



ARC
INVESTMENTS

(Incorporated in the Republic
of Mauritius)
(Company number C148430)
JSE Share Code: AIL
ISIN Code: MU0553S00000

**AFRICAN
RAINBOW
CAPITAL
INVESTMENTS
LIMITED
CONDENSED
UNAUDITED
INTERIM
RESULTS**

for the six month period ended
31 December 2017



KEY HIGHLIGHTS

African Rainbow Capital Investments Limited (ARC Investments) listed on the JSE on 7 September 2017. The overriding objective of the company is to be a permanent capital vehicle for investors to invest in a broad-based Black controlled entity with an underlying high quality diversified portfolio of investments.

At listing, the Intrinsic Net Asset Value (INAV) (defined in Basis for preparation policy) of **R8,734 billion** comprised of Intrinsic Portfolio Value (IPV) of **R4,473 billion** and cash and other net assets of **R4,261 billion**.

During the reporting period, the ARC Fund invested an additional **R2,333 billion**.

Total INAV increased by **3,9 %** to **R9,076 billion** at 31 December 2017, comprising Intrinsic Portfolio Value of **R7,086 billion**, and cash and other net assets of **R1,989 billion**.

The INAV per share as at 31 December 2017 increased from **R8,46** at listing to **R8,79** before dilution (**R8,75 after dilution**).

Total number of ordinary shares issued is **1 032 470 588**. Investments have generally shown good financial performance and growth. The ARC Fund continues to have a healthy deal flow pipeline.



COMMENTARY

1. Listing

African Rainbow Capital Investments Limited (ARC Investments) listed on the JSE on 7 September and today announces its maiden interim financial results for the period ended 31 December 2017.

ARC Investments is a subsidiary of African Rainbow Capital Proprietary Limited (ARC) which in turn is a wholly-owned subsidiary of Ubuntu-Botho Investments Proprietary Limited (UBI). ARC has made various investments since 2015 and has sold these investments to ARC Investments as part of the listing process. ARC Investments participates in the underlying investments through its limited partnership interest of 99,95% in the ARC Fund partnership (the ARC Fund), which is South African based. Full details of the acquisitions and structure of the group were disclosed in the Pre-Listing Statement issued on 28 August 2017 and published on the company's website.

This announcement provides a progress update of the business since listing in September 2017.

2. Strategy

The overriding objective in the listing of ARC Investments was to create a permanent capital vehicle that would offer public shareholders capital appreciation as they invest in a permanent broad-based Black controlled entity with an underlying diverse portfolio of investments.

The most significant benefit in this regard is access to high quality listed and unlisted companies which ARC facilitates. This allows ARC Investments' shareholders access to a diverse portfolio of investments that would otherwise not be available to them. In addition, investments are acquired at an appropriate Black Economic Empowerment (BEE) illiquidity discount where the investment carries a BEE lock-in period. We believe these factors offer a very attractive proposition to investors. The listed platform does facilitate liquidity, which in turn allows investors to exit when they choose to do so.

ARC has made more than 40 investments in portfolio companies since its formation in 2015 to the date of transfer to ARC Investments by following a deliberate building block approach. During this period, ARC acquired interests in businesses in specific financial and non-financial industries – with the objective and firm belief that empowerment would enhance the competitiveness of the business.

The investments made before the listing of ARC Investments were transferred to the ARC Fund at listing of ARC Investments. Acquisitions post listing have been concluded in the ARC Fund and African Rainbow Capital Financial Services Holdings Proprietary Limited (ARC Finholdco) in which the ARC Fund holds 49,9%.

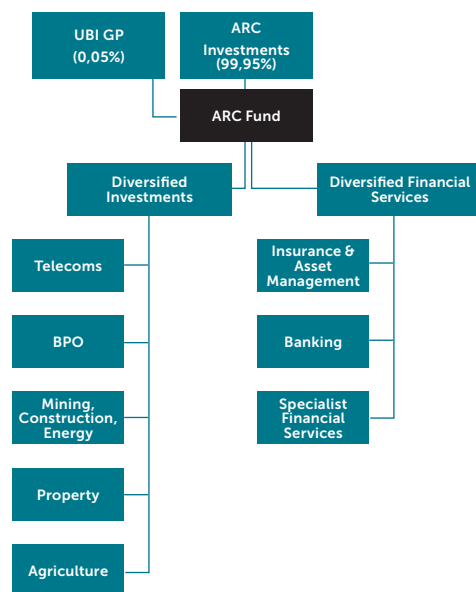
ARC Investments has a single investment in the ARC Fund in its capacity as a limited partner. The underlying investments of the ARC Fund are made in the following categories, under which the investments are managed in the ARC Fund by the fund manager, UBI General Partner Proprietary Limited (the General Partner):

- **Diversified Investments**

- Telecommunications
- Business process outsourcing
- Mining, construction and energy
- Property
- Agriculture
- Other

- **Diversified Financial Services**

- Insurance and asset management
- Banking
- Specialist financial services



For investments in the Diversified Financial Services portfolio, the ARC Fund seeks to drive synergies among portfolio companies. This allows the ARC Fund to build a holistic financial services business.

For investments in non-financial services businesses within the Diversified Investment portfolio, the approach is to invest in good standalone businesses and to back a strong and effective management team to deliver on the required return on investment for the business.

ARC Investments is 51,6% owned by ARC. ARC is wholly-owned by UBI, and UBI is majority owned by various Motsepe Family Trusts. Broad-based Black community groups are also key shareholders in UBI (as fully outlined below).

UBI has been the strategic and empowerment partner to the leading financial services group, Sanlam Limited, since 2004. UBI owns a 13,5% interest in the issued shares of Sanlam Limited at 31 December 2017. From the outset, the vision of UBI, has been to make a difference in the lives of ordinary South Africans by being a premier broad-based Black owned and Black controlled financial services group in South Africa.

The UBI group endorses Broad-Based Black Economic Empowerment (B-BBEE) as a framework for the redistribution of wealth and resources to the poor and marginalised communities in the country, to address past systematic injustices previously imposed on Historically Disadvantaged Individuals (HDIs). The intended goal of empowerment vehicles is to achieve meaningful transformation that empowers communities to positively improve the political, economic and social welfare of the lives of South Africans. Our continued support of various Women, Youth and Church groups in activities that focus on health care, youth education and development, sports, culture and social upliftment has benefited and empowered many of the country's most vulnerable communities and groups. These groups have remained shareholders of UBI since inception in 2004, and they have benefited from the capital appreciation of the investment in Sanlam Limited.

The key objectives of the UBI group include investing in financial services distribution businesses, acquiring strategic equity interests in underlying financial services product providers and acquiring majority or significant minority empowerment interests in selected building blocks of a non-financial services business. The UBI group operates through the operating company, ARC, and the group's investment vehicles which comprise of ARC Investments and ARC Finholdco. The UBI group seeks to utilise its empowerment credentials, its financial strength, its strong and well experienced leadership team and its strong brand to

achieve superior capital appreciation for investors in ARC Investments. In the short space of time since listing in September 2017, the group has continued to invest in quality investments that have achieved good growth in value and market share.

ARC Investments is incorporated and managed in Mauritius and holds a Category One Global Business Licence issued by the Financial Services Commission of Mauritius.

3. Operating environment

The sluggish economy has negatively impacted some of the ARC Fund's portfolio companies as they have traded in a slowed economy, low investor and business confidence, political uncertainty, increasing commodity prices and increasing fuel prices. These unfavourable economic conditions have negatively affected the performance of some of the investments. It is expected that these investments will show improved performance in the second half of the reporting period owing to the improved political landscape and revised economic outlook for the country in the medium-term.

The broadly diversified portfolio of the ARC Fund has continued to demonstrate growth and performed satisfactorily against this background.

4. Leadership and Governance

ARC Investments is led, managed and controlled in Mauritius by an experienced, multinational and independent Board of Directors (the Board) that has final oversight and responsibility in respect of ARC Investments' business, strategy and key policies. This includes the investment in the ARC Fund.

ARC Investments is a limited partner in the ARC Fund, an *en commandite* partnership established in South Africa. It thus plays no role in the management or investment decisions of the ARC Fund. The General Partner of the ARC Fund is the UBI General Partner Proprietary Limited, a wholly-owned subsidiary of UBI.

The Board consists of five non-executive directors, four of whom are independent. There are no executive directors on the Board of ARC Investments. As an investment holding company, ARC Investments will not appoint a Chief Executive Officer. Karen Bodenstein is the Chief Financial Officer of ARC Investments but not a director. Bridget Radebe is the Chief Financial Officer of UBI and a member of the investment advisory committee of the General Partner.

Name (age)	Nationality	Function
Mark Cyril Oliver (49)	United Kingdom	Independent non-executive director (Chairperson)
Deans Tommy Lo Seen Chong (58)	Mauritian	Independent non-executive director
Bridget Ntombenhle Radebe (38)	South African	Non-executive director
Clive Msipha (36)	Zimbabwean	Independent non-executive director (Chairperson of Audit and Risk Committee)
Renosi Mokate (60)	South African	Independent non-executive director

During the period under review, Sipho Nkosi resigned and was replaced by Renosi Mokate as an independent non-executive director onto the Board of ARC Investments effective 23 November 2017.

Karabo Nondumo also resigned as a Board member of UBI General Partner Proprietary Limited effective 12 December 2017.

All the investment decisions of the ARC Fund are taken by the General Partner through 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 General Partner has, in turn, entered into the Investment Services Agreement with ARC. In terms of

this agreement, ARC assists the General Partner to source investment opportunities for the ARC Fund and provides certain administrative and back office support to the General Partner.

The General Partner has a Board of Directors who are responsible for the general investment review of the ARC Fund as well as the management of the pipeline and liquidity of the ARC Fund. It also provides representation on the Boards of Directors of portfolio companies (where appropriate), is responsible for the preparation of the quarterly, half-year and year-end valuation reports to ARC Investments and provides general feedback to ARC Investments on relevant matters relating to the ARC Fund. The General Partner Board members are:

Name	Function
Patrice Tlhopane Motsepe BA (Legal), LLB, DCom (Honoris Causa)	Non-executive director
Alexander Komape Maditsi BProc, LLB, LLM, Dip Company Law	Non-executive director
Johan van der Merwe MCom, MPhil (Cantab), CA(SA), AMP (Harvard), COL (Insead)	Executive director
Johan van Zyl Phd (Economics), DSc. (Agric)	Non-executive director

All investment decisions of the ARC Fund are made by the investment committee of the General Partner, which is a subcommittee of the Board of Directors. Members of the investment committee are:

Tom Boardman
BCom, CA(SA)

Patrice Tlhopane Motsepe
BA (Legal), LLB, DCom (Honoris Causa)

Alexander Komape Maditsi
BProc, LLB, LLM, Dip Company Law

The General Partner's investment advisory committee supports the investment committee by sourcing and recommending investments for the ARC Fund. Members of the investment advisory committee are:

Johan van der Merwe
MCom, MPhil (Cantab), CA(SA), AMP (Harvard), COL (Insead)

Charmaine Padayachy
BCom (Accounting), Accounting (Hons), CA(SA)

Bridget Ntombenhle Radebe
BCom, BCom (Hons), CA(SA)

5. Investment strategy

The initial underlying investment portfolio in ARC Investments through its investment in the ARC Fund is comprised of:

- 100% of ARC's interests in its non-financial services portfolio companies (within the Diversified Investments portfolio).
- 49,9% of ARC's interests in its financial services portfolio companies (within the Diversified Financial Services portfolio).

By investing in a broad range of sectors and through a variety of types of listed and unlisted equity, the ARC Fund generally seeks to gain exposure to growth and early-maturity stage businesses in which management teams are appropriately incentivised. The ARC Fund generally

seeks to acquire significant minority equity interests in established and start-up businesses that meet one or more of the following attributes:

- experienced, qualified and capable management;
- a demonstrable track record;
- strong cash flow generation;
- solid growth prospects;
- established market position;
- the opportunity to consolidate their respective markets and/or existing businesses within the ARC Fund portfolio; and/or
- commercial prospects which can be enhanced by having strong B-BBEE credentials.

Where the ARC Fund holds majority or significant minority interests in portfolio companies, the ARC Fund, where appropriate, seeks to provide broad strategic guidance to such companies. This is generally provided through participation on their Board of Directors. The ARC Fund has the flexibility to participate in opportunistic investments as and when they arise and seeks to focus on transactions in South Africa and other select countries in Africa but may also invest in portfolio companies with interests and/or operations elsewhere in the world. The ARC Fund does not have a target size and may be geared, as appropriate, to meet its investment strategy.

ARC Investments' medium- to long-term objective is to grow its INAV by at least 16% per annum. Each investment opportunity is expected to exceed this minimum risk-adjusted return hurdle on a standalone basis (i.e., without considering potential synergistic benefits that can be derived from being part of a diversified portfolio). The return threshold applicable to start-ups may be significantly higher than the 16% per annum hurdle, reflecting the higher risks attaching to such ventures relative to established businesses.

6. Interim financial statements

Statement of financial position

as at 31 December 2017

R million	Notes	Unaudited as at 31 December 2017	Unaudited at listing 7 September 2017	Audited at incorporation 30 June 2017
ASSETS				
<i>Non-current assets</i>				
Investment in the ARC Fund at FVTPL*	10.1.1	9 240,4	8 730,9	–
<i>Current assets</i>				
Trade and other receivables		1,5	1,3	–
Cash and cash equivalents		43,0	45,1	–
Total assets		9 284,9	8 777,3	–
EQUITY				
Stated capital	10.2.1	8 775,4	8 775,4	–
Retained income/(Accumulated loss)		15,0	(12,1)	(11,2)
Share-based payment reserve	10.2.2.4	43,8	–	–
Fair value reserve		435,1	–	–
LIABILITIES				
<i>Current liabilities</i>				
Trade and other payables		15,6	14,0	11,2
Total equity and liabilities		9 284,9	8 777,3	–
<i>Number of ordinary shares in issue (million)</i>	10.2.2.2	1 032	1 032	–
<i>Net asset value per share (cents)</i>	10.1.2	898	849	(11 200 000) ¹

* FVTPL: Fair value through profit or loss.

¹ The net asset value per shares was derived from the (R11 million) net asset value divided by 100 shares at incorporation.

Statement of comprehensive income

For the six-month period ended 31 December 2017

R million	Notes	Unaudited from 7 September 2017 to 31 December 2017	Unaudited for the period to listing 7 September 2017	Unaudited total for the six-month period ended 31 December 2017	Audited at incorporation 30 June 2017
Fair value movements on the investment in the ARC Fund at FVTPL*					
	10.1.4.1	509,6	–	509,6	–
Other income					
		0,9	–	0,9	–
Other expenses					
		(4,5)	–	(4,5)	(11,2)
Share-based payment expense					
	10.2.2.4	(43,8)	–	(43,8)	–
Profit/(loss) before taxation					
		462,2	–	462,2	(11,2)
Taxation					
	10.3	–	–	–	–
Profit/(loss) for the period					
		462,2	–	462,2	(11,2)
Other comprehensive income/(loss)					
		–	–	–	–
Total comprehensive income/(loss)					
		462,2	–	462,2	(11,2)
<i>Earnings per share:</i>					
Basic earnings per share (cents)					
	10.2.2	96	(972 349 000)	96	(11 200 000)
Diluted earnings per share (cents)					
	10.2.2	95	(972 349 000)	95	(11 200 000)

*FVTPL: Fair value through profit or loss

Statement of changes in equity

For the six-month period ended 31 December 2017

R million	Notes	Share capital	Retained income/ (Accumulated loss)	Share-based payment reserve	Fair value reserve	Total equity
Balance at the beginning of the period		–	–	–	–	–
Issue of shares	10.2.1	–	–	–	–	–
Total comprehensive loss for the period		–	(11,2)	–	–	(11,2)
Balance at 30 June 2017		–	(11,2)	–	–	(11,2)
Issue of shares:						
– Acquisition of portfolio assets settled with equity		4 506,9	–	–	–	4 506,9
– Issue of shares		4 300,0	–	–	–	4 300,0
– Share issue costs		(31,5)	–	–	–	(31,5)
Total comprehensive loss for the period		–	(0,9)	–	–	(0,9)
Balance at listing 7 September 2017		8 775,4	(12,1)	–	–	8 763,3
Total comprehensive income for the period		–	462,2	–	–	462,2
Transfer to fair value reserve		–	(435,1)	–	435,1	–
Equity settled share-based payment	10.2.2.4	–	–	43,8	–	43,8
Balance at 31 December 2017		8 775,4	15,0	43,8	435,1	9 269,3

Statement of cash flows

For the six month period ended 31 December 2017

R million	Notes	Unaudited for the six-month period ended 31 December 2017	Audited at incorporation 30 June 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations before investment activities		(1,5)	–
Cash invested in ARC Fund Partnership		(4 224,0)	–
Net cash outflows from operating activities		(4 225,5)	–
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares	10.2.1	4 300,0	–
Share issue costs	10.2.1	(31,5)	–
Net cash inflows from financing activities		4 268,5	–
Net increase in cash and cash equivalents		43,0	–
Cash and cash equivalents at the beginning of the period		–	–
Total cash and cash equivalents		43,0	–

7. Accounting policies

The Company was incorporated in the Republic of Mauritius on 30 June 2017 as a private company limited by shares. The Company holds a Category One Global Business Licence under the Financial Services Act 2007 and is regulated by the Financial Services Commission.

The registered office and principal place of business of the Company is located at Level 3, Alexander House, 35 Cybercity, Ebène 72201, Mauritius. The principal activities of the Company are that of an investment holding company whereby it offers shareholders long-term capital appreciation by indirectly investing in a diversified portfolio of listed and unlisted private equity type investments.

IFRS Portfolio Value

Investments in the ARC Fund reported in compliance with International Financial Reporting Standards (IFRS).

Intrinsic Portfolio Value

The Intrinsic Portfolio Value is determined by the directors at every reporting period. The Intrinsic Portfolio Value is the IFRS Portfolio Value adjusted for non-IFRS measures as set out in note 10.1.2. The significant non-IFRS measure differences comprise *inter alia*:

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

INAV

Intrinsic Portfolio Value plus the cash and other net assets in the ARC Fund.

NAV

The net asset value of ARC Investments determined in accordance with IFRS principles of recognition and measurement.

Basis of preparation

The condensed interim financial statements are prepared in accordance with the recognition and measurement principles of IFRS, including IAS 34: *Interim Financial Reporting*, and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and in accordance with the requirements of the Mauritian Companies Act 2001 in so far as applicable to a Category One Global Business Licensed company under the Financial Services Act 2007 which is regulated by the Financial Services Commission, and the Listings Requirements of the JSE Limited.

The accounting policies applied in the preparation of these condensed interim financial statements are, where applicable to the prior financial period, consistent in all material respects with those used in the prior financial period, except for changes required by the mandatory adoption of new and revised IFRS. None of the new accounting standards which became effective in the current financial period had a significant impact on the Company's results.

All other accounting policies are consistent with IFRS, *inter alia*, financial instruments and cash and cash equivalents where IFRS offers no accounting policy choice.

The condensed interim financial statements have been prepared under the historical cost basis except for investments which are measured at fair value.

These condensed interim financial statements were compiled under the supervision of the Chief Financial Officer, Ms Karen Bodenstein, and were not reviewed or audited by the Company's external auditor.

The condensed interim financial statements were approved by the Board on 12 March 2018.

Key areas of judgement

Fair value measurement of the investment in ARC Fund

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

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

Basis of valuation and approach

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

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

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

The General Partner will use its judgement to select the valuation technique most appropriate for an investment. The use of multiple valuation approaches on an investment is encouraged. On a specific investment, a single valuation technique or approach may be appropriate (e.g., when valuing an asset using quoted prices in an active market for identical assets). If multiple valuation techniques or approaches are used to measure fair value, the results of the various valuation methods are evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

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

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

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

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

Income approach methodology

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

Discounted cash flow methodology

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

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

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

Market approach methodology

If a multiple approach is used, where appropriate, the General Partner would apply an Enterprise Value (EV)/ Earnings before interest, taxation, depreciation and

amortisation (EBITDA) or price/earnings (P/E) multiple that is appropriate and reasonable, based on comparable companies and taking account of the size, risk profile and earnings prospects of the underlying company. In other cases, where appropriate, EV/EBITDA and price/book value may also be considered.

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

Control over the ARC Fund

The General Partner directs all the relevant activities of the ARC Fund. The Company does not have a currently exercisable right to remove the General Partner. Therefore, the Company does not control the ARC Fund nor does it have significant influence over the ARC Fund.

8. Segmental information for the period ended 31 December 2017

The Company's operations consist of the investment in the ARC Fund. The Company has only one operating segment in terms of *IFRS 8, Operating Segments*. The chief operating decision-makers (CODMs), being the Board of Directors, evaluate the investment in the ARC Fund based on Intrinsic Portfolio Value and fair value movement in this Intrinsic Portfolio Value. This is disclosed in note 9. Information of the ARC Fund is also reported to the CODMs for the purpose of assessing segment performance. This is specifically focused on the reporting to the Board of the Company by the General Partner in the ARC Fund through its Investment Committee under the adopted ARC Investments Limited Guidelines policy. The construct thereof is on the basis of the Diversified Investments and Diversified Financial Services strategies and this is presented below:

- [1] – Income from investments includes dividend income, interest on loans and directors' fees pertaining to portfolio entities in the ARC Fund and ARC Finholdco; and the interest income and cash and cash equivalents in the ARC Fund and ARC Finholdco.
- [2] – The values are stated net of related deferred taxation adjustments for the Portfolio assets held in ARC Finholdco. Differences in the IFRS Portfolio Value and the Intrinsic Portfolio Value are explained below.

Return on investment portfolio R million	Income from investments ^[1]	IFRS Portfolio Value fair value adjustments ^[2]	IFRS Portfolio Value fair value adjustments plus income from investments ^[2]	Intrinsic Portfolio Value fair value adjustment ^[2]	Intrinsic Portfolio Value fair value adjustments plus income from investments ^[2]
	Unaudited for the period ended 31 December 2017	Unaudited for the period ended 31 December 2017	Unaudited for the period ended 31 December 2017	Unaudited for the period ended 31 December 2017	Unaudited for the period ended 31 December 2017
<i>Diversified Investments</i>					
Telecommunications	–	191,9	191,9	193,9	193,9
Business process outsourcing	20,9	(93,5)	(72,6)	(188,8)	(167,9)
Mining, construction and energy	5,4	48,7	54,1	(25,5)	(20,1)
Agriculture	7,2	176,1	183,3	177,0	184,2
Property	16,4	51,6	68,0	53,2	69,6
Other	–	–	–	–	–
	49,9	374,8	424,7	209,8	259,7
<i>Diversified Financial Services</i>					
Insurance and asset management	11,2	55,1	66,3	59,5	70,7
Specialist financial services	0,5	10,3	10,8	10,6	11,1
	11,7	65,4	77,1	70,1	81,8
<i>Interest income: Cash and cash equivalents</i>	47,0	–	47,0	–	47,0
<i>Expenses directly attributable to the Fund</i>	(39,2)	–	(39,2)	–	(39,2)
Total	69,4	440,2	509,6	279,9	349,3

Valuation of investment portfolio R million	IFRS Portfolio Value				Intrinsic Portfolio Value			
	Unaudited at Listing 7 September 2017	Net additions (including capitalised interest)	IFRS Portfolio Value fair value adjustments ⁽²⁾	Unaudited as at 31 December 2017	Unaudited at Listing 7 September 2017	Net additions (including capitalised interest)	Intrinsic Portfolio Value fair value adjustments ⁽²⁾	Unaudited as at 31 December 2017
<i>Diversified Investments</i>								
Telecommunications	774,5	1 052,5	191,9	2 018,9	772,6	1 052,5	193,9	2 019,0
Business process outsourcing	783,9	555,7	(93,5)	1 246,1	866,6	555,4	(188,8)	1 233,2
Mining, construction and energy	1 203,9	105,1	48,7	1 357,7	1 121,4	105,2	(25,5)	1 201,1
Agriculture	432,9	118,0	176,1	727,0	431,8	118,2	177,0	727,0
Property	314,4	22,9	51,6	388,9	313,8	23,0	53,2	390,0
Other	–	199,9	–	199,9	–	199,9	–	199,9
	3 509,6	2 054,1	374,8	5 938,5	3 506,2	2 054,2	209,8	5 770,2
<i>Diversified Financial Services</i>								
Insurance and asset management	780,6	275,3	55,1	1 111,0	755,1	270,9	59,5	1 085,5
Specialist financial services	212,2	8,0	10,3	230,5	212,0	8,2	10,6	230,8
	992,8	283,3	65,4	1 341,5	967,1	279,1	70,1	1 316,3
Total	4 502,4	2 337,4	440,2	7 280,0	4 473,3	2 333,3	279,9	7 086,5

Other valuation of portfolio segment information R million	Income from investments ^[1]	IFRS Portfolio Value fair value adjustments ^[2]	IFRS Portfolio Value fair value adjustments plus income from investments ^[2]	Intrinsic Portfolio Value fair value adjustment ^[2]	Intrinsic Portfolio Value fair value adjustments plus income from investments ^[2]
	Unaudited for the period ended 31 December 2017	Unaudited for the period ended 31 December 2017	Unaudited for the period ended 31 December 2017	Unaudited for the period ended 31 December 2017	Unaudited for the period ended 31 December 2017
Profile					
Listed	11,8	(27,9)	(16,1)	(196,7)	(184,9)
– Diversified Investments	11,8	(41,6)	(29,8)	(212,0)	(200,2)
– Diversified Financial Services	0,0	13,7	13,7	15,3	15,3
Unlisted	49,8	468,1	517,9	476,6	526,4
– Diversified Investments	38,1	416,4	454,5	421,8	459,9
– Diversified Financial Services	11,7	51,7	63,4	54,8	66,5
<i>Interest income: Cash and cash equivalents</i>	47,0	–	47,0	–	47,0
<i>Expenses directly attributable to the Fund</i>	(39,2)	–	(39,2)	–	(39,2)
Total	69,4	440,2	509,6	279,9	349,3
Geographic					
South Africa	57,2	421,8	479,0	261,3	318,5
International	4,4	18,4	22,8	18,6	23,0
<i>Interest income: Cash and cash equivalents</i>	47,0	–	47,0	–	47,0
<i>Expenses directly attributable to the Fund</i>	(39,2)	–	(39,2)	–	(39,2)
Total	69,4	440,2	509,6	279,9	349,3

Other valuation of portfolio segment information R million	IFRS Portfolio Value				Intrinsic Portfolio Value			
	Unaudited at Listing 7 September 2017	Net additions (including capitalised interest)	IFRS Portfolio Value fair value adjustments ^[2]	Unaudited as at 31 December 2017	Unaudited at Listing 7 September 2017	Net additions (including capitalised interest)	Intrinsic Portfolio Value fair value adjustments ^[2]	Unaudited as at 31 December 2017
<i>Profile</i>								
Listed	1 357,2	266,1	(27,9)	1 595,4	1 333,8	266,0	(196,7)	1 403,1
– Diversified Investments	1 076,9	0,3	(41,6)	1 035,6	1 078,4	0,3	(212,0)	866,7
– Diversified Financial Services	280,3	265,8	13,7	559,8	255,4	265,7	15,3	536,4
Unlisted	3 145,2	2 071,3	468,1	5 684,6	3 139,5	2 067,3	476,6	5 683,4
– Diversified Investments	2 432,7	2 053,5	416,4	4 902,6	2 427,8	2 054,0	421,8	4 903,6
– Diversified Financial Services	712,5	17,8	51,7	782,0	711,7	13,3	54,8	779,8
Total	4 502,4	2 337,4	440,2	7 280,0	4 473,3	2 333,3	279,9	7 086,5
<i>Geographic</i>								
South Africa	4 191,0	2 337,1	421,8	6 950,0	4 162,3	2 332,6	261,3	6 756,2
International	311,4	0,3	18,4	330,0	311,0	0,7	18,6	330,3
Total	4 502,4	2 337,4	440,2	7 280,0	4 473,3	2 333,3	279,9	7 086,5

9. Detailed Intrinsic Portfolio Value by reporting segment

R million	Unaudited at listing 7 September 2017	Additions/ (Disposals)	Fair value adjustments	Unaudited at 31 December 2017	Percentage of the ARC Fund	Effective Shareholding
Diversified Investments	3 506,2	2 054,2	209,8	5 770,2	81,4%	
Telecommunications	772,6	1 052,5	193,9	2 019,0	28,5%	
Rain	655,7	1 052,5	183,9	1 892,1	26,7%	20,0%
Metrofibre	116,9	–	10,0	126,9	1,8%	15,0%
Business process outsourcing	866,6	555,4	(188,8)	1 233,2	17,4%	
Bluespec	–	509,0	–	509,0	7,2%	25,0%
Afrigem	323,8	37,3	(2,3)	358,8	5,1%	100,0%
EOH	313,9	–	(158,9)	155,0	2,2%	1,7%
Humanstate	138,9	–	–	138,9	2,0%	10,0%
Other business process outsourcing	90,0	9,1	(27,6)	71,5	1,0%	Various
Mining, construction and energy	1 121,4	105,2	(25,5)	1 201,1	16,9%	
Afrimat	655,6	–	(25,5)	630,1	8,9%	19,3%
Elandsfontein	421,8	–	–	421,8	6,0%	25,0%
Last Mile Fund	–	92,5	–	92,5	1,3%	15,0%
Other mining, construction and energy	44,0	12,7	–	56,7	0,8%	Various
Agriculture	431,8	118,2	177,0	727,0	10,3%	
Bkb	219,9	–	164,8	384,7	5,4%	20,0%
Acorn Agri	211,9	–	12,2	224,1	3,2%	15,0%
Other agriculture	–	118,2	–	118,2	1,7%	Various
Property	313,8	23,0	53,2	390,0	5,5%	
Majik Property Holdings	171,9	0,7	18,6	191,2	2,7%	18,5%
Val de vie	141,9	–	4,3	146,2	2,1%	20,0%
Other property	–	22,3	30,3	52,6	0,7%	Various
Other	–	199,9	–	199,9	2,8%	
Fledge capital	–	199,9	–	199,9	2,8%	0,0%
Diversified Financial Services	967,1	279,1	70,1	1 316,3	18,6%	
Insurance and asset management	755,1	270,9	59,5	1 085,5	18,8%	
Alexander Forbes	415,0	265,8	20,0	700,8	9,9%	8,4%
Afrocentric	83,3	–	18,6	101,9	1,4%	3,6%
Arc Health	89,8	–	–	89,8	1,3%	41,0%
Colourfield	65,8	4,4	10,0	80,2	1,1%	14,1%
Other insurance and asset management	101,2	0,7	10,9	112,8	1,6%	Various
Specialist financial services	212,0	8,2	10,6	230,8	3,3%	
Ooba	97,3	–	9,2	106,5	1,5%	15,0%
Other specialist financial services	114,7	8,2	1,4	124,3	1,8%	Various
Total	4 473,3	2 333,3	279,9	7 086,5	100%	

Portfolio analysis

9.1 Listed companies

Listed companies report as per the regulated reporting cycles and information on these companies is readily available. As such no additional information other than the information contained in the table above is disclosed.

9.2 Diversified Investments

9.2.1 Telecommunications

9.2.1.1 Rain

Rain is aiming to become a full-service Mobile Network Operator, focusing on data as a primary offering. The major assets constitute spectrum licences, including an allocation in the 1800 MHz band, along with the other major operators, as well as an allocation in the sought after 2600 MHz band, where Rain holds the only licence. Rain intends to build a dedicated national LTE Advanced network and infrastructure that will eventually facilitate an environment where open access to the internet becomes a reality in South Africa, with the best possible quality and internet speed, at affordable rates.

The Rain group consists of three main operating business units, namely Networks, Business to Business and Direct business.

The Network business unit builds and manages the RAIN LTE Advanced network. The business unit is responsible for the capital expenditure to build a network of LTE sites and expand the network to enable nationwide connectivity for the Business to Business and Direct business units. In addition to the infrastructure, the network business unit is responsible for roaming agreements with other major telecommunication companies.

The Business to Business unit provides of fixed wireless connectivity to end-users. Rain, however, currently does not directly sell to users, and the business relationship is with intermediary Internet Service Providers (ISPs).

The Direct business represents Rain's mobile strategy which will be offered directly to the public. The direct mobile technology is currently in beta testing phase and is expected to be released to the public during 2018.

At the stage when ARC engaged to acquire the interest in Rain the company derived very little income from its activities. It has since made significant progress. A network of over 2 000 sites has been established and has interconnected all the major metros around South Africa. This already provides a sufficient platform and the Business to Business unit has successfully procured business which generates significant revenue and cash flow.

9.2.1.2 Metrofibre

MetroFibre is an internet infrastructure company that provides managed fibre optic broadband connectivity in South Africa. MetroFibre customers consist of service providers, resellers, residential and business properties. Consumers can take advantage of an array of services that are tailored to meet their business needs.

9.2.2 Business process outsourcing

9.2.2.1 Bluespec

BlueSpec is a holding company comprised of a number of specialist businesses which collectively aim to transform the repair and recovery industry to enable its customers to deliver more effective and efficient propositions to their clients in the most cost-effective manner. Business units include Incident Logistics (FirstGroup), Autobody Repair (Renew-it Group), Salvage (Auction Nation), Motor Retail (Daytona Group), Technology (DreamTec) and StraightThrough. BlueSpec is 51% Black-owned with WIPHOLD Investment Trust and The ARC Fund as the B-BBEE partners.

9.2.2.2 Afrigem

Afrigem consists of Payprop SA, CSG, Consumer Friend and Infoslips.

Payprop SA (Payprop) is a well-established, market leading residential letting outsourcing business that offers a unique end-to-end rental property management and compliance software platform. Payprop is an automated payment platform system that offers settlement functionality within the real-time banking environment, enabling automation of the entire letting transaction life cycle according to property-specific payment rules set up by clients. Payprop's customers range from small independent letting agencies to large rental agencies.

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

Consumer Friend is a debt review outsourcing service. Infoslips is a document outsourcing service.

9.2.2.3 Humanstate

Humanstate is a private technology services group based in the United Kingdom. It provides businesses and non-profit organisations with state-of-the-art web-based software applications, integrated with on-demand payment processing based on their global transactional platform.

Humanstate is invested in PayProp SA (the business described above), Payprop UK and in PayProp Canada. The South African business is mature whilst Paypop UK is in early development stage. The Canadian initiative is still in a start – up phase.

9.2.2.4 Other

The other portfolio investments include:

Autoboys

Autoboys was established in 2011 as part of the Retail Division of Grandmark International. In 2017, the Parts and Glass Divisions were transferred into Autoboys Holdings, and The ARC Fund subscribed for a 51% interest. The company is a provider of aftermarket automotive parts and has a large market share of glass replacements for the insurance industry.

Capital Appreciation – listed.

9.2.3 Mining, construction and energy

9.2.3.1 Elandsfontein

Elandsfontein Exploration and Mining is in the process of establishing a phosphate mine located on the West Coast of South Africa. The deposit is the second largest known phosphate deposit in South Africa. The ARC Fund's investment in Elandsfontein Exploration and Mining is premised on securing an investment with Rand hedge qualities and investing in an underlying commodity (phosphate, a key ingredient in fertiliser manufacturing) whose demand is correlated to global population growth and not strongly correlated to other commodity prices.

There has been an appeal against the Integrated Water Use Licence which was granted to Elandsfontein in April 2017. The court has referred the matter to the Water Tribunal. Elandsfontein is awaiting information on when the appeal will be considered by the Water Tribunal. We remain confident that the appeal will not be successful.

Commissioning of the processing plant was postponed in July 2017, following test results during the pre-commissioning phase. Extensive research has since been done to ensure consistency of the final product and the final decision in terms of reconfiguring certain sections of the plant to ensure optimal consistency and yield will be made shortly. It will require additional capital and commissioning is planned for early 2019. We remain very close to developments and are of the view that the issues will be resolved.

9.2.3.2 Last Mile Fund

The Last Mile Fund is a black-owned fund incorporated to take advantage of the opportunities that exist in the broader resource space due to the combination of volatile commodity cycles and policy uncertainty. The first transaction involved an investment in a coal asset.

9.2.3.3 Other

The other portfolio investments include:

- (a) Global Asset Management (GAM) is a JSE AltX listed holding company focused on asset-based financing and development of alternative energy businesses. An investment of R12,9 million was made in Plastics Green Energy, a subsidiary of GAM, during the review period.

9.2.4 Agriculture

9.2.4.1 BKB

BKB is a leading agri-business in South Africa and is a mature, sound and diversified business with sound management.

An agreement was signed that enables the ARC Fund to effectively sell its investment in BKB to Acorn Agri upon the expiry of the BEE lock-in period in June 2018 by means of a put option. The put option price is R22,00 per share. The ARC Fund determined the present value of the put option price for purposes of the valuation.

9.2.4.2 Acorn Agri

Acorn Agri is a long-term investor focusing on food and food processing, agricultural processing and the agricultural value chain. Acorn Agri currently has investments in Overberg Agri, Lesotho Milling, Montagu Dried Fruits and Nuts, BKB, Grassroots and ACG Fruit.

Acorn Agri has entered into an Amalgamation Agreement with Overberg Agri whereby the two entities will amalgamate their respective businesses into one combined entity and thereby create a leading national agriculture and food investment company, with a shared culture and values, a focused and complementary investment portfolio, proven management and track record.

9.2.4.3 Other

The other portfolio investments include:

The RSA Group – RSA is a horizontally integrated sales organisation which offers a unique value proposition to the suppliers of fresh produce in the agricultural space across all channels.

Subtropico – Subtropico operates in the food and agricultural sector, focusing mainly on the services sector in these industries. The Group consists of a fresh produce market agent, livestock agents, a packing facility, an equity interest in Farmwise, shareholding in Natsure, and a shareholding in KLK Landbou.

9.2.5 Property

9.2.5.1 Majik Property Holdings

Majik Property Holdings is a private equity structure which invests in commercial real estate in the United Kingdom. The investment is held through Majik Property Holdings Limited, which is a limited partner in the Squarestone Growth Limited Liability Partnership (Squarestone).

The business of Squarestone involves the acquisition, active management, holding, marketing and sale of secondary commercial real estate in the United Kingdom, with a predominant focus in Scotland and the North of England.

9.2.5.2 Val de Vie

Val de Vie is an established luxury residential estate located in Paarl. After a recent acquisition, Pearl Valley Estate now forms part of Val de Vie. The result will be a mega estate. Paarl is fast becoming a new node separate from the Cape Town northern suburbs.

9.2.5.3 Other

The other portfolio investments include:

Setso Property Fund – Setso is a majority black-owned unlisted real estate fund with a diversified portfolio comprising commercial and retail assets. The portfolio is spread across Gauteng and the Western Cape and covers 89 000 square meters of lettable space.

ARC Property Development – consisting of additional fixed property in Val de Vie.

9.2.6 Other

9.2.6.1 Fledge Capital

Fledge Capital is an independent investment company based in South Africa. Fledge provides funding solutions to private companies within a wide range of industries. Investments include Safari and Outdoor, WeBuyCars and Better Life.

ARC advanced R200 million to Fledge during the period under review in the form of a loan, which will convert to equity when Competition Commission approval for the equity transaction is obtained. The Fund will ultimately acquire a 51% interest in Fledge Capital.

9.3 Diversified Financial Services

9.3.1 Insurance and asset management

9.3.1.1 Alexander Forbes

ARC Finholdco owns 10% of the operating company Alexander Forbes Limited and owns 8,9% in the listed company Alexander Forbes Group Holdings Limited. ARC Finholdco has the right to convert its shareholding in Alexander Forbes Limited for shares in Alexander Forbes Group Holdings Limited in two years' time. The conversion ratio per the agreement currently translates to shareholding of 8,8%. The effective combined shareholding in Alexander Forbes Group Limited on conversion is currently 16,9% (after taking into account the dilution impact of the flip up on current shareholding in the listed entity). The ARC Fund (through its 49,9% interest in ARC Finholdco) thus has an effective shareholding of 8,4%.

9.3.1.2 ARC Health Group

ARC Health Proprietary Limited is a private investment company, majority owned by ARC and managed by ARC Health Managers Proprietary Limited.

This business primarily consists of three key underlying businesses operating in various parts of the value chain servicing mainly the entry-level market.

The ARC Fund has engaged with ARC Health Managers Proprietary Limited after the reporting period with a view to simplify the holding and management structure during the following six months.

9.3.1.3 Colourfield

Colourfield Liability Solutions is an asset management firm which specialises in Liability Driven Investment (LDI), goals-based investing, the management of inflation linked bonds and "smart beta" equity management solutions.

Colourfield recently entered into an agreement with Alexander Forbes Investments to provide a new LDI retirement solution called Alexander Forbes Clarity™. It is an investment framework that provides members of retirement funds with an ability to meaningfully focus on and engage with their retirement income goals. The launch of Clarity will significantly enhance the value proposition of Alexander Forbes to its clients.

9.3.1.4 Other

The other portfolio investments include:

Santam Limited – listed

Indwe Broker Services – Indwe is an independent South African general insurance broker that provides personal insurance, business insurance and specialist risk consulting services to private, commercial and corporate clients.

EBS International – EBS International provides hosted member administration and asset management solution platforms as well as providing technology, consulting, disaster recovery and business continuity services.

9.3.2 Specialist financial services

9.3.2.1 Ooba

Ooba is primarily a mortgage originator with a strong life and general insurance business flowing from the origination. Ooba is one of the leading players that dominates the South African origination landscape.

The company is generally performing well despite subdued economic conditions. The value increase is attributable to both the origination and insurance businesses.

9.3.2.2 Other

The other portfolio investments include:

A2X – An alternative stock exchange for the secondary listing of JSE Limited listed companies.

Constellation Capital – A research and broking business in the South African equity and currency derivative market.

Edge Growth – A leading enterprise and supplier development firm that focuses on strategic partnerships between business and SME development, commercial leadership and enterprise development strategy.

Alternative Prosperity – A majority Black-owned company that offers products and services in responsible investment, transformation and sustainability.

Bravura – Bravura offers astute and sound financial solutions underpinned by an independent and flexible approach as well as rigorous risk management practices.

Sinayo Securities – Sinayo Securities specialises in equity sales and trading of listed South African companies. It provides quality services to institutional investors. Sinayo Securities is majority owned by Black women and Level 1 B-BBEE.

10. Notes to the unaudited condensed interim financial statements for the period ended 31 December 2017

10.1 Investment in ARC Fund at FVTPL

The Company obtains exposure to 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 Partnership (SA) (the ARC Fund or the fund) through commitments into the fund, managed by a Black-owned and controlled Fund Manager, UBI General Partner Proprietary Limited (UBI GP Co.) as the General Partner.

Investment objective

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

The Company has a detailed Investment Policy, which has been formulated in compliance with section 15 of the JSE Limited Listings Requirements as well as certain other ancillary matters, which sets out its investment strategy, investment objective, investment focus and investment parameters which is also mirrored in the ARC Investment Guidelines. The details of the investment policy and guidelines of the Company are available on its website.

Any material changes to the Investment Policy of the Company must be approved by Shareholders of the Company by way of ordinary resolution. Any future changes to the investment guidelines must be approved by the Company, as an amendment or variation to the Partnership Agreement.

The investment in ARC Fund is a financial asset designated at fair value through profit or loss (financial asset at FVTPL) and measured in accordance with *IFRS 13, Fair Value Measurement*, principles as set out in note 7, Basis of preparation.

Categorisation of investments

The investment in the ARC Fund is a financial asset that is designated as fair value through profit or loss upon initial recognition. The investment is managed and its performance evaluated on a fair value basis, in accordance with the Company's documented risk management and investment strategy, consequently information about the investment is provided internally on that basis. It is stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Investments made by the fund are broadly categorised as:

- **Equity interests in Portfolio Companies** which are a group of financial assets that are designated as fair value through profit and loss upon initial recognition and is managed and its performance evaluated on a fair value basis, and the basis of accounting is the same as the investment in the ARC Fund described above. The investments are initially recognised at cost with associated transaction costs directly attributable to the investment capitalised to the cost of the investment. Day one gains, which typically arise in B-BBEE transactions which result in an investment at a discount to the fair value at acquisition date are recognised in profit and loss.

- **Loans and other receivables** that have fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

For the six-month period ended 31 December 2017 R million	Unaudited 31 December 2017	Unaudited 7 September 2017	Audited 30 June 2017
10.1.1 Investment in the ARC Fund at FVTPL			
The segmental analysis of the investment is as follows:			
Diversified Investments	5 938,5	3 509,6	–
Diversified Financial Services	1 341,5	992,8	–
IFRS Portfolio Value	7 280,0	4 502,4	
Cash and cash equivalents in the ARC Fund	2 026,8	4 221,9	–
Other net assets in the ARC Fund	(66,4)	6,6	–
Total Investment in the ARC Fund at FVTPL	9 240,4	8 730,9	–

Valuation information:

IFRS 13 fair value hierarchy Level 3
Valuation methodology Sum of the parts

The following Portfolio Assets in the ARC Fund are individually greater than 5% of the portfolio by Fund Value based on Intrinsic Portfolio Value:

Portfolio Asset	Valuation methodology	Percentage of portfolio	IFRS			INTRINSIC		
			Unaudited 31 December 2017	Unaudited 7 September 2017	Audited 30 June 2017	Unaudited 31 December 2017	Unaudited 7 September 2017	Audited 30 June 2017
Rain	Discounted cash flow	26,7	1 892,0	656,0	–	1 892,9	656,0	–
Alexander Forbes Group Holdings Limited	Listed share price	5,4	406,8	130,4	–	383,4	126,7	–
Alexander Forbes Limited	Proxy valuation to listed share price	4,5	317,6	288,8	–	317,7	288,4	–
Afrimat	Listed share price	8,9	782,4	655,7	–	630,2	655,7	–
Elandsfontein group	Discounted cash flow and loan values	6,0	421,8	421,8	–	421,8	421,8	–
BKB	Discounted forward sale contract value	5,4	384,7	220,4	–	384,7	220,4	–
Rest of portfolio		43,1	3 074,7	2 129,3	–	3 055,8	2 104,3	–
Total portfolio		100	7 280,0	4 502,4	–	7 086,5	4 473,3	–

The valuations, which have been performed in accordance with the Company's valuation policy as disclosed under Key Areas of Judgement in note 7, have given rise to the below Intrinsic Portfolio Value:

	Movement in the Portfolio Values period to 31 December 2017				Valuation Discounts Applied at 31 December 2017						
	Unaudited 7 September 2017	Acquisitions	Revaluation	Interest	Deferred Taxation	Unaudited 31 December 2017	Gross Portfolio Value 31 December 2017	Control Premium	Minority Discount	Marketability Discount	Deferred Taxation
Diversified investments	3 506,2	2 053,7	230,0	0,5	(20,2)	5 770,2	5 941,8	82,4	(93,6)	(140,2)	(20,2)
Diversified financial services	967,1	276,1	70,1	3,0	–	1 316,3	2 225,3	–	(403,6)	(505,4)	–
Intrinsic portfolio value	4 473,3	2 329,8	300,1	3,5	(20,2)	7 086,5	8 167,1	82,4	(497,2)	(645,6)	(20,2)
Diversified investments	3 509,6	2 053,5	395,0	0,6	(20,2)	5 938,5	5 998,9	82,4	(93,6)	(29,0)	(20,2)
Diversified financial services	992,8	280,3	65,4	3,0	–	1 341,5	2 250,5	–	(403,6)	(505,4)	–
Ifrs portfolio value	4 502,4	2 333,8	460,4	3,6	(20,2)	7 280,0	8 249,4	82,4	(497,2)	(534,4)	(20,2)

For the six month period ended 31 December 2017 R million		Notes	Unaudited 31 December 2017	Unaudited 7 September 2017	Audited 30 June 2017	Change	% change
10.1.2 INAV							
A reconciliation between IFRS Portfolio Value and Intrinsic Portfolio Value is presented below:							
INAV⁽¹⁾							
Reported IFRS Portfolio Value			7 280,0	4 502,4	–	2 777,6	62%
<i>Adjust for non-IFRS measures included in Intrinsic Portfolio Value⁽²⁾:</i>			(193,5)	(29,1)	–	(164,4)	–
30 day VWAP difference to SPOT on listed portfolio assets			(84,9)	88,5	–	(173,4)	(196%)
Deferred taxation on 30 day VWAP difference			6,6	7,1	–	(0,5)	(7%)
BEE lock in discount on listed assets			(111,2)	(115,7)	–	4,5	4%
Other			(4,0)	(9,0)	–	5,0	55%
Segment reported Intrinsic Portfolio Value			7 086,5	4 473,3	–	2 613,2	58%
Cash and other net assets in the ARC Fund			1 960,4	4 228,5	–	(2 268,1)	(54%)
Cash and other net assets in the ARC Investments			28,9	32,4	–	(3,5)	(10%)
INAV			9 075,8	8 734,2	–	341,6	4%
NAV			9 269,3	8 763,3	–	506,0	6%
Number of shares (million)			1,032	1,032	–	–	–
Diluted number of shares (million)			1,037	–	–	–	–
INAV per share (cents)			879	846	–	33,0	4%
Diluted INAV per share (cents)			875	–	–	–	–
NAV per share (cents)			898	849	–	49,0	6%
Diluted NAV per share (cents)			893	–	–	–	–
Gross Intrinsic Portfolio Value⁽³⁾			8 167,1	4 991,1	–	3 176,0	64%
The following adjustments have been effected to the Gross Intrinsic Portfolio Value in arriving at the reported Intrinsic Portfolio Value.							
Total discounts recognised			(1 080,6)	(517,8)	–	(562,9)	109%
Minority discounts ⁽⁴⁾			(497,2)	(189,9)	–	(307,3)	162%
Marketability discounts ⁽⁵⁾			(645,7)	(401,4)	–	(244,4)	61%
Control premium ⁽⁶⁾			82,5	75,3	–	7,2	10%
Deferred taxation on Financial Services Portfolio assets and other adjustments			(20,2)	(1,8)	–	(18,4)	1022%
Segment reported Intrinsic Portfolio Value			7 086,5	4 473,3	–	2 613,2	58%

- [1] Intrinsic Portfolio Value is defined under the definitions in Basis of preparation.
- [2] The non-IFRS adjustments pertain to transaction costs directly attributable to the portfolio asset which have been capitalised to the cost of the portfolio asset in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*; fair value inputs considered in arriving at the fair value of the asset portfolio such as quoted market prices for listed portfolio assets. Other adjustments for non-IFRS adjustments include *inter alia*:
- listed investments valued on a 30 day VWAP basis (compared to closing spot price), net after deferred taxation
 - listed investments valued after recognising B-BBEE discounts (compared to closing spot price), net after deferred taxation.
- [3] Gross Intrinsic Portfolio Value is defined as the Intrinsic Portfolio Value before taking into account the control premium, marketability discount, minority discount and consequential deferred taxation.
- [4] These are adjustments for lack of control which are applied in the case of a minority interest valuation. In applying the minority discounts, the specific nature and characteristics of the interest being valued in relation to the facts and circumstances surrounding the valuation were considered. This analysis focused on the specific

contractual rights arising from subscription and shareholders agreements granted to the controlling shareholder(s) in the business including *inter alia*:

- election of directors;
 - ability to select management;
 - control over dividend policy;
 - ability to set corporate strategies;
 - ability to acquire or liquidate assets;
 - ability to affect future earnings; and
 - ability to acquire or liquidate the assets.
- [5] Marketability discounts, which encompass BEE lock in discounts, pertain to the lack of marketability associated with an interest in a privately held company where there is no established market for the active trade of the portfolio entity shares and listed portfolio interests where BEE lock ins are contractually agreed, and reflect the inability of the ARC Fund to sell its interest.
- [6] Control premium for purposes of Intrinsic Portfolio Value valuation is the inverse of minority discount and is applied up to 40% for equity stake investments of between 75% to 100%.

	Rain		Alexander Forbes Group Holdings Limited		Alexander Forbes Limited		Afrimat Limited		Elandsfontein Group		BKB	
	Unaudited 31 December 2017	Unaudited 7 September 2017	Unaudited 31 December 2017	Unaudited 7 September 2017	Unaudited 31 December 2017	Unaudited 7 September 2 017	Unaudited 31 December 2017	Unaudited 7 September 2017	Unaudited 31 December 2017	Unaudited 7 September 2017	Unaudited 31 December 2017	Unaudited 7 September 2017
Gross Intrinsic Portfolio Value	2 471,1	655,7	380,6	126,7	412,4	376,6	741,4	771,6	479,3	489,2	384,7	313,8
Adjustment for:	(579,1)	–	–	–	(105,7)	(108,4)	(31,2)	(115,7)	(57,5)	(66,8)	–	(93,7)
Minority discounts	(308,8)	–	–	–	(74,2)	(67,9)	(30,9)	–	–	(21,5)	–	(47,1)
Marketability discounts	(270,3)	–	–	–	(94,6)	(96,0)	(0,3)	(115,7)	(18,5)	(45,3)	–	(46,6)
Control premium	–	–	–	–	82,5	75,3	–	–	(39,0)	–	–	–
Deferred taxation	–	–	–	–	(19,4)	(19,8)	–	–	–	–	–	–
Segment reported Intrinsic Portfolio Value	1 892,0	655,7	380,6	126,7	306,7	268,2	710,2	655,9	421,8	422,4	384,7	220,1

Valuation information:

IFRS 13 fair value Hierarchy	Level 3	Level 1	Level 2	Level 1	Level 3	Level 3
Valuation methodology	Discounted Cash Flow	30 day VWAP	Proxy to listed share price 30 day VWAP	30 day VWAP	Discounted Cash Flow	31 December 2017 – Forward sale option price 7 September 2017 – Discounted Cash Flow
Other details	For Rain, there was an additional acquisition of R1 052 million in October 2017.	During the year, the Alexander Forbes Group Holdings investment was increased by a further R265 million.				

For the six month period ended 31 December 2017 R million	Unaudited 31 December 2017	Unaudited 7 September 2017	Audited 30 June 2017
10.1.3 Realisation and derecognition			
The Company 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.			
10.1.4 Fair value movements on the Investment in the ARC Fund at FVTPL			
10.1.4.1 Fair value movements on the Investment in the ARC Fund at FVTPL			
Fair value movements comprise the following items in the ARC Fund:			
Income:	548,8	-	-
Fair value movements on listed Investment Portfolio	(27,9)	-	-
Fair value movements on unlisted Investment Portfolio	468,1	-	-
Income from listed investments	11,8	-	-
Income from unlisted investments	49,8	-	-
Interest income on cash and cash equivalents	47,0	-	-
Expenses:	(39,2)	-	-
Fees paid to the Fund Manager	(34,2)	-	-
Net foreign exchange gains/(losses) on mark-to-market of foreign denominated loans and receivables in the portfolio	(3,7)	-	-
Taxation effects of performance of Financial Services Portfolio assets	(0,9)	-	-
Other expenses	(0,4)	-	-
Total	509,6	-	-

For the six month period ended 31 December 2017 R million	Unaudited 31 December 2017	Unaudited 7 September 2017	Audited 30 June 2017
10.1.4.2 Intrinsic Portfolio fair value adjustment			
Reported IFRS Portfolio fair value adjustment	440,2	-	-
Adjust for non-IFRS measures included in Intrinsic Portfolio fair value adjustment	(160,3)	-	-
30 day VWAP difference to SPOT on listed portfolio assets	(84,9)	-	-
Deferred taxation on 30 day VWAP diffs	6,6	-	-
BEE lock in discount on listed assets	(111,2)	-	-
Other	29,2	-	-
Segment reported Intrinsic Portfolio fair value adjustment	279,9	-	-

10.2 Capital and return on capital

10.2.1 Stated capital

ARC Investments has the following categories of share capital:

Category	Rights
Ordinary shares	Participating share with voting rights.
B share	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 ARC Investments and since issue of these shares, the holding percentage has never dropped below 26,1%.

For the six month period ended 31 December 2017 R million	Unaudited 31 December 2017	Unaudited 7 September 2017	Audited 30 June 2017
10.2 Capital and return on capital (continued)			
10.2.1 Stated capital (continued)			
C shares Non-participating, non-voting shares with automatic conversion based on the terms of the performance participation (refer below).			
In terms of the Mauritius Companies Act 2001, as amended, the Company is not required to have an authorised share capital. All of ARC Investments' classes of shares are of no par value and, accordingly, ARC Investments does not have a share premium account.			
Issued share capital			
Ordinary shares			
100 Ordinary shares of no par value issued at incorporation at USD 1 per share (translated at R12,91)			
526 588 235 shares issued to ARC Proprietary Limited under an asset for share sale transaction	4 506,9	4 506,9	–
505 882 353 shares issued at listing date at R8,50 per share	4 300,0	4 300,0	–
Share issue costs	(31,5)	–	–
Total issued share capital at the end of the period	8 775,4	8 806,9	–
B share			
1 share issued to ARC Proprietary Limited at nominal value of R1	–	–	–
C shares			
5 billion shares issued to UBI Proprietary Limited at nominal value of R1 for the Performance Participation	–	–	–

For the six month period ended 31 December 2017 R million	Notes	Unaudited for the period ended 31 December 2017	Unaudited for the period to Listing at incorporation 7 September 2017	Audited 30 June 2017
10.2.2 Earnings per share				
Basic earnings per share (cents)		96	(972 349 000)	(11 200 000)
Diluted earnings per share (cents)		95	(972 349 000)	(11 200 000)
Headline earnings per share (cents)		96	(972 349 000)	(11 200 000)
Diluted headline earnings per share (cents)		95	(972 349 000)	(11 200 000)
10.2.2.1 Reconciliation of reported earnings to headline earnings:				
Earnings/Headline earnings of the Company		462	–	(11,2)
There were no items that require adjustment from the reported earnings in terms of SAICA Circular 2/2015, Headline Earnings.				
10.2.2.2 Number of shares (million):				
Number of shares in issue at the end of the period	10.2.2.3	1 032	1 032	–
Weighted average number of shares (million)	10.2.2.3	484	–	–
Diluted weighted average number of shares (million)	10.2.2.4	489	–	–
Diluted number of shares (million)	10.2.2.4	1 037	–	–

For the six month period ended 31 December 2017 R million	Notes	Unaudited for the period ended 31 December 2017	Unaudited for the period to Listing at incorporation 7 September 2017	Audited 30 June 2017
10.2.2.3				
On 7 September 2017, the Company issued 1 032 470 588 shares upon listing on the JSE Limited initially through an asset for share transfer transaction with ARC Proprietary Limited (as discussed above in note 10.2.1) and thereafter a private placement including cornerstone investors Public Investment Corporation Limited (PIC), GIC Private Limited and Sanlam Private Wealth Proprietary Limited. As the issued number of shares at the beginning of the period was 100, the impact of the new issue has been weighted for the 115 days they were in issue at 31 December 2017 over the 183 day reporting period resulting in a weighted average number of shares of 484 million for the six month reporting period ended 31 December 2017.				
Diluted weighted average number of shares (million)	10.2.2.4	489	–	–
Diluted number of shares (million)	10.2.2.4	1 037	–	–
10.2.2.4				
As detailed in note 10.2.1, the Company has issued 5 billion C-shares to UBI Proprietary Limited for purposes of the Performance Participation, which in accordance with their rights and terms, are convertible into ordinary shares, at no consideration. The conversion is calculated based on the growth in the Intrinsic Portfolio Value subject to a hurdle of 10% per annum compounded annually at each financial year-end during each performance period.				

For the six month period ended 31 December 2017 R million	Unaudited for the period ended 31 December 2017	Unaudited for the period to Listing at incorporation 7 September 2017	Audited 30 June 2017
The annualised growth in Intrinsic Portfolio Value for the reporting period amounted to 14,8%, as such as disclosed in note 10.2, a performance participation amounting to R43,8 million has been recognised as a share-based payment expense with a corresponding recognition of a share-based payment reserve in equity. The consequential conversion of C shares into ordinary shares was estimated at 4 995 639 ordinary shares as at 31 December 2017, with a full dilutive impact on the weighted average number of shares for the period.			
Share-based payment expense	(43,8)	–	–

For the six month period ended 31 December 2017 R million	Unaudited for the period ended 31 December 2017	Unaudited for the period to Listing at incorporation 7 September 2017	Audited 30 June 2017
10.3 Taxation			
The company holds a Category one Global Business Licence, for the purpose of the Financial Services Act 2007. It was registered in Mauritius as a private company limited by shares on 30 June 2017 and is liable to 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 suffered and 80% of the Mauritian taxation on its foreign source income, thus having a standard taxation rate of 3%.			
The foregoing is based on current interpretation and practice and is subject to any future changes in Mauritian taxation law.			
Normal income taxation and deferred taxation is 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.			
No provision has been made for taxation as the Company incurred an estimated taxation loss with an effective taxation impact for the period of R1,5 million (at 30 June 2017: R0,4 million). A deferred taxation asset amounting to R1,9 million has not been raised as the Directors have uncertainty about the Company's ability to generate sufficient taxable profits in the foreseeable future against which the deferred taxation asset can be utilised.			
Reconciliation of taxation rate:	%	%	%
Mauritian standard income taxation rate for a company with a Category one Global Business Licence	3	-	3
Deferred taxation asset not raised	(3)	-	(3)
	-	-	-

For the six month period ended 31 December 2017 R million	Unaudited as at 31 December 2017	Unaudited at Listing 7 September 2017	Audited 30 June 2017
10.4 Risk management			
The Company's exposure to market risks is predominantly through its investment in the ARC Fund. To this end, the Board of the General Partner, through its Investment committee agrees and reviews the ARC Fund policies for managing all market risks that the financial instruments within the ARC Fund are exposed to. The directors of the Company manage the Company's exposure to market risks as indicated below.			
10.4.1 Equity price risk			
The majority of the Company's interest in the ARC Fund is deployed in equity instruments (90% at 31 December 2017; 88% as at 7 September 2017), the Company is thus exposed to equity price risk through the valuation of the underlying Portfolio Investments held by the ARC Fund. The fair value of these investments is derived through the valuations disclosed in note 10.2. The underlying Portfolio Companies are valued quarterly and the Board has access to the valuation information to monitor and review the fair value of the investments and, where impairment indicators have been identified, consider any possible impairment adjustments.			
<u>Change in portfolio equity prices:</u>			
+ 5%	6 879,6	4 160,2	-
Equity component being 90% (7 Sept 2017: 88%) of Reported IFRS Portfolio Value	6 552,0	3 962,1	-
- 5%	6 224,4	3 764,0	-
10.4.2 Interest rate risk			
The Company is mainly exposed to interest rate risk through its investment in the ARC Fund which has interest bearing loan assets and cash of R2 788 million (as at 7 September 2017: R4 745 million) in its portfolio.			
Change in portfolio loan receivable interest rates – annualised			
+ 100 basis points	27,0	48,0	-

For the six month period ended
31 December 2017
R million

Unaudited as at 31 December 2017	Unaudited at Listing 7 September 2017	Audited 30 June 2017
-------------------------------------------	------------------------------------------------	----------------------------

10.4.3 Credit risk

The cash and cash equivalents of the Company and the ARC Fund balance are held with the four largest banks in South Africa.

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

10.4.4 Currency risk

The Company's exposure to currency risk is primarily through its Investment in the ARC Fund. The portfolio interests of the ARC Fund are predominantly denominated in ZAR with 4,5% denominated in GBP. The exposure to currency risk is thus low; however, the Board continually monitors the exposure to currency risk through the Investment Committee of the Fund Manager.

10.4.5 Liquidity risk

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

10.5 Subsequent events

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

The following investments were concluded in the ARC Fund post the reporting period:

Investment R million	Equity interest acquired	Nature of investment	Amount paid
LifeCheq Proprietary Limited	25%	Class A shares	11,3
ARC Propco 1 Proprietary Limited	n/a	Shareholder loan	4,5
Elandsfontein Exploration and Mining Proprietary	n/a	Shareholder loan	10
A2X Proprietary Limited	2,5%	Ordinary shares	5,7

ARC Health Proprietary Limited: With effect from 22 January 2017, ARC Finholdco held 100% of the shares in ARC Health Proprietary Limited. ARC Finholdco acquired the shares that were previously held by a minority shareholder.

TymeDigital by Commonwealth Bank of SA Proprietary Limited (TymeDigital) – TymeDigital received its banking license from the South African Reserve Bank in September 2017 and has since fulfilled the remaining conditions precedent to the agreement. ARC Finholdco has thus become the beneficial owner of 193 546 585 shares with an equity interest of 10% in the digital bank.

10.6 Application of new and revised International Financial Reporting Standards (IFRS)

10.6.1 New standards adopted in the current reporting period:

The following new standard became effective for the company in the current reporting period and have been adopted:

Standard, amendment, or interpretation	Summary of expected impact	Effective for financial periods beginning on or after
Amendment to IAS 12 – Income taxes	<p>Summary of amendment</p> <p>The amendments were issued to clarify the existing guidance under IAS 12 around requirements for recognising deferred taxation assets on unrealised losses. The amendments clarify the accounting for deferred taxation where an asset is measured at fair value and that fair value is below the asset's taxation base. They also clarify certain other aspects of accounting for deferred taxation assets. These amendments thus do not change the underlying principles for the recognition of deferred taxation assets.</p> <p>Summary impact on the Company</p> <p>The Company has applied the existing guidance, the adoption thereof has not had an adjusting impact on the annual financial statements of the Company.</p>	1 January 2017
Amendment to IAS 7 – Cash Flow Statements	<p>Summary of amendment</p> <p>In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of the financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt.</p> <p>Summary impact on the Company</p> <p>The Company has yet to leverage the asset portfolio; this has not had an impact on the reported results of the Company.</p>	1 January 2017

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

The following standard, has been published and is deemed relevant to the Company but is not yet effective and has also not been early adopted:

Standard, amendment, or interpretation	Summary of expected impact	Effective for financial periods beginning on or after
IFRS 9 – Financial Instruments	<p>Summary of amendment</p> <p>This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.</p> <p>Summary impact on the Company</p> <p>The Directors anticipate that these amendments will be applied in the financial statements for the annual periods beginning on the respective dates as indicated alongside. The Directors have not yet assessed the potential impact of the application of these amendments.</p>	1 January 2018



11. Administrative Information

Registered Address

Level 3, Alexander House
35 Cybercity
Ebène 72201
(Level 3, Alexander House, 35 Cybercity, Ebène, 72201)
Mauritius

Registered and incorporated as a private company in Mauritius on 30 June 2017, and converted to a public company on 2 August 2017.

Company Secretary

Intercontinental Trust Limited
Level 3, Alexander House
35 Cybercity
Ebène 72201
(Level 3, Alexander House, 35 Cybercity, Ebène, 72201)
Mauritius
(Company number: C23546)

Sponsor

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FirstRand Bank Limited
1 Merchant Place
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Sandton
Johannesburg 2196
(PO Box 786273, Sandton, 2146)
South Africa
(Registration number: 1929/001225/06)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
(PO Box 61051, Marshalltown 2107)
South Africa
(Registration number: 2004/003647/07)

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