfolio value</b>	<b>12 275</b>	<b>167</b>	<b>(58)</b>	<b>12 384</b>
UBI GP fee payable	(100)	–	–	(100)
Other Non-Current Liability	(869)	–	–	(869)
<b>Total Company's share of ARC Fund's Portfolio net of liabilities</b>	<b>11 306</b>	<b>167</b>	<b>(58)</b>	<b>11 415</b>
Cash in the ARC Fund	239	–	–	239
Other assets/(liabilities) in the ARC Fund	(4)	–	–	(4)
<b>Total investment in ARC Fund at FVTPL</b>	<b>11 541</b>	<b>167</b>	<b>(58)</b>	<b>11 650</b>

# SEGMENTAL INFORMATION

For the year ended 30 June 2021

## 4.1 SEGMENTAL PORTFOLIO VALUE MOVEMENTS

Reconciliation	30 June 2020*				
	Share of ARC Fund's INTRINSIC net asset value to IFRS Value				
	Intrinsic Value 30 June 2020	Spot vs 30 day VWAP	BEE lock-in Discounts	Control Premium	IFRS Value 30 June 2020
Listed	846	35	20	–	901
Unlisted	9 710	69		(89)	9 690
<b>Total Company's share of ARC Fund's Invested Portfolio value</b>	<b>10 556</b>	<b>104</b>	<b>20</b>	<b>(89)</b>	<b>10 591</b>
UBI GP fee payable	(194)	–	–	–	(194)
Other Non-Current Liability	(440)	–	–	–	(440)
<b>Total Company's share of ARC Fund's Portfolio net of liabilities</b>	<b>9 922</b>	<b>104</b>	<b>20</b>	<b>(89)</b>	<b>9 957</b>
Cash in the ARC Fund	35	–	–	–	35
Other assets/(liabilities) in the ARC Fund	(9)	–	–	–	(9)
<b>Total investment in ARC Fund at FVTPL</b>	<b>9 948</b>	<b>104</b>	<b>20</b>	<b>(89)</b>	<b>9 983</b>

\* The investment in ARC Financial Services has been disclosed as a one-line item in the ARC Fund segment tables with additional notes detailing the break-down of the ARC Financial Services Portfolio. This was done to improve disclosure. Refer to note 4.1.1 for further detailed investment disclosure.

## 4.1 SEGMENTAL PORTFOLIO VALUE MOVEMENTS

### 4.1.1. COMPANY'S EFFECTIVE INTEREST IN ARC FINANCIAL SERVICES HOLDINGS\*

The value of ARC Fund's effective interest in ARC Financial Services Holdings is as follows:

Investment	INTRINSIC				
	Net Balance at 30 June 2020 R million	Acquisition or (Disposal) R million	Fair Value net of expected tax cash flows, Interest, Forex & Disposal Gain/loss R million	Net Balance at 30 June 2021 R million	Dividend Income R million
<b>Financial Services</b>					
<b>Insurance and Asset Management</b>	2 121	(211)	(135)	1 775	280
Alexander Forbes Group Holdings #	1 218	(312)	(139)	767	184
Sanlam Third Party Asset Management	–	306	–	306	30
Rand Mutual Holdings	311	(66)	–	245	45
Other Insurance and Asset Management	592	(139)	4	457	21
<b>Banking &amp; Digital</b>	1 128	245	81	1 454	16
TymeBank	927	232	14	1 173	–
Ooba	122	–	22	144	15
Other Banking and Digital	79	13	45	137	1
<b>Specialist Financial Services</b>	162	(45)	–	117	2
<b>Total Company's share of Financial Services Portfolio value</b>	<b>3 411</b>	<b>(11)</b>	<b>(54)</b>	<b>3 346</b>	<b>298</b>

\* The investment in ARC Financial Services has been disclosed as a one-line item in the ARC Fund segment tables with additional notes, as shown in the above table, detailing the break-down of the ARC Financial Services Portfolio

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

Investment	Net Asset Value 30 June 2020 R million	Net Investment R million	Net increase in Net Asset Value R million	Net Asset Value 30 June 2021 R million
<b>Intrinsic Portfolio Value</b>	<b>3 411</b>	<b>(11)</b>	<b>(54)</b>	<b>3 346</b>
Deferred Consideration	(28)	–	–	(28)
Other Non-Current Liability	(597)	(139)	2	(734)
<b>Total Liabilities</b>	<b>(625)</b>	<b>(139)</b>	<b>2</b>	<b>(762)</b>
<b>Total portfolio net of liabilities</b>	<b>2 786</b>	<b>(150)</b>	<b>(52)</b>	<b>2 584</b>
Cash	26	4	413	443
Other assets	16	–	49	65
<b>Total Company's share of investment in ARC Financial Services Portfolio</b>	<b>2 828</b>	<b>(146)</b>	<b>410</b>	<b>3 092</b>

# SEGMENTAL INFORMATION

For the year ended 30 June 2021

## 4.1 SEGMENTAL PORTFOLIO VALUE MOVEMENTS

### 4.1.1. COMPANY'S EFFECTIVE INTEREST IN ARC FINANCIAL SERVICES HOLDINGS\*

The value of ARC Fund's effective interest in ARC Financial Services Holdings is as follows:

Investment	INTRINSIC				
	Net Balance at 30 June 2019 R million	Acquisition or (Disposal) R million	Fair Value net of expected tax cash flows, Interest, Forex & Disposal Gain/loss R million	Net Balance at 30 June 2020 R million	Dividend Income R million
<b>Financial Services</b>					
<b>Insurance and Asset Management</b>	1 555	530	36	2 121	139
Alexander Forbes Group Holdings #	495	738	(15)	1 218	53
Alexander Forbes Limited	315	(221)	(94)	–	64
Rand Mutual Holdings	289	(33)	55	311	–
Other Insurance and Asset Management	456	46	90	592	22
<b>Banking &amp; Digital</b>	772	379	(145)	1 006	5
TymeBank	674	374	(121)	927	–
Other Banking and Digital	98	5	(24)	79	5
<b>Specialist Financial Services</b>	250	15	19	284	12
Ooba	112	–	10	122	9
Other Specialist Financial Services	138	15	9	162	3
<b>Total Company's share of Financial Services Portfolio value</b>	<b>2 577</b>	<b>924</b>	<b>(90)</b>	<b>3 411</b>	<b>156</b>

\* The investment in ARC Financial Services has been disclosed as a one-line item in the ARC Fund segment tables with additional notes, as shown in the above table, detailing the break-down of the ARC Financial Services Portfolio

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

Investment	Net Asset Value 30 June 2019 R million	Net Investment R million	Net increase in Net Asset Value R million	Net Asset Value 30 June 2020 R million
<b>Intrinsic Portfolio Value</b>	<b>2 577</b>	<b>924</b>	<b>(90)</b>	<b>3 411</b>
Deferred Consideration	(148)	–	120	(28)
Other Non-Current Liability	–	(579)	(18)	(597)
<b>Total Liabilities</b>	<b>(148)</b>	<b>(579)</b>	<b>102</b>	<b>(625)</b>
<b>Total portfolio net of liabilities</b>	<b>2 429</b>	<b>345</b>	<b>12</b>	<b>2 786</b>
Cash	64	(328)	290	26
Other net assets/(liabilities)	(125)	–	141	16
<b>Total Company's share of investment in ARC Financial Services Portfolio</b>	<b>2 368</b>	<b>17</b>	<b>443</b>	<b>2 828</b>

## 4.2 SEGMENTAL PORTFOLIO RETURNS

Investment (R million)	30 June 2021			
	Dividend Income <sup>1</sup>	Fair Value Adjustment	Other Income <sup>2</sup>	Intrinsic Total
<b>Diversified Investments</b>				
Telecommunications	–	141	–	141
Rain	–	147	–	147
MetroFibre	–	(6)	–	(6)
Mining, Construction and Energy	57	359	–	416
Afrimat #	57	601	–	658
Kropz Group	–	(97)	–	(97)
Other Mining, Construction and Energy	–	(145)	–	(145)
Business Process Outsourcing	79	209	–	288
Gemcap	22	86	–	108
Bluespec	51	45	–	96
Other Business Process Outsourcing	6	78	–	84
Property	30	(75)	1	(44)
Majik	3	(36)	–	(33)
Other property	27	(39)	1	(11)
Agriculture	11	(23)	–	(12)
Other	14	184	–	198
Fledge Capital	14	192	–	206
African Rainbow Capital Investments #	–	78	–	78
ARCH Emerging Markets	–	(86)	–	(86)
<b>Total Company's share of Fund's Diversified Investments Portfolio returns</b>	<b>191</b>	<b>795</b>	<b>1</b>	<b>987</b>
<b>Financial Services</b>	–	113	–	113
ARC Financial Services Holdings	–	113	–	113
<b>Total Company's share of Fund's Portfolio returns</b>	<b>191</b>	<b>908</b>	<b>1</b>	<b>1 100</b>

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

<sup>1</sup> Dividend income represents cash dividend receipts

<sup>2</sup> Other income includes directors' fees, interest income on loans and foreign exchange gains and losses on portfolio entities

	30 June 2021				
	Intrinsic Value FV movement 30 June 2021	Change resulting from Spot vs 30 day VWAP	Change resulting from BEE Discounts	Change resulting from Control Premium	IFRS FV movement 30 June 2021
<b>Total Company's share of Fund's Invested Portfolio returns</b>	<b>1 100</b>	<b>65</b>	<b>(20)</b>	<b>31</b>	<b>1 176</b>
Fund management fee					(213)
Interest income on cash and cash equivalents					13
Other net expenses in the Fund					(56)
<b>IFRS fair value movements on the investment in the ARC Fund at FVTPL</b>					<b>920</b>

# SEGMENTAL INFORMATION

For the year ended 30 June 2021

## 4.2 SEGMENTAL PORTFOLIO RETURNS

Investment	30 June 2020*			
	Dividend Income <sup>1</sup> R million	Fair Value Adjustment R million	Other Income <sup>2</sup> R million	Intrinsic Total R million
<b>Diversified Investments</b>				
<b>Telecommunications</b>				
Rain	–	491	–	491
MetroFibre	–	12	–	12
<b>Mining, Construction and Energy</b>				
Afrimat #	9	(70)	1	(60)
Kropz Group	–	–	–	–
Other Mining, Construction and Energy	–	(105)	1	(104)
<b>Business Process Outsourcing</b>				
Gemcap	86	(85)	–	1
Bluespec	57	(37)	–	20
Other Business Process Outsourcing	19	(11)	–	8
<b>Property</b>				
Majik	10	(37)	–	(27)
Other property	7	(34)	50	23
<b>Agriculture</b>				
Majik	4	7	50	61
Other property	3	(41)	–	(38)
<b>Other</b>				
Fledge Capital	8	(54)	–	(46)
African Rainbow Capital Investments #	26	(53)	–	(27)
ARCH Emerging Markets	26	(43)	–	(17)
	–	(10)	–	(10)
	–	–	–	–
<b>Total Company's share of Fund's Diversified Investments Portfolio returns</b>	<b>136</b>	<b>195</b>	<b>51</b>	<b>382</b>
<b>Financial Services</b>				
ARC Financial Services Holdings	–	34	–	34
	–	34	–	34
<b>Total Company's share of Fund's Portfolio returns</b>	<b>136</b>	<b>229</b>	<b>51</b>	<b>416</b>

\* The investment in ARC Financial Services has been disclosed as a one-line item in the ARC Fund segment tables with additional notes detailing the break-down of the ARC Financial Services Portfolio

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

<sup>1</sup> Dividend income represents cash dividend receipts

<sup>2</sup> Other income includes directors' fees, interest income on loans and foreign exchange gains and losses on portfolio entities

	30 June 2020				
	Intrinsic Value FV movement 30 June 2020	Change resulting from Spot vs 30 day VWAP	Change resulting from BEE Discounts	Change resulting from Control Premium	IFRS FV movement 30 June 2020
<b>Total Company's share of Fund's Invested Portfolio returns</b>	<b>416</b>	<b>(53)</b>	<b>62</b>	<b>(89)</b>	<b>336</b>
Fund management fee					(206)
Interest income on cash and cash equivalents					26
Other net expenses in the Fund					(27)
<b>IFRS fair value movements on the investment in the ARC Fund at FVTPL</b>					<b>129</b>

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

Investment (R million)	30 June 2021				
	INTRINSIC				
	Net Balance 30 June 2020 R million	Acquisition or (Disposal) R million	Net Interest Capitalised R million	Fair Value, Forex & Disposal Gain/Loss R million	Net Balance 30 June 2021 R million
<b>Nature classification of investments</b>					
Listed	862	111	–	703	1 676
Unlisted	9 694	699	19	187	10 599
<b>Total Nature classification</b>	<b>10 556</b>	<b>810</b>	<b>19</b>	<b>890</b>	<b>12 275</b>
<b>Geographic classification of investments</b>					
South Africa	9 316	212	2	1 243	10 773
Rest of Africa	177	155	–	(85)	247
International	1 063	443	17	(268)	1 255
<b>Total Geographic Classification</b>	<b>10 556</b>	<b>810</b>	<b>19</b>	<b>890</b>	<b>12 275</b>
<b>Investment Instrument Type</b>					
Equity	9 979	750	–	952	11 681
Loans	290	69	10	32	401
Preference Shares	287	(9)	9	(94)	193
<b>Total Instrument Type Classification</b>	<b>10 556</b>	<b>810</b>	<b>19</b>	<b>890</b>	<b>12 275</b>

	30 June 2021			
	Net Asset Value per share			
<b>Net Asset Value – IFRS</b>	30 June 2021	30 June 2020	Per share change	% change
Net Asset Value per shares (cents) - IFRS	885	957	(72)	(7.5%)
Diluted Net Asset Value per share (cents) - IFRS	885	957	(72)	(7.5%)
	Net Asset Value per share			
<b>Net Asset Value - INTRINSIC</b>	30 June 2021	30 June 2020	Per share change	% change
Net Asset Value per shares (cents) - Intrinsic	877	954	(77)	(8.1%)
Diluted Net Asset Value per share (cents) - Intrinsic	877	954	(77)	(8.1%)

# SEGMENTAL INFORMATION

For the year ended 30 June 2021

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

Investment	30 June 2020*				
	INTRINSIC				
	Net Balance 30 June 2019 R million	Acquisition or (Disposal) R million	Net Interest Capitalised R million	Fair Value, Forex & Disposal Gain/Loss R million	Net Balance 30 June 2020 R million
<b>Nature classification of investments</b>					
Listed	871	–	–	(9)	862
Unlisted	8 279	1 143	(1)	273	9 694
<b>Total Nature classification</b>	<b>9 150</b>	<b>1 143</b>	<b>(1)</b>	<b>264</b>	<b>10 556</b>
<b>Geographic classification of investments</b>					
South Africa	8 370	721	–	224	9 315
Rest of Africa	6	171	–	–	177
International	774	251	(1)	40	1 064
<b>Total Geographic Classification</b>	<b>9 150</b>	<b>1 143</b>	<b>(1)</b>	<b>264</b>	<b>10 556</b>
<b>Investment Instrument Type</b>					
Equity	8 712	1 079	–	188	9 979
Loans	145	40	(1)	106	290
Preference Shares	293	24	–	(30)	287
<b>Total Instrument Type Classification</b>	<b>9 150</b>	<b>1 143</b>	<b>(1)</b>	<b>264</b>	<b>10 556</b>

\* The investment in ARC Financial Services has been disclosed as a one-line item in the ARC Fund segment tables with additional notes detailing the break-down of the ARC Financial Services Portfolio

	30 June 2020			
	Net Asset Value per share			
Net Asset Value – IFRS	30 June 2020	30 June 2019	Per share change	% change
Net Asset Value per shares (cents) - IFRS	957	945	12	1.3%
Diluted Net Asset Value per share (cents) - IFRS	957	945	12	1.3%
	Net Asset Value per share			
Net Asset Value - INTRINSIC	30 June 2020	30 June 2019	Per share change	% change
Net Asset Value per shares (cents) - Intrinsic	954	934	20	2.1%
Diluted Net Asset Value per share (cents) - Intrinsic	954	934	20	2.1%



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 5. INVESTMENT IN THE ARC FUND AT FVTPL

### Accounting policies

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.

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 deriving their fair value from quoted market prices of identical assets are classified within level 1. The quoted market prices provide the most reliable fair value classification and the Company does not need to adjust the quoted prices to measure the fair value of 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 deriving 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 its fair value. Unobservable inputs are used to measure fair value where relevant observable inputs are not available. The unlisted investments, shareholder loans and derivatives in the ARC Fund are typically classified as level 3.

### Company context in application of accounting policy choices

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 5. INVESTMENT IN THE ARC FUND AT FVTPL

	Notes	30 June 2021 R million	30 June 2020 R million
The movement of the investment in the ARC Fund at FVTPL are as follows:			
Opening balance		9 983	9 854
Cash capital contribution		747	–
Fair value movements on the investment in the ARC Fund at FVTPL	4.2	920	129
<b>Total</b>		<b>11 650</b>	9 983
<b>Valuation information:</b>			
IFRS 13 fair value hierarchy		<b>Level 3</b>	Level 3
Valuation methodology		<b>Sum of the parts</b>	Sum of the parts

\* FVTPL: Fair value through profit or loss.

## REALISATION AND DERECOGNITION

### Accounting policies

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 policies

The strategic objective of the Company is to not declare any dividends in the short- to medium-term. (refer to Note 8)

The Company's partnership profit share in the ARC Fund for the financial year 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 is therefore unrealised. The Company has therefore adopted a policy whereby unrealised profits of this nature are transferred to the fair value reserve. In the event of a return of capital by the ARC Fund, these would be realised and accordingly transferred from the fair value reserve to retained earnings.

## 5.1 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS

The significant Investment Portfolio Companies, being those with a fair value of 5% and at least the 10 largest investments, or more of the Diversified Investments Portfolio and Investment Portfolio Companies considered to be qualitatively significant in a particular year are presented below along with the key valuation inputs and other relevant information. The tables below are presented in IFRS and Intrinsic for unlisted companies and Intrinsic for listed companies. For the impact of Covid-19 on the valuation refer to note 16. Key inputs which drive the ARC Fund valuation of the portfolio assets were identified and sensitivities tested as demonstrated below.

Details of valuation inputs	Telecommunications		MetroFibre	
	Rain		30 June 2021	30 June 2020
R million	30 June 2021	30 June 2020	30 June 2021	30 June 2020
% equity held by Fund	20.26%	20.7%	8.65%	15.2%
% equity held by ARC Group	20.26%	20.7%	8.65%	15.2%
Gross Equity investment	4 331	4 063	268	242
Minority discount	12.5%	12.5%	-	-
Marketability discount (*considers BEE as well where applicable)	12.5%	12.5%	Already implied in comparable transaction pricing	Already implied in comparable transaction pricing
Net investment	3 314	3 111	268	242
Loans and other investments	-	-	-	-
Total intrinsic Value of investment	3 314	3 111	268	242
Fair value adjustment	147	479	(6)	12
<b>Valuation information:</b>				
IFRS 13 fair value hierarchy	Level 3	Level 3	Level 3	Level 3
Valuation methodology	Ten-year discounted cash flow with terminal value	Ten-year discounted cash flow with terminal value	Recent Transaction	Recent Transaction
<b>Portfolio entity disclosures:</b>				
Sector Grouping	Telecommunications		Telecommunications	
Listed/unlisted	Unlisted		Unlisted	
BEE lock-in period	Transfer restrictions and pre-emptive rights apply to the ARC Fund's interest which is considered as part of the marketability discount above.		No longer applicable	
<b>Assumptions and sensitivities</b>			<b>Assumptions and sensitivities</b>	
<b>Key inputs:</b>			Not applicable.	
Input 1	WACC			
Input variable	15.26%	17.25%		
Input 2	Terminal growth rate			
Input 2 variable	3%	3%		
Input 3	Target debt / equity ratio			
Input 3 variable	33%	30%		
Input 4	Growth in subscribers			
Input 4 variable	Various	Various		
<b>Sensitivity of key inputs:</b>				
Input 1 variable	1% increase in WACC will result in a fair value decrease of R366 million while a 1% decrease will result in a fair value increase of R435 million.	1% increase in WACC will result in a fair value decrease of R278 million while a 1% decrease will result in a fair value increase of R322 million.		
Input 2 variable	R210 million per 1% increase in terminal growth rate and R178 million decrease per 1% decrease in terminal growth rate	R119 million per 1% increase in terminal growth rate and R104 million decrease per 1% decrease in terminal growth rate.		
Input 3 variable	R57 million increase per 1% increase in Debt/Equity target and R56 million decrease per 1% decrease in debt/equity target.	R41 million increase per 1% increase in Debt/Equity target and R40 million decrease per 1% decrease in debt/equity target.		
Input 4 variable	1% increase in growth rate will result in fair value increase of R95 million while a 1% decrease will result in R95 million decrease.	5% increase in growth rate will result in fair value increase of R188 million while a 5% decrease will result in R190 million decrease.		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 5.1 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS *continued*

	Business Process Outsourcing			
Details of valuation inputs	Bluespec		Gemcap	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
R million				
% equity held by Fund	24.8%	24.8%	100%	98.06%
% equity held by ARC Group	24.8%	24.8%	100%	98.06%
Gross investment	460	350	651	553
Minority discount	17.4%	10%	Considered at individual investment level	Considered at individual investment level
Marketability discount (*considers BEE as well where applicable)	20%	17.7%	Considered at individual investment level	Considered at individual investment level
Net investment	304	259	651	553
Loans and other investments	–	–	–	–
Total intrinsic Value of investment	304	259	651	553
Fair value adjustment	45	(11)	86	(37)
<b>Valuation information:</b>				
IFRS 13 fair value hierarchy	Level 3	Level 3	Level 3	Level 3
Valuation methodology	PE Multiple	PE Multiple	Sum of the parts – EBITDA Multiple of valuation of underlying investments	Sum of the parts – EBITDA Multiple of valuation of underlying investments
<b>Portfolio entity disclosures:</b>				
Sector Grouping	Business Process Outsourcing		Business Process Outsourcing	
Listed/unlisted	Unlisted		Unlisted	
BEE lock-in period	Five years from September 2017. One year and three months remaining at 30 June 2021.		Five years from April 2017 on Gemcap's investment in Consumer Friends. Eight months remaining at 30 June 2021.	Five years from April 2017 on Gemcap's investment in Consumer Friends. One year and ten months remaining at 30 June 2020.
<b>Assumptions and sensitivities</b>				
<b>Key inputs:</b>				
Input 1	PE Multiple	PE Multiple	EBITDA multiple (avg)	EBITDA multiple (avg)
Input variable	8x	6.2x	7.4 x	6.5 x
<b>Sensitivity of key inputs:</b>				
Input variable	1.0x increase in PE multiple will result in an increase of R34 million in fair value. 1.0x decrease in PE multiple will result in a decrease of R34 million in fair value.	1.0x increase (decrease) in PE multiple will result in an increase (decrease) of R42 million in fair value.	1.0x increase (decrease) in PE multiple will result in a R58 million increase (decrease) in fair value.	1.0x increase (decrease) in PE multiple will result in a R56 million increase (decrease) in fair value.
	Earnings	Earnings	Earnings	Earnings
	10% increase in earnings will result in a fair value increase of R28 million. 10% decrease in earnings will result in a fair value decrease of R28 million.	10% increase (decrease) in earnings will result in a fair value increase (decrease) of R26 million.	10% increase in earnings will result in a fair value increase of R44 million.	10% increase in earnings will result in a fair value increase of R40 million.

## 5.1 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS *continued*

	Mining, Construction and Energy	
Details of valuation inputs	Afrimat	
R million	30 June 2021	30 June 2020
% equity held by Fund	16.1%	18.4%
% equity held by ARC Group	16.1%	18.4%
30-day VWAP	53.47	30.13
Spot price	58.50	31.50
Gross investment	1 231	792
Control Premium	n/a	n/a
Marketability discount (*considers BEE as well where applicable)	–	2.5%
Net investment	1 231	773
Loans and other investments	–	–
Total intrinsic Value of investment	1 231	773
Fair value adjustment	601	34
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy*	Level 1	Level 1
Valuation methodology	JSE listed share price	JSE listed share price
<b>Portfolio entity disclosures:</b>		
Sector grouping	Mining, Construction and Energy	
Listed/unlisted	Listed	
BEE lock-in period	None	Nine months remaining at 30 June 2020 (4 years from September 2016)
<b>Assumptions and sensitivities</b>		
<b>Key inputs:</b>		
Input 1	Not applicable	
Input variable		
<b>Sensitivity of key inputs:</b>		
Input 1 variable		

\* The fair value hierarchy level has been updated to better reflect underlying market dynamics of the investment.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 5.1 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS *continued*

	Mining, Construction and Energy	
Details of valuation inputs	Kropz Group	
R million	30 June 2021	30 June 2020
% equity held by Fund	82.7%	66.5%
% equity held by ARC Group	82.7%	66.5%
Gross Equity investment	991	774
Minority discount	–	–
Marketability discount (*considers BEE as well where applicable)	Various between 12% – 30%	Various between 12% – 30%
Net Equity investment	886	643
Loans and other investments	206	91
Total intrinsic Value of investment	1 092	734
Fair value adjustment	(97)	–
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy	Level 3	Level 3
Valuation methodology	Sum of the parts – 82.7% of Kropz Plc; 26% of Kropz Elandsfontein, 30% of Elandsfontein Land Holdings	Sum of the parts – 66.5% of Kropz Plc; 26% of Kropz Elandsfontein, 30% of Elandsfontein Land Holdings
<b>Portfolio entity disclosures:</b>	Listed (trade on this entity has very low volumes and thus it has been classified as level 3 instead of level 1)	Listed (trade on this entity has very low volumes and thus it has been classified as level 3 instead of level 1)
Sector grouping	Mining, Construction and Energy	
Listed/unlisted	Listed (trade on this entity has very low volumes and thus it has been classified as level 3 instead of level 1)	
BEE lock-in period	Implied BEE lock-in in Kropz Elandsfontein as part of the current mining license equates to 10 years.	
<b>Assumptions and sensitivities</b>		
<b>Key inputs:</b>		
Input 1	Commodity price	Commodity price
Input 1 variable	\$/t FOB 132 (weighted average life of mine)	\$/t FOB 91 (weighted average life of mine)
Input 2	USD: ZAR rate	USD: ZAR rate
Input 2 variable	R/\$ spot 14.46 and forward rate based on 2.14% inflation differential	R/\$ spot 14.91 and forward rate based on 2.85% inflation differential
Input 3	Capex	Capex
Input 3 variable	Capex cost changes	Capex cost changes
<b>Sensitivity of key inputs:</b>		
Input 1 variable	R464 million decrease in fair value per 10% reduction in commodity prices and R428 million fair value increase per 10% increase in commodity prices	R291 million decrease in fair value per 10% reduction in commodity prices and R278 million fair value increase per 10% increase in commodity prices
Input 2 variable	R260 million decrease in fair value per 5% strengthening in the rand and R253 million increase fair value per 5% weakening in the rand	R142 million decrease in fair value per 5% strengthening in the rand and R141 million increase fair value per 5% weakening in the rand
Input 3 Variable	R28 million decrease in fair value per 10% increase in capex	R30 million decrease in fair value per 10% increase in capex

## 5.1 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS *continued*

Details of valuation inputs	Property	
	Majik Property Holdings	
R million	30 June 2021	30 June 2020
% equity held by Fund	14.23%	14.24%
% equity held by ARC Group	14.23%	14.24%
Gross Equity investment	9	66
Minority discount	–*	15.00%
Marketability discount (*considers BEE as well where applicable)	–*	15.00%
Net Equity investment	9	48
Loans and other investments	215	229
Total intrinsic Value of investment	224	277
Fair value adjustment	(36)	24
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy	Level 3	Level 3
Valuation methodology	Amortized loan and recent transaction price	Amortized loan and NAV of the underlying assets
<b>Portfolio entity disclosures:</b>		
Sector Grouping	Property	
Listed/unlisted	Unlisted	
BEE lock-in period	None	
<b>Assumptions and sensitivities</b>		
<b>Key inputs:</b>	Exchange rate	Exchange rate
Input 1	GBP: ZAR	GBP: ZAR
Input 1 variable	19.79	21.40
<b>Sensitivity of key inputs:</b>		
Input 1 variable	R2.3 million increase (decrease) in fair value per 1% weakening (strengthening) in the rand	R2.8 million increase (decrease) in fair value per 1% weakening (strengthening) in the rand

\* A recent transaction price based on a listed share price was used to value the ARC Fund's equity stake in Majik.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 5.1 DIVERSIFIED INVESTMENTS PORTFOLIO VALUATION INPUTS *continued*

Details of valuation inputs	ARCH Emerging Markets		Other investments		Fledge Capital	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
R million						
% equity held by Fund	49.00%	49.00%	25.90%	51.45%	25.90%	51.45%
% equity held by ARC Group	49.00%	49.00%	25.90%	51.45%	25.90%	51.45%
Gross Equity investment	246	177	372	453	372	453
Minority discount	–	–	–	–	–	–
Marketability discount (*considers BEE as well where applicable)	–	–	–	–	–	–
Net Equity investment	246	177	372	453	372	453
Loans and other investments	–	–	–	–	–	–
Total intrinsic Value of investment	246	177	372	453	372	453
Fair value adjustment	(86)	–	192	(43)	192	(43)
<b>Valuation information:</b>						
IFRS 13 fair value hierarchy	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3
Valuation methodology	Net Asset Value	Cost – using ARCH Emerging Markets operating currency	Sum of the parts/ Underwritten value*	Recent transaction	Sum of the parts/ Underwritten value*	Recent transaction
<b>Portfolio entity disclosures:</b>						
Sector Grouping	Other investments		Other investments		Other investments	
Listed/unlisted	Unlisted		Unlisted		Unlisted	
BEE lock-in period	None		None		None	
<b>Assumptions and sensitivities</b>						
<b>Key inputs:</b>	Not applicable	Not applicable				Not applicable
Input 1			EBITDA Multiple (avg)			
Input 1 variable			6.5 x			
<b>Sensitivity of key inputs:</b>						
Input 1 variable			10% increase in PE multiple will result in an increase of R12 million in fair value. 10% decrease in PE multiple will result in a decrease of R12 million in fair value.			

\* The valuation methodology changed due to a recent transaction price not being available in the current year



## 5.2 FINANCIAL SERVICES PORTFOLIO VALUATION INPUTS

The significant Investment Portfolio Companies, being those with a fair value of 5% and at least the 10 largest investments, or more of the segment categories of the Financial Services segment and Investment Portfolio Companies considered to be qualitatively significant in a particular year are presented below along with the key valuation inputs and other relevant information. The tables below are presented in IFRS and Intrinsic for unlisted companies and Intrinsic for listed companies. For the impact of Covid-19 on the valuation refer to note 16. Key inputs which drive the ARC Fund valuation of the portfolio assets were identified and sensitivities tested as demonstrated below.

		Insurance and Asset Management			
Details of valuation inputs		Alexander Forbes Group Holdings Limited		Sanlam Third party Asset Management (Pty) Ltd	
R million		30 June 2021	30 June 2020	30 June 2021	30 June 2020
% equity held by Fund		13.13%	17.51%	9.4 %	–
% equity held by ARC Group		35.09%	35.09%	25%	–
30-day VWAP		3.93	4.52	–	–
Spot price		4.15	4.77	–	–
Gross Equity investment		723	1 111	306	–
Control Premium		20%	20%	–	–
Minority		10%	10%	–	–
Net Equity investment		767	1 218	306	–
Loans and other investments			–	–	–
Total intrinsic Value of investment		767	1 218	306	–
Fair value adjustment (net of deferred tax)		(139)	(16)	–	–
<b>Valuation information:</b>					
IFRS 13 fair value hierarchy*		Level 1	Level 1	Level 3	–
Valuation methodology		Listed share prices	Listed share prices	Acquisition cost	–
<b>Portfolio entity disclosures:</b>					
Sector Grouping		Insurance and Asset Management		Insurance and Asset Management	
Listed/unlisted		Listed			
BEE lock-in period		None			
<b>Assumptions and sensitivities</b>					
<b>Key inputs:</b>		Not applicable		Not applicable	
Input 1					
Input variable					
<b>Sensitivity of key inputs:</b>					
Input 1 variable					

\* The fair value hierarchy level has been updated to better reflect underlying market dynamics of the investment.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 5.2 FINANCIAL SERVICES PORTFOLIO VALUATION INPUTS *continued*

Details of valuation inputs	Insurance and Asset Management	
	Rand Mutual Holdings	
	30 June 2021	30 June 2020
R million		
% equity held by Fund	11.2%	15.0%
% equity held by ARC Group	30.0%	30.0%
Gross Equity investment	317	423
Minority discount	10.7%	10.7%
Marketability discount (*considers BEE as well where applicable)	13.6%	13.6%
Net Equity investment	245	311
Loans and other investments	–	–
Total intrinsic Value of investment	245	311
Fair value adjustment	–	55
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy	Level 3	Level 3
Valuation methodology	Embedded value and PE multiples	Embedded value and PE multiples
<b>Portfolio entity disclosures:</b>		
Sector grouping	Insurance and Asset Management	
Listed/unlisted	Unlisted	
BEE lock-in period	None	
<b>Assumptions and sensitivities</b>		
<b>Key inputs:</b>	Embedded value	Embedded value
Input 1	Embedded value (EV) changes	Embedded value (EV) changes
Input variable 1	EV for various businesses within RMH	EV for various businesses within RMH
Input 2	PE Multiple	PE Multiple
Input variable 2	7.5 x	7.0 x
<b>Sensitivity of key inputs:</b>		
Input 1	Embedded value changes	Embedded value changes
Input variable 1	R12 million increase (decrease) in fair value per 5% increase (decrease) in embedded value	R12 million increase (decrease) in fair value per 5% increase (decrease) in embedded value
Input 2	PE Multiple	PE Multiple
Input variable 2	R3.2 million increase (decrease) in fair value per 0.5 increase (decrease) in PE multiple	R1.4 million increase (decrease) in fair value per 0.5 increase (decrease) in PE multiple



	Banking	
Details of valuation inputs	TymeBank	
R million	30 June 2021	30 June 2020
% equity held by Fund	28.8%	35.2%
% equity held by ARC Group	57.7%	70.5%
Gross Equity investment	1 173	927
Minority discount	n/a	n/a
Marketability discount (*considers BEE as well where applicable)	n/a	n/a
Net Equity investment	1 173	927
Loans and other investments	–	–
Total intrinsic Value of investment	1 173	927
Fair value adjustment (net of deferred tax)	14	(121)
<b>Valuation information:</b>		
IFRS 13 fair value hierarchy	Level 3	Level 3
Valuation methodology	Recent transaction*	Ten-year discounted cash flow with terminal value
<b>Portfolio entity disclosures:</b>		
Sector grouping	Unlisted	
Listed/unlisted	Banking	
BEE lock-in period	None	
Other details	At the end of June 2020 the bank was embarking on capital raise which will see ARC Financial Services dilute further. The shareholding at year end was 70.5%. The increased shareholding resulted from ARC Financial Services contributing most of TymeBank's new capital during the year.	
<b>Assumptions and sensitivities</b>		
<b>Key inputs:</b>		
Input 1	Not applicable	Discount rate
Input variable 1		23% (Alpha 7% and Long-term growth 6%)
Input 2		Customer activation rate
Input variable 2		Various
<b>Sensitivity of key inputs</b>		
Input 1	Not applicable	Discount rate
Input variable		R210 million increase in fair value per 1% decrease in discount rate R184 million decrease in fair value per 1% increase in discount rate
Input 2		Activation rate
Input variable 2		R122 million decrease in ARC fair value per 10% decrease in activity rate on customer numbers R100 million increase in ARC fair value per 10% increase in activity rate on customer numbers

\* Management has changed the valuation methodology from discounted cashflow to the recent transaction due to the recent transaction being available.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 6. OTHER EXPENSES

	Notes	30 June 2021 R million	30 June 2020 R million
<b>Details of other expenses is as follows:</b>			
Listing costs		3	1
Audit fees		1	1
Directors fees	13	1	2
Other expenses		3	3
		<b>8</b>	<b>7</b>

## 7. CAPITAL AND RETURN ON CAPITAL

### 7.1 Stated capital

	Notes	30 June 2021 R million	30 June 2020 R million
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 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.			

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

### 7.1 Stated capital *continued*

	Notes	30 June 2021 R million	30 June 2020 R million
<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	71
- 272 727 273 shares issued at R2.75		750	–
<b>Total issued share capital at the end of the year</b>		<b>9 653</b>	<b>8 903</b>
<b>B share</b>			
1 share issued to ARC Proprietary Limited at a nominal value of R1. B shares are not listed.		–	–
<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 2021. C shares are not listed.		–	–

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

### 7.2 Earnings per share

	Notes	30 June 2021	30 June 2020
Basic earnings per ordinary share (cents)		73	12
Diluted earnings per ordinary share (cents)		73	12
Headline earnings per ordinary share (cents)		73	12
Diluted headline earnings per ordinary share (cents)		73	12
<b>7.2.1 Reconciliation of reported earnings to headline earnings:</b>			
Earnings/Headline earnings of the Company (R million)		913	123
There were no items that require adjustment from the reported earnings in terms of SAICA Circular 1/2021, Headline Earnings.			
<b>7.2.2 Number of ordinary shares:</b>			
Number of ordinary shares (million):			
Number of shares in issue at the end of the year (million)		1 318	1 045
Weighted average number of shares in issue during the year (million)		1 245	1 045
Diluted weighted average number of shares in issue during the year (million)		1 245	1 045
Diluted number of shares at the end of the year (million)		1 318	1 045
Shares issued at listing 1 032 470 588 Additional shares issued on 11 December 2018: 12 577 126 Additional shares issued in October 2020: 272 727 273			

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 8. DIVIDENDS AND DIVIDEND POLICY

### Accounting Policy

#### 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 NAV of its underlying 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 point 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.

## 9. PERFORMANCE PARTICIPATION EXPENSE

### Accounting Policies

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 Policies

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% hurdle return on intrinsic portfolio value
<b>Participation percentage:</b>	16%, provided the IPV NAV at the beginning of the measurement year 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.
<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.

	30 June 2021 R million	30 June 2020 R million
The growth in Intrinsic Portfolio Value for the year ended 30 June 2021 before taking into account acquisitions and disposals amounted to 8.6% which is below the 10% Performance Participation hurdle. Consequently, no provision has been made for the issue of Performance Participation shares at 30 June 2021 and the Performance Participation provision of R147 million that was raised Company's Interim results has been reversed. Five 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 2021.	–	–
Total Performance Participation expense	–	–

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 10. TAXATION

### Accounting Policies

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 Policies

The Company holds a Category one Global Business Licence, 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. The company has received its Global Business Licence ("GBL1") before 16 October 2017 and is grandfathered up to 30 June 2021. As from 1 July 2021 the Company's GBL1 Licence will automatically convert to a Global Business Licence.

During the grandfathered period, 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 or 80% of the Mauritian taxation on its foreign source income. The maximum effective tax rate will be 3%.

On 1 July 2021, under the new regime, the Company will be able to claim on 80% exemption on specified income (including foreign dividends and interest), subject to meeting pre-defined substance conditions. Other types of income not falling within the categories of income benefitting from the exemption will be taxed at 15%.

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

	30 June 2021 R million	30 June 2020 R million
Losses carried forward amounting to R100 million at 30 June 2021 (30 June 2020: R57 million). 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 financial year 2020, carry forward up to 2025 financial year	43	57
Arising in year ended 30 June 2021, carry forward up to 2026 financial year	57	–
In the current reporting year, the taxation has been reflected at a statutory rate of 15%.		
<b>Profit before taxation</b>	<b>913</b>	123
Taxation at a statutory effective rate of 15% before foreign taxation credit	137	18
<b>Tax reconciled</b>	<b>(137)</b>	(18)
Income not subject to tax	(145)	(27)
Withholding tax gross up	2	–
Tax losses for which no deferred tax asset was recognised	6	9
A deferred tax asset amounting to R3.0 million (30 June 2020: R1.7 million) has not been recognised as the Directors have determined that it is not probable that the Company will generate sufficient taxable profits in the foreseeable future against which the deferred taxation asset can be utilised		



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

	Notes	30 June 2021 R million	30 June 2020 R million
<b>Profit/(loss) before taxation</b>		<b>913</b>	123
<b>Adjustment for non-cash items</b>		<b>(920)</b>	(129)
Fair value movements on the investment in the ARC Fund at FVTPL *	4.2	<b>(920)</b>	(129)
<b>Working capital movements</b>		-	1
Increase/(decrease) in trade and other payables		-	1
<b>Cash utilised in operations before investment activities</b>		<b>(7)</b>	(5)

\* FVTPL: Fair value through profit or loss.

## 12. FINANCIAL INSTRUMENTS

12.1 Financial Instruments in the Company are categorised as follows:

	30 June 2021			
	Financial Asset at fair value through profit or loss R million	Financial assets at amortised cost R million	Financial liabilities at amortised cost R million	Total R million
<b>Financial assets</b>	<b>11 650</b>	<b>15</b>	-	<b>11 665</b>
Investment in the ARC Fund at FVTPL	11 650	-	-	11 650
Trade and other receivables	-	-	-	-
Cash and cash equivalents	-	15	-	15
<b>Financial liabilities</b>	-	-	<b>1</b>	<b>1</b>
Trade and other payables	-	-	1	1

	30 June 2020			
R million	Financial Asset at fair value through profit or loss R million	Financial assets at amortised cost R million	Financial liabilities at amortised cost R million	Total R million
<b>Financial assets</b>	<b>9 983</b>	<b>19</b>	-	<b>10 002</b>
Investment in the ARC Fund at FVTPL	9 983	-	-	9 983
Cash and cash equivalents	-	19	-	19
<b>Financial liabilities</b>	-	-	<b>1</b>	<b>1</b>
Trade and other payables	-	-	1	1

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 12. FINANCIAL INSTRUMENTS

### 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.

#### 12.2.1 Market risks

##### Equity price risk

Most of the Company's interest in the ARC Fund is deployed in equity instruments (95% at 30 June 2021; 95% at 30 June 2020). 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 valuations of the underlying Portfolio Companies are done half yearly, and the Board has access to the valuation information to monitor and review the fair value of the investments.

	30 June 2021 R million	30 June 2020* R million
<b>Change in portfolio equity prices</b>		
+5%	12 265	10 478
Equity component being 95% (30 June 2010: 95%) of Reported IFRS Portfolio Value	11 681	9 979
- 5%	11 097	9 480
<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, cash, preference shares and debts. The interest rate risk exposure to the Company's own cash is immaterial.		
Cash, preference shares and loans in the Fund amounted to R821 million (30 June 2020: R612 million).		
<b>Change in interest rates</b>		
+ 100 basis points	829	618
Interest bearing loan assets and cash	821	612
- 100 basis points	813	606
Portfolio debt amounted to R869 million (30 June 2020: R440 million)		
<b>Change in interest rates - annualised</b>		
+ 100 basis points	(878)	444
Interest bearing loan assets and cash	(869)	440
- 100 basis points	(860)	436

\* The investment in ARC Financial Services has been disclosed as a one-line item in the ARC Fund segment tables with additional notes detailing the break-down of the ARC Financial Services Portfolio. This was done to improve disclosure.

## 12. FINANCIAL INSTRUMENTS *continued*

### 12.2.2 Other risks

#### 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 12.2% (30 June 2020: 11.4%) denominated in foreign currency. The largest exposure to currency risk results from British Pound (GBP) and United States Dollar (USD) mainly through investments in Kropz Group, Majik and ARCH Emerging markets. The Board continuously monitors the exposure to currency risk through the Investment Committee of the Fund Manager.

The company's exposure to foreign currency is shown in the table below:

	30 June 2021		30 June 2020	
	Currency value million	SA Rand R million	Currency value million	SA Rand R million
British Pound	11	226	13	277
United States Dollar	94	1351	53	911
		1 577		1 188
Impact of 1% change in GBP rate		2		3
Impact of 1% change in USD rate		13		9

#### 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. Only 5% of the ARC Fund portfolio is exposed to credit risk. 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 half-yearly 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 lowest credit rating of Ba2 resulting in the probability of default being minimal. In addition, trade and other receivables are immaterial.

#### Liquidity risk

The Company is exposed to liquidity risk through the ARC Fund's portfolio debt.

ARC Fund raised a R1 billion two-year revolving Credit Facility from RMB during February 2020, which matures during September 2022. The Credit Facility bears interest at three-month JIBAR plus 3.25%. An amount of R839 million was drawn from the facility as at year end. During the year under review the ARC Fund has complied with the relevant covenants of the facility.

The Company is also exposed to the risk relating to the payment of trade and other payables which at the reporting date were not significant. The adequacy of the working capital of the Company is assessed by the Board bi-annually.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 13. RELATED PARTY DISCLOSURES

### Accounting Policies

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 Policies

The Company is listed on the JSE Limited and is 44.4% effectively (40.9% directly) owned by African Rainbow Capital Proprietary Limited (ARC) which is in turn 100% owned by Ubuntu-Botho Investments Proprietary Limited (UBI). UBI effectively owns 51.2% of the Company. The ultimate shareholder of UBI is Ubuntu-Botho Commercial Enterprises (Pty) Ltd, the shares of which are held by trusts, all of which, except The Motsepe Foundation, own those shares for the benefit of Dr PT Motsepe and his immediate family. The Motsepe Foundation applies the benefits of its indirect shareholding in ARC for philanthropic purposes. The Company has identified the following related party relationships and related transactional terms which are relevant to the current year's Financial Statements:

Name	Relationship	Nature of transaction/terms
<b>Companies:</b>		
UBI	Intermediate holding company	- 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 (note 7.1).
ARC	Major shareholder	- Asset-for-share transaction prior to listing (note 7.1).
	Holder of the B share	- Issue of the B share (note 7.1).
The ARC Fund	South African <i>en commandite</i> 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 4.2).

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.
S Algoo-Bissonauth **	Non-executive Director	Rnil
R Mokate	Non-executive Director	Directors fees.
MR Nkadameng	Non-executive Director	Rnil.
K Bodenstein	Chief Financial Officer	Executive salary.

\* Mr. Deans Tommy Lo Seen resigned as an Independent Non-executive Director with effect from 13 September 2020.

\*\* Ms. Smitha Algoo-Bissonauth has been appointed as an Independent Non-executive Director with effect from 14 September 2020.

### 13. RELATED PARTY DISCLOSURES *continued*

	30 June 2021		30 June 2020	
	Transactions during the year R million	Balance due from/(to) as at 30 June 2021 R million	Transactions during the year R million	Balance due from/(to) as at 30 June 2020 R million
<b>UBI</b>				
Issue of A shares (note 7.1) <sup>1</sup>	–	–	–	–
<b>The ARC Fund</b>	<b>747</b>	<b>11 650</b>	–	9 983
Investment in ARC Fund at FVTPL (note 4.1)	<b>747</b>	<b>11 650</b>	–	9 983
<b>General Partner</b>	<b>(213)</b>	<b>(100)</b>	(206)	(194)
Fund management fees accrued for the year (note 4.2)	<b>(213)</b>	<b>(100)</b>	(206)	(194)
<b>Directors' interest <sup>2</sup></b>				
<b>Total Directors' interest - 365 882 (June 2020: 312 935) shares in the Company at a 0.028%</b>				
MC Olivier - 305 882 (June 2020: 305 882) shares in the Company at a 0.023% interest	n/a	n/a	n/a	n/a
MR Nkademeng – 60 000 (June 2020: 7 053) shares in the Company at a 0.005% interest	n/a	n/a	n/a	n/a
<b>Key management personnel</b>	<b>(0.4)</b>	<b>(0.4)</b>	(0.8)	(0.8)
MC Olivier fees accrued	<b>(0.3)</b>	<b>(0.3)</b>	(0.3)	(0.3)
– fees paid to MC Olivier	<b>0.2</b>	<b>0.2</b>	0.1	0.1
T Lo Seen Chong fees accrued <sup>3,***</sup>	–	–	–	–
– fees paid to T Lo Seen Chong	–	–	–	–
S Algoo-Bissonauth fees accrued <sup>3,****</sup>	–	–	–	–
– fees paid to S Algoo-Bissonauth	–	–	–	–
C Msipha fees accrued	<b>(0.3)</b>	<b>(0.3)</b>	(0.3)	(0.3)
– fees paid to C Msipha	<b>0.2</b>	<b>0.2</b>	0.1	0.1
R Mokate fees accrued	<b>(0.3)</b>	<b>(0.3)</b>	(0.3)	(0.3)
– fees paid to R Mokate	<b>0.2</b>	<b>0.2</b>	0.1	0.1
A Currimjee fees accrued	<b>(0.3)</b>	<b>(0.3)</b>	(0.5)	(0.5)
– fees paid to A Currimjee	<b>0.2</b>	<b>0.2</b>	0.3	0.3
NB Radebe (Paid by the holding company, ARC) *	–	–	(2.1)	(2.1)
– Salary #	–	–	1.3	1.3
– Bonus	–	–	0.8	0.8
MR Nkademeng (Paid by the holding company, ARC) **	<b>(3.2)</b>	<b>(3.2)</b>	(1.0)	(1.0)
– Salary	<b>2.7</b>	<b>2.7</b>	1.0	1.0
– Bonus	<b>0.5</b>	<b>0.5</b>	–	–
K Bodenstein executive salary accrued	<b>(0.5)</b>	<b>(0.5)</b>	(0.5)	(0.5)
– salary paid to K Bodenstein	<b>0.5</b>	<b>0.5</b>	0.5	0.5

<sup>1</sup> Amount is less than R 1 million and are rounded to Rnil. The amounts are disclosed as they are material in nature.

<sup>2</sup> The interest of the directors remained unchanged since the end of the financial year to the date of this report.

<sup>3</sup> Amount is less than R1 million and is rounded to Rnil.

\* Ms Bridget Ntombenhle Radebe resigned as a Director with effect from 28 November 2019.

\*\* Ms Mmamodiane Refiloe Nkademeng has been appointed as a Director with effect from 9 March 2020.

\*\*\* Mr. Deans Tommy Lo Seen resigned as an Independent Non-executive Director with effect from 13 September 2020.

\*\*\*\* Ms. Smitha Algoo-Bissonauth has been appointed as an Independent Non-executive Director with effect from 14 September 2020.

# 2020 salary includes R178 000 leave payout.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 14. COMMITMENTS

**As at the year ended 30 June 2021, the Company did not have any commitments.**

### ARC Fund commitments:

#### ARC Real Estate:

The ARC Fund has committed R500 million to ARC Real Estate to fund the acquisition of properties. No funds have been drawn at the reporting date. Any contributions are subject to approval by the UBI General Partner.

#### ARCH Emerging Markets Partners:

The ARC Fund has committed US\$50 million in emerging markets focused themes including renewable energy power and cold chain storage solutions. At 30 June 2021 the ARC Fund has contributed \$20 million with a balance remaining commitment of US\$30 million.

#### Kropz Plc:

The ARC Fund has committed a further US\$4.0 million to Kropz Elandsfontein as part of the capital required to commence production at the phosphate mine.

#### Rain

The ARC Fund has committed to a further R56 million capital contribution to Rain in August 2021.

## 15. SUBSEQUENT EVENTS

### Sale of Afrimat shares

ARC fund sold 8.4 million Afrimat shares for a consideration of R496 million after the reporting date.

### Kropz Elandsfontein

On 6 September 2021 the appeal against the Water Use Licence which was issued to Elandsfontein during April 2017, was dismissed by The Water Tribunal.

## 16. GOING CONCERN AND IMPACT OF Covid-19

The financial statements were prepared on the going concern basis. The assets of the company, fairly valued, exceed its liabilities. The directors are of the opinion that the company will continue as a going concern based on forecasts and available resources including cash, unutilised borrowing facilities and the proceeds from the R750 million rights during the year under review.

### Impact of Covid-19

The South African Government imposed a National Lockdown to contain the spread of Covid-19 in South Africa on 26 March 2020. All non-essential businesses were ordered to close for the duration of the National Lockdown. As part of the National Lockdown, Government announced a risk-adjusted approach to phase in the re-opening of the economy. The National Lockdown has been extended numerous times, with varying lockdown levels depending on perceived risk at the time and is still in operation.

Investee companies in the ARC Fund portfolio have all taken appropriate measures to combat the spread of the virus among their employees. ARC management, as contracted by the UBI General Partner of the ARC Fund will, alongside investee companies' management, continue to proactively measure and manage the ongoing impact of the National Lockdown.

Considering the ARC Fund's diverse portfolio, the National Lockdown resulted in both a positive and negative impact within the portfolio. The marked impact of Covid-19, both globally and on South Africa, was initially severe and has brought about many changes that will prevail for quite some time. All the companies in the ARC Fund portfolio have however successfully managed through the most difficult period and have adjusted to the new environment. The ongoing impact of Covid-19 has been considered in determining the fair values of individual investments at 30 June 2021.

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

New standards issued 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>Amendments to IAS 1, Presentation of financial statements on classification of liabilities.</b>	<b>Summary of amendment</b>	<b>1 January 2023</b>
	These narrow-scope amendments to IAS 1, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	
	<b>Summary impact on the Company</b>	
	The Directors anticipate that these amendments will be applied in the financial statements for the period beginning 1 July 2023. It is expected that this amendment will have minimal impact.	
<b>Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8.</b>	<b>Summary of amendment</b>	<b>1 January 2023</b>
	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	
	<b>Summary impact on the Company</b>	
	The Directors anticipate that these amendments will be applied in the financial statements for the period beginning 1 July 2023. It is expected that this amendment will have minimal impact.	

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

Amendments to IAS1 – Amendments to IAS 1 and IAS 8 on the definition of material.

The amendment listed above did not have a significant impact on the Company's financial statements and thus no further disclosures have been made.

# 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 2021.

DISTRIBUTION OF SHAREHOLDERS	For the year ended 30 June 2021			
	Number of Shareholders	% of total Shareholders	Number of shares	% of total issued shares
<b>Shareholder type</b>				
Entities in the UBI Group	5	0.02	767 405 177	58.23
Banks	4	0.02	47 738	0.00
Brokers	15	0.06	2 707 194	0.21
Close Corporations	26	0.11	865 320	0.07
Endowment Funds	13	0.05	514 908	0.04
Individuals	23 500	95.97	79 401 561	6.03
Insurance Companies	22	0.09	22 971 905	1.74
Investment Companies	13	0.05	3 894 758	0.30
Key Management & Board	27	0.11	153 403 670	11.64
Medical Aid Scheme	2	0.01	625 523	0.05
Mutual Funds	80	0.33	79 700 777	6.05
Nominees and Trusts	420	1.72	16 690 575	1.27
Other Corporations	71	0.29	1 169 887	0.09
Pension Funds	63	0.26	174 692 626	13.26
Private Companies	223	0.91	13 318 101	1.01
Public Companies	3	0.01	365 267	0.03
<b>Total</b>	<b>24 487</b>	<b>100</b>	<b>1 317 774 987</b>	<b>100</b>

DISTRIBUTION OF SHAREHOLDERS	For the year ended 30 June 2020			
	Number of Shareholders	% of total Shareholders	Number of shares	% of total issued shares
<b>Shareholder type</b>				
Entities in the UBI Group	4	0.02	609 527 669	58.33
Banks	5	0.03	30 575 397	2.93
Brokers	12	0.07	3 272 932	0.31
Close Corporations	36	0.22	865 397	0.08
Endowment Funds	20	0.12	493 897	0.05
Individuals	15 273	91.48	79 689 406	7.63
Insurance Companies	26	0.16	25 474 057	2.44
Investment Companies	12	0.07	425 673	0.04
Key Management	20	0.12	8 055 531	0.77
Medical Aid Scheme	4	0.02	1 084 976	0.10
Mutual Funds	113	0.68	94 329 830	9.03
Nominees and Trusts	726	4.35	20 458 075	1.96
Other Corporations	51	0.31	1 782 599	0.17
Pension Funds	122	0.73	148 281 977	14.19
Private Companies	265	1.59	19 768 789	1.89
Public Companies	6	0.04	961 509	0.09
<b>Total</b>	<b>16 695</b>	<b>100</b>	<b>1 045 047 714</b>	<b>100</b>





SHAREHOLDER SPREAD	For the year ended 30 June 2021			
	Number of Shareholders	% of total Shareholders	Number of shares	% of total issued shares
1 - 50 000 shares	24 021	98.10	41 103 501	3.12
50 001 - 100 000 shares	194	0.79	13 841 464	1.05
100 001 - 1 000 000 shares	232	0.95	54 024 727	4.10
1 000 001 shares and over	40	0.16	1 208 805 295	91.73
<b>Total</b>	<b>24 487</b>	<b>100</b>	<b>1 317 774 987</b>	<b>100</b>

SHAREHOLDER SPREAD	For the year ended 30 June 2020			
	Number of Shareholders	% of total Shareholders	Number of shares	% of total issued shares
1 - 50 000 shares	16 245	97.30	57 986 863	5.6
50 001 - 100 000 shares	189	1.13	13 529 984	1.3
100 001 - 1 000 000 shares	215	1.29	52 387 735	5.0
1 000 001 shares and over	46	0.28	921 143 132	88.1
<b>Total</b>	<b>16 695</b>	<b>100</b>	<b>1 045 047 714</b>	<b>100</b>

PUBLIC/NON-PUBLIC SHAREHOLDERS	For the year ended 30 June 2021			
	Number of Shareholders	% of total Shareholders	Number of shares	% of total issued shares
Key Management & Board	27	0.1	153 403 670	11.6
Non - Public Shareholders	5	-	767 405 177	58.2
Public Shareholders	24 455	99.9	396 966 140	30.1
<b>Total</b>	<b>24 487</b>	<b>100</b>	<b>1 317 774 987</b>	<b>100</b>

PUBLIC/NON-PUBLIC SHAREHOLDERS	For the year ended 30 June 2020			
	Number of Shareholders	% of total Shareholders	Number of shares	% of total issued shares
Key Management & Board	20	0.1	8 055 531	0.8
Non - Public Shareholders	4	-	609 527 669	58.3
Public Shareholders	16 671	99.9	427 464 514	40.9
<b>Total</b>	<b>16 695</b>	<b>100</b>	<b>1 045 047 714</b>	<b>100</b>

BENEFICIAL SHAREHOLDERS HOLDING OF 5% OR MORE	For the year ended 30 June 2021	
	Number of shares	%
African Rainbow Capital	538 619 713	40.9
Public Investment Corporation (SOC) Limited	172 394 113	13.1
UBI General Partner (Pty) Ltd	92 840 710	7.0
Ubuntu-Botho & Sanlam Community Development Trusts	74 174 770	5.6
<b>Total</b>	<b>878 029 306</b>	<b>66.6</b>

BENEFICIAL SHAREHOLDERS HOLDING OF 5% OR MORE	For the year ended 30 June 2020	
	Number of shares	%
African Rainbow Capital	533 846 624	51.1
Public Investment Corporation (SOC) Limited	144 287 346	13.4
Ubuntu-Botho & Sanlam Community Development Trusts	58 823 529	5.6
<b>Total</b>	<b>736 957 499</b>	<b>70.1</b>

## II - SHAREHOLDERS' DIARY

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

Details	Date
Annual General Meeting	15 November 2021
Interim results announcement	
Financial year end	30 June 2022
Year end results announcement	September 2022
Integrated Annual Report published	September 2022
Annual General Meeting	November 2022

## 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>Registration number</b>	C148430
<b>JSE share code</b>	AIL
<b>A2X share code</b>	AILJ
<b>ISIN code</b>	MU0553S00000
<b>Directors</b>	Mark Cyril Olivier (Chairman) Deans Tommy Lo Seen Chong* Clive Msipha Renosi Mokate Anil Currimjee Mmamodiane Refiloe Nkadimeng Smitha Algoo-Bissonauth**
<b>Executive Management</b>	Karen Bodenstein (Chief Financial Officer)
<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 (Company number: C23546) Level 3, Alexander House, 35 Cybercity, Ebène, 72201 (Level 3, Alexander House, 35 Cybercity, Ebène, 72201) Mauritius
<b>Sponsor</b>	Rand Merchant Bank, a division of FirstRand Bank Limited Registration number 1929/001225/06) 1 Merchant Place Cnr Fredman Drive and Rivonia Road Sandton, Johannesburg, 2196 (PO Box 786273, Sandton, 2146) South Africa
<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>Independent Auditors</b>	PricewaterhouseCoopers PwC Centre, Avenue de Telfair, 80829, Moka, Republic of Mauritius  PricewaterhouseCoopers Inc. Waterfall City, 4 Lisbon Lane, Jukskei View, Midrand, 2090, South Africa
<b>Investor Relations</b>	Ainsley Moos investors@arci.mu +230 (403) 0800 +21 (21) 180 0107 +27 (83) 296 4697

\* Mr. Deans Tommy Lo Seen resigned as an Independent Non-executive Director with effect from 13 September 2020.

\*\* Ms. Smitha Algoo-Bissonauth has been appointed as an Independent Non-executive Director with effect from 14 September 2020.



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