



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

Summarised Annual Financial Statements for the year ended 30 June 2021



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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

For the year ended 30 June 2021

ABOUT THIS REPORT

These Summary Annual Financial statements have been approved by the board of directors. This document provides a summary of the information contained in the African Rainbow Capital Investments Limited (ARC Investments, the Company) 2021 Annual Financial Statements. It is not the Company's statutory accounts and does not contain sufficient information to allow for a complete understanding of the results and state of affairs of the Company as would be provided by the full annual financial statements. For further information consult the full annual financial statements, the unqualified auditor's report on those annual financial statements and the directors' report.

REPORT OF THE AUDITOR

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc. who expressed an unmodified opinion thereon. The audited annual financial statements and the auditors' report thereon are available for inspection at the Company's registered office and on the Company's website, www.arci.mu.

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

The auditor's report does not necessarily report on all the information contained in this report. Shareholders are, therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Company's registered office.

PREPARER AND SUPERVISOR OF ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements and these Summarised Financial Statements were prepared under the supervision of Karen Bodenstein, Chief Financial Officer, B Compt (Accounting Science)



KEY HIGHLIGHTS & FINANCIAL COMMENTARY REVIEW

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.
- 

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

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)
- 

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

IFRS NAV per share decrease of **7.5%** to **R8.85** (30 June 2020: R9.57)
- 

3.45 million TymeBank customers at 30 June 2021
Significant international equity funding secured in TymeBank and Tyme Global
- 

Debt in the ARC Fund increased by **R429 million** to **R869 million** (30 June 2020: R440 million)
- 

Sanlam acquired **25%** shareholding in ARC FSI, further strengthening the relationship
- 

Cash in the ARC Fund of **R239 million** (30 June 2020: R35 million)
- 

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

FINANCIAL PERFORMANCE COMMENTARY

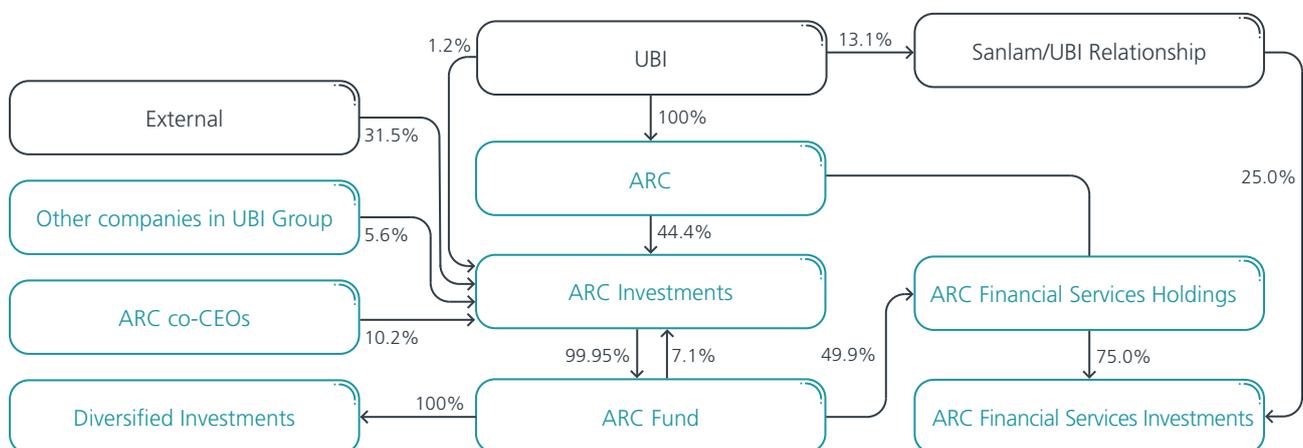
For the year ended 30 June 2021

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.



FINANCIAL PERFORMANCE COMMENTARY

For the year ended 30 June 2021

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.

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 break-down 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
Intrinsic Portfolio Value	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 asset /(liabilities) 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%)
Intrinsic Investment in the ARC Fund at FVTPL	9 948	5	1 588	11 541	16.0%

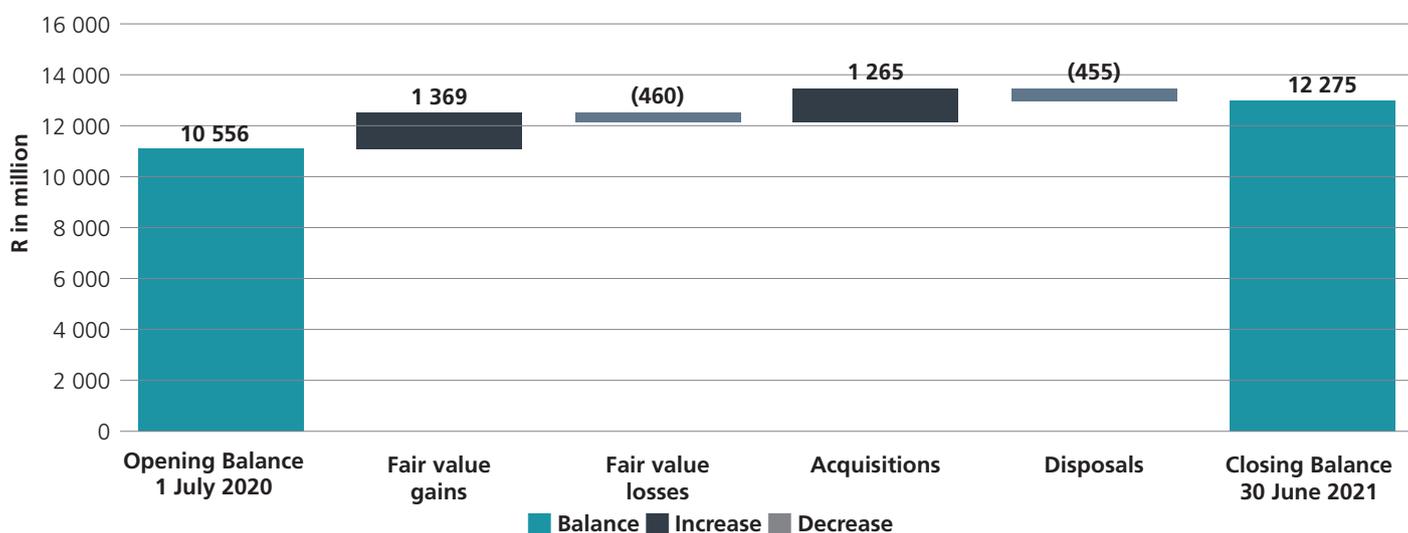
For the year ended 30 June 2020

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
Intrinsic Portfolio Value	9 301	717	538	10 556	13.5%
Cash in the ARC Fund	661	(232)	(394)	35	(94.7%)
Debt in ARC Fund	–	(440)	–	(440)	–
Other net asset /(liabilities) 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%)
Intrinsic Investment in the ARC Fund at FVTPL*	9 740	45	163	9 948	2.1%

* 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:

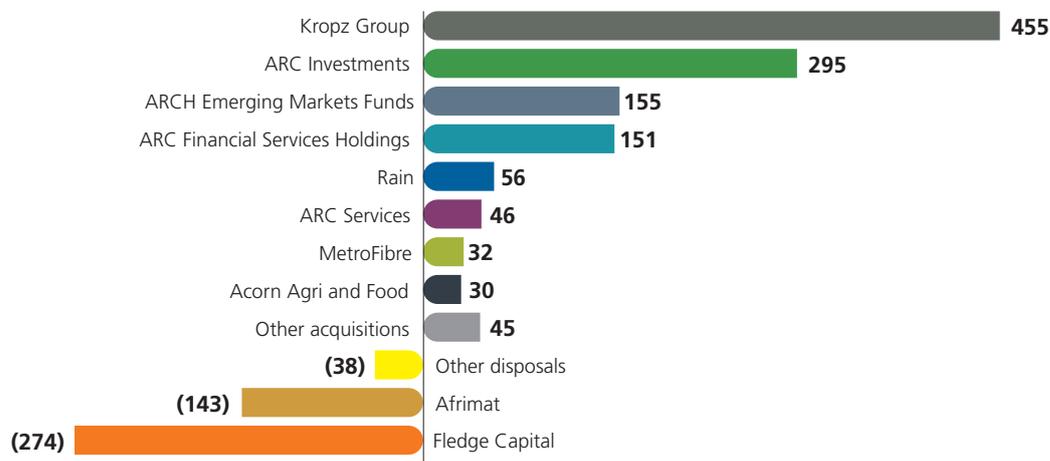
Intrinsic portfolio value movement from 1 July 2020 to 30 June 2021



FINANCIAL PERFORMANCE COMMENTARY

For the year ended 30 June 2021

ARC Investments' effective additions and disposals 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.

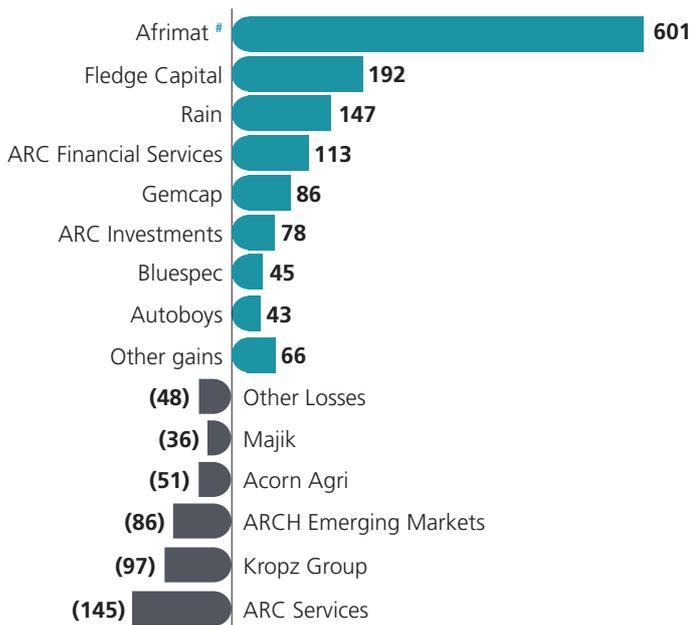
TymeBank

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.

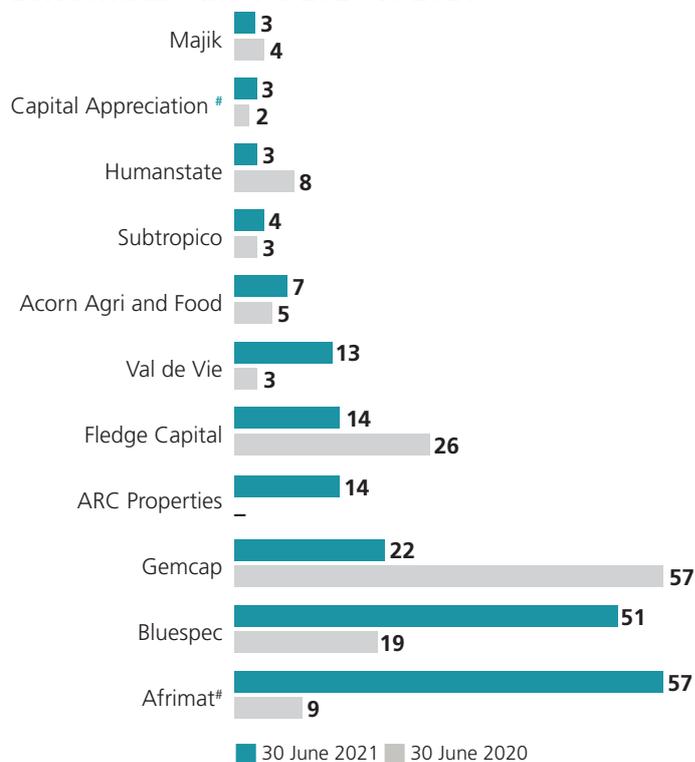
Fair value, foreign exchange and disposal gains and losses for the year ended 30 June 2021



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.

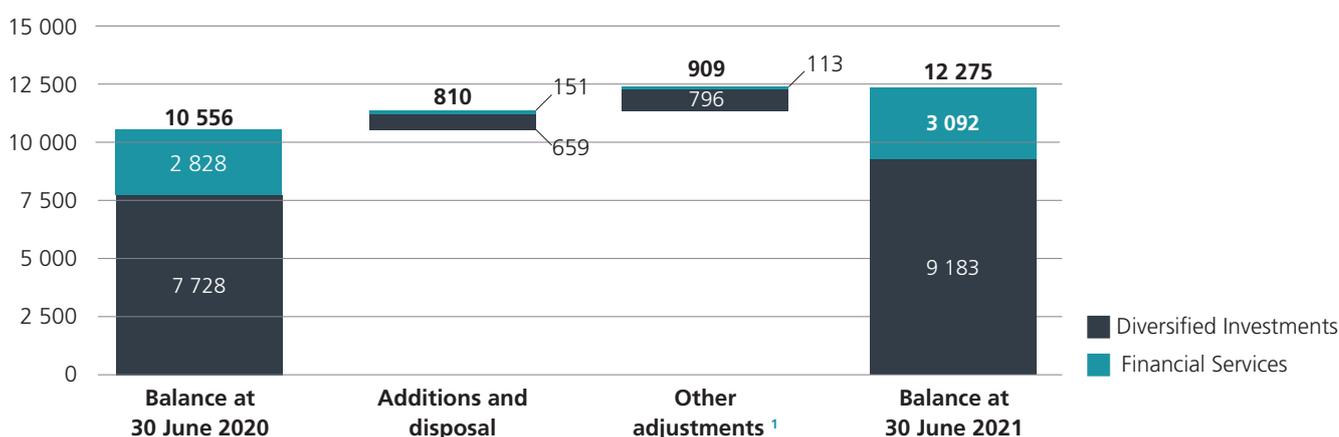
PORTFOLIO DESCRIPTION AND REVIEW

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.

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



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

FINANCIAL PERFORMANCE COMMENTARY

For the year ended 30 June 2021

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%
	7 728	659	796	9 183	18.8%

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.

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 amounts to 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.

FINANCIAL PERFORMANCE COMMENTARY

For the year ended 30 June 2021

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.

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.

FINANCIAL PERFORMANCE COMMENTARY

For the year ended 30 June 2021

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. The net IPV of the Financial Services Portfolio, taking into 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
Total Financial Services Portfolio	3 411	(65)	3 346	(2%)	298

* 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 35.1% 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 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 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.

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: ^{1,2}

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) ¹	Mauritian	Independent Non-executive Director
Renosi Mokate (63)	South African	Independent Non-executive Director
Mmamodiane Refiloe Nkadameng (40)	South African	Non-executive Director
Smitha Algoo-Bissonauth (36) ²	Mauritian	Independent Non-executive Director

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

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

FINANCIAL PERFORMANCE COMMENTARY

For the year ended 30 June 2021

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 Investment Committee and the Audit and Risk Committee.

** Abigail Mukhuba resigned on 30 September 2020.

*** Tsundzukani Mhlanga was appointed 01 October 2020

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 Summarised Annual Financial Statements have been prepared in accordance the requirements of the JSE Limited Listings Requirements for provisional reports, 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 Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the financial statements from which the summary financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous annual financial statements.

These Summarised Annual Financial Statements do not include all the information required pursuant to paragraph 16A(J) of IAS 34. The full Annual Financial Statements are available at the Company's registered office and on the Company's website, www.arci.mu.

APPROVAL

The Summarised 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



STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

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

* 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		–	–
Profit before taxation		913	123
Taxation	9	–	–
Profit for the year		913	123
Other comprehensive income for the year		–	–
Total comprehensive income for the year		913	123
Earnings per share:			
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
Balance at 30 June 2019		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	–	–	–	–	–
Balance at 30 June 2020		8 903	(98)	–	1 196	10 001
Total comprehensive income for the year		–	913	–	–	913
Transfer to fair value reserve *		–	(920)	–	920	–
Shares issued	7.1	750	–	–	–	750
Performance Participation	9	–	–	–	–	–
Balance at 30 June 2021		9 653	(105)	–	2 116	11 664

* 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
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations before investment activities	10	(7)	(5)
Net cash outflows from operating activities		(7)	(5)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash capital contribution to the investment in ARC Fund at FVTPL*	5	(747)	–
Net cash outflows from investing activities		(747)	–
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares	7.1	750	–
Net cash inflows from financing activities		750	–
Net decrease in cash and cash equivalents		(4)	(5)
Cash and cash equivalents at the beginning of the year		19	24
Total cash and cash equivalents		15	19

* 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 Summarised Annual Financial Statements have been prepared in accordance the requirements of the JSE Limited Listings Requirements for provisional reports, 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 Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Reporting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the financial statements from which the summary financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous annual financial statements.

These Summarised Annual Financial Statements do not include all the information required pursuant to paragraph 16A(J) of IAS 34. The full Annual Financial Statements are available at the Company's registered office and on the Company's website, www.arci.mu.

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



ACCOUNTING POLICIES

For the year ended 30 June 2021

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.

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.

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
Diversified Investments					
Telecommunications	3 353	88	141	3 582	29.2%
Rain	3 111	56	147	3 314	27.0%
MetroFibre	242	32	(6)	268	2.2%
Mining Construction and Energy	1 711	358	359	2 428	19.8%
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%
Business Process Outsourcing	1 116	(3)	209	1 322	10.8%
Gemcap	553	12	86	651	5.3%
Bluespec	259	–	45	304	2.5%
Other Business Process Outsourcing	304	(15)	78	367	3.0%
Property	536	10	(74)	472	3.8%
Majik	277	(17)	(36)	224	1.8%
Other	259	27	(38)	248	2.0%
Agriculture	369	30	(23)	376	3.1%
Other	643	176	184	1 003	8.1%
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%
Total Company's share of Fund's Diversified Investments	7 728	659	796	9 183	74.8%
Financial Services *	2 828	151	113	3 092	25.2%
ARC Financial Services Holdings	2 828	151	113	3 092	25.2%
Total Company's share of Fund's Invested Portfolio value	10 556	810	909	12 275	100.0%

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
Diversified Investments					
Telecommunications	2 711	151	491	3 353	31.8%
Rain	2 508	124	479	3 111	29.5%
MetroFibre	203	27	12	242	2.3%
Mining Construction and Energy	1 469	311	(69)	1 711	16.2%
Afrimat#	738	–	35	773	7.3%
Kropz Group	485	249	–	734	7.0%
Other Mining, Construction and Energy	246	62	(104)	204	1.9%
Business Process Outsourcing	1 131	70	(85)	1 116	10.6%
Gemcap	545	45	(37)	553	5.2%
Bluespec	270	–	(11)	259	2.5%
Other Business Process Outsourcing	316	25	(37)	304	2.9%
Property	550	(13)	(1)	536	5.0%
Majik	250	(13)	40	277	2.6%
Other	300	–	(41)	259	2.4%
Agriculture	423	–	(54)	369	3.5%
Other	498	198	(53)	643	6.1%
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%
Total Company's share of Fund's Diversified Investments	6 782	717	229	7 728	73.2%
Financial Services *	2 368	426	34	2 828	26.8%
ARC Financial Services Holdings	2 368	426	34	2 828	26.8%
Total Company's share of Fund's Invested Portfolio value	9 150	1 143	263	10 556	100.0%

* 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
Total Company's share of ARC Fund's Invested Portfolio value	12 275	167	(58)	12 384
UBI GP fee payable	(100)	–	–	(100)
Other Non-Current Liability	(869)	–	–	(869)
Total Company's share of ARC Fund's Portfolio net of liabilities	11 306	167	(58)	11 415
Cash in the ARC Fund	239	–	–	239
Other assets/(liabilities) in the ARC Fund	(4)	–	–	(4)
Total investment in ARC Fund at FVTPL	11 541	167	(58)	11 650

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
Total Company's share of ARC Fund's Invested Portfolio value	10 556	104	20	(89)	10 591
UBI GP fee payable	(194)	–	–	–	(194)
Other Non-Current Liability	(440)	–	–	–	(440)
Total Company's share of ARC Fund's Portfolio net of liabilities	9 922	104	20	(89)	9 957
Cash in the ARC Fund	35	–	–	–	35
Other assets/(liabilities) in the ARC Fund	(9)	–	–	–	(9)
Total investment in ARC Fund at FVTPL	9 948	104	20	(89)	9 983

* 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.

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 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
Financial Services					
Insurance and Asset Management	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
Banking & Digital	1 128	245	81	1 454	16
TyneBank	927	232	14	1 173	–
Ooba	122	–	22	144	15
Other Banking and Digital	79	13	45	137	1
Specialist Financial Services	162	(45)	–	117	2
Total Company's share of Financial Services Portfolio value	3 411	(11)	(54)	3 346	298

* 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 in ARC Fund	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
Intrinsic Portfolio Value	3 411	(11)	(54)	3 346
Deferred Consideration	(28)	–	–	(28)
Other Non Current Liability	(597)	(139)	2	(734)
Total Liabilities	(625)	(139)	2	(762)
Total portfolio net of liabilities	2 786	(150)	(52)	2 584
Cash	26	4	413	443
Other assets	16	–	49	65
Total Company's share of investment in ARC Financial Services Portfolio	2 828	(146)	410	3 092

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
Financial Services					
Insurance and Asset Management	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
Banking & Digital	772	379	(145)	1 006	5
TymeBank	674	374	(121)	927	–
Other Banking and Digital	98	5	(24)	79	5
Specialist Financial Services	250	15	19	284	12
Ooba	112	–	10	122	9
Other Specialist Financial Services	138	15	9	162	3
Total Company's share of Financial Services Portfolio value	2 577	924	(90)	3 411	156

* 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 in ARC Fund	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
Intrinsic Portfolio Value	2 577	924	(90)	3 411
Deferred Consideration	(148)	–	120	(28)
Other Non Current Liability	–	(579)	(18)	(597)
Total Liabilities	(148)	(579)	102	(625)
Total portfolio net of liabilities	2 429	345	12	2 786
Cash	64	(328)	290	26
Other net assets/(liabilities)	(125)	–	141	16
Total Company's share of investment in ARC Financial Services Portfolio	2 368	17	443	2 828

SEGMENTAL INFORMATION

For the year ended 30 June 2021

4.2 SEGMENTAL PORTFOLIO RETURNS

Investment (R million)	30 June 2021			
	Dividend Income ¹	Fair Value Adjustment	Other Income ²	Intrinsic Total
Diversified Investments				
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)
Total Company's share of Fund's Diversified Investments Portfolio returns	191	795	1	987
Financial Services	–	113	–	113
ARC Financial Services Holdings	–	113	–	113
Total Company's share of Fund's Portfolio returns	191	908	1	1 100

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

¹ Dividend income represents cash dividend receipts

² 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
Total Company's share of Fund's Invested Portfolio returns	1 100	65	(20)	31	1 176
Fund management fee					(213)
Interest income on cash and cash equivalents					13
Other net expenses in the Fund					(56)
IFRS fair value movements on the investment in the ARC Fund at FVTPL					920

4.2 SEGMENTAL PORTFOLIO RETURNS

Investment	30 June 2020*			
	Dividend Income ¹ R million	Fair Value Adjustment R million	Other Income ² R million	Intrinsic Total R million
Diversified Investments				
Telecommunications	–	491	–	491
Rain	–	479	–	479
MetroFibre	–	12	–	12
Mining, Construction and Energy	9	(70)	1	(60)
Afrimat #	9	35	–	44
Kropz Group	–	–	–	–
Other Mining, Construction and Energy	–	(105)	1	(104)
Business Process Outsourcing	86	(85)	–	1
Gemcap	57	(37)	–	20
Bluespec	19	(11)	–	8
Other Business Process Outsourcing	10	(37)	–	(27)
Property	7	(34)	50	23
Majik	4	7	50	61
Other property	3	(41)	–	(38)
Agriculture	8	(54)	–	(46)
Other	26	(53)	–	(27)
Fledge Capital	26	(43)	–	(17)
African Rainbow Capital Investments #	–	(10)	–	(10)
ARCH Emerging Markets	–	–	–	–
Total Company's share of Fund's Diversified Investments Portfolio returns	136	195	51	382
Financial Services	–	34	–	34
ARC Financial Services Holdings	–	34	–	34
Total Company's share of Fund's Portfolio returns	136	229	51	416

* 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.

¹ Dividend income represents cash dividend receipts

² 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
Total Company's share of Fund's Invested Portfolio returns	416	(53)	62	(89)	336
Fund management fee					(206)
Interest income on cash and cash equivalents					26
Other net expenses in the Fund					(26)
IFRS fair value movements on the investment in the ARC Fund at FVTPL					129

SEGMENTAL INFORMATION

For the year ended 30 June 2021

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
Nature classification of investments					
Listed	862	111	–	703	1 676
Unlisted	9 694	699	19	187	10 599
Total Nature classification	10 556	810	19	890	12 275
Geographic classification of investments					
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
Total Geographic Classification	10 556	810	19	890	12 275
Investment Instrument Type					
Equity	9 979	750	–	952	11 681
Loans	290	69	10	32	401
Preference Shares	287	(9)	9	(94)	193
Total Instrument Type Classification	10 556	810	19	890	12 275

	30 June 2021			
	Net Asset Value per share			
Net Asset Value – IFRS	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			
Net Asset Value - INTRINSIC	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%)

4.3 SEGMENTAL PORTFOLIO NET ASSET VALUE MOVEMENTS - OTHER DISCLOSURE

	30 June 2020*				
	INTRINSIC				
Investment	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
Nature classification of investments					
Listed	871	–	–	(9)	862
Unlisted	8 279	1 143	(1)	273	9 694
Total Nature classification	9 150	1 143	(1)	264	10 556
Geographic classification of investments					
South Africa	8 370	721	–	224	9 315
Rest of Africa	6	171	–	–	177
International	774	251	(1)	40	1 064
Total Geographic Classification	9 150	1 143	(1)	264	10 556
Investment Instrument Type					
Equity	8 712	1 079	–	188	9 979
Loans	145	40	(1)	106	290
Preference Shares	293	24	–	(30)	287
Total Instrument Type Classification	9 150	1 143	(1)	264	10 556

* 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 - 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 SUMMARISED 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	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
Total		11 650	9 983
Valuation information:			
IFRS 13 fair value hierarchy		Level 3	Level 3
Valuation methodology		Sum of the parts	Sum of the parts

* FVTPL: Fair value through profit or loss.

5. INVESTMENT IN THE ARC FUND AT FVTPL

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.

6. OTHER EXPENSES

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

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:			
Category	Rights		
Ordinary shares	Participating share with voting rights.		
B shares	Non-participating non-voting share except if as at any ordinary shareholder record date an appointed B-BBEE Rating Agent determines that ownership of ordinary shares by Black People as defined in the B-BBEE Codes, as determined using the flow-through principle in accordance with the B-BBEE Codes is less than 51%; and that ARC as the holder of the B share, holds at least 26.1% of the ordinary shares of the Company and since issue of these shares, the holding percentage has never dropped below 26.1%.		
C shares	Non-participating, non-voting shares with automatic conversion based on the terms of the Performance Participation (refer 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.			

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For the year ended 30 June 2021

7. CAPITAL AND RETURN ON CAPITAL *continued*

7.1 Stated capital *continued*

	Notes	30 June 2021 R million	30 June 2020 R million
Issued share capital			
Ordinary shares			
- 100 Ordinary shares of no-par value issued at incorporation at USD1 per share (translated at R12.91) ¹ .		–	–
- 526 588 235 shares issued to ARC Proprietary Limited under an asset-for-share sale transaction.		4 563	4 563
- 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		71	71
- 272 727 273 shares issued at R2.75		750	–
Total issued share capital at the end of the year		9 653	8 903
B share			
1 share issued to ARC Proprietary Limited at a nominal value of R1. B shares are not listed.		–	–
C shares			
5 billion shares were issued to UBI Proprietary Limited at listing at a nominal value of R1 for the Performance Participation. On 11 December 2018, 12 577 126 were converted into A ordinary shares, thus 4 987 422 874 C shares were outstanding at 30 June 2021. C shares are not listed.		–	–

¹ 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
7.2.1 Reconciliation of reported earnings to headline earnings:			
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.			
7.2.2 Number of ordinary shares:			
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			

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. 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.

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For the year ended 30 June 2021

9. TAXATION

	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%.		
Profit before taxation	913	123
Taxation at a statutory effective rate of 15% before foreign taxation credit	137	18
Tax reconciled	(137)	(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		

10. RECONCILIATION OF CASH UTILISED IN OPERATIONS BEFORE INVESTMENTS MADE

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

* FVTPL: Fair value through profit or loss.

11. 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.

12. 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.

13. 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.

I - OTHER INFORMATION

GOVERNANCE & LEADERSHIP

The 4th Annual General Meeting (AGM) of the shareholders of ARC Investments will be held (subject to any adjournment, postponement or cancellation) at the Intercontinental Trust Limited, New York boardroom, Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius, at 15H00 (UTC/GMT+4 hours) on Monday, 15 November 2021.

Given the unprecedented current environment caused by the COVID-19 outbreak, whilst the AGM will have a physical presence at the Company's office, in line with guidance against non-essential travel and restrictions on public gatherings, the meeting will be a closed meeting.

A report on the Group's corporate governance is recorded in the Integrated Annual Report 2021.

AVAILABILITY OF INTEGRATED ANNUAL REPORT

Shareholders are advised that the Integrated Annual Report 2021 will be available on the Company's website at <https://arci.mu/investor-relations/#integrated-reports> from 22 October 2021 and is due to be posted to shareholders on 22 October 2021

II - CORPORATE INFORMATION

Contact Information	African Rainbow Capital Investments Limited (A Company registered and domiciled in the Republic of Mauritius) www.arci.mu	Sponsor	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
Registration number	C 148430		
JSE share code	AIL		
A2X share code	AILJ		
ISIN code	MU0553S00000		
Directors	Mark Cyril Olivier (Chairman) Deans Tommy Lo Seen Chong* Clive Msipha Renshi Mokate Anil Currimjee Mmamodiane Refiloe Nkadimeng Smitha Algoo-Bissonauth**	Transfer Secretaries	Computershare Investor Services Proprietary Limited Registration number 2004/003647/07 Rosebank Towers, 15 Biermann Avenue Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) South Africa
Executive Management	Karen Bodenstein (Chief Financial Officer)	Independent Auditors	PricewaterhouseCoopers PwC Centre, Avenue de Telfair, 80829, Moka, Republic of Mauritius PricewaterhouseCoopers Inc. Waterfall City, 4 Lisbon Lane, Jukskei View, Midrand, 2090, South Africa
Registered Address	Level 3, Alexander House, 35 Cybercity Ebene, 72201 (Level 3, Alexander House, 35 Cybercity, Ebene, 72201) Mauritius Registered and incorporated as a private Company in Mauritius on 30 June 2017 and converted to a public Company on 2 August 2017.		
Company Secretary	Intercontinental Trust Limited (Company number: C23546) Level 3, Alexander House, 35 Cybercity, Ebene, 72201 (Level 3, Alexander House, 35 Cybercity, Ebene, 72201) Mauritius	Investor Relations	Ainsley Moos investors@arci.mu +230 (403) 0800 +21 (21) 180 0107 +27 (83) 296 4697



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