ETHOS CAPITAL

FINANCIAL RESULTS

for the six months ended 31 December 2019

EPE CAPITAL PARTNERS LTD
("ETHOS CAPITAL" OR "THE COMPANY")

INCORPORATED IN THE REPUBLIC OF MAURITIUS

REGISTRATION NUMBER: C138883 C1/GBL

ISIN: MU0522S00005

SHARE CODE: EPE

RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

Financial and operational highlights

R217 million invested during the period into existing portfolio, including **4x** acquisitions

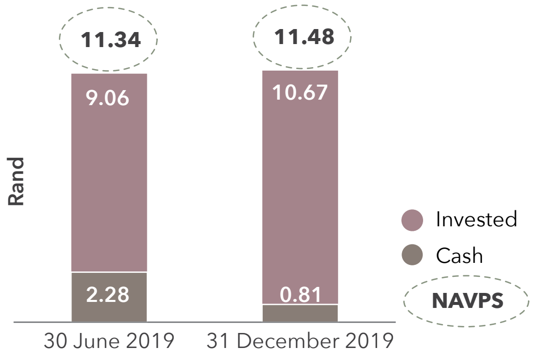
As at 31 December 2019 **R1.7 billion** invested capital, **85.5%** of total assets

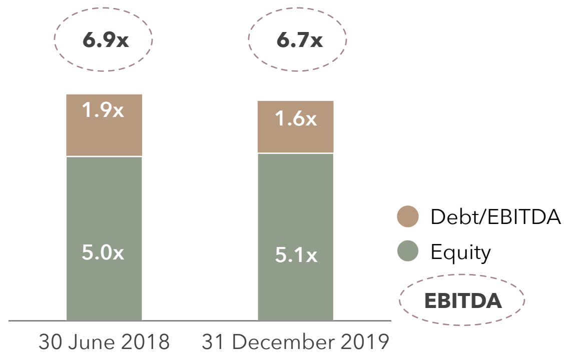
R2.0 billion total assets
R1.8 billion NAV

providing access to **19** diversified Portfolio Companies

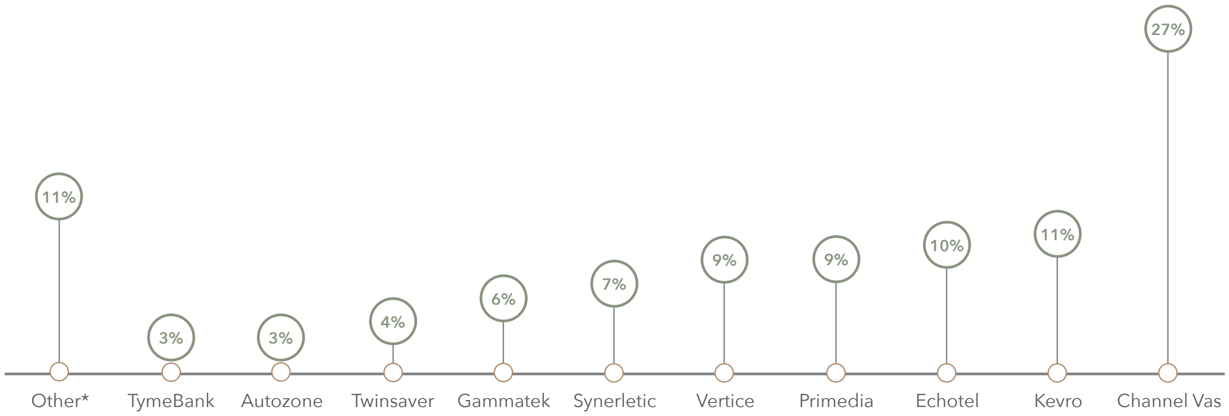
achieved a slight increase in NAVPS

with modest valuations





UNDERLYING PORTFOLIO CONTRIBUTION



** Including nine portfolio companies.*

Post period-end activity

R0.75 billion fully underwritten Rights offer increases total assets to **R2.7billion**

R2.7 billion invested capital, **100%** of total assets; exposure to **24** underlying Portfolio Companies

Introduction

EPE Capital Partners Ltd is an investment company, registered and incorporated in Mauritius as a public company. It is listed on the Johannesburg Stock Exchange ("JSE") and offers shareholders long-term capital appreciation by making commitments and investments into Funds or Co-investments that are managed by Ethos Private Equity (Pty) Limited ("Ethos"), providing the Company with largely indirect exposure to a diversified portfolio of unlisted private equity type investments ("Portfolio Companies"). The "Group" refers to the consolidated results of the Company and its deemed controlled entity.

The Group's performance is largely measured by the growth in the net asset value ("NAV") and NAV per share ("NAVPS").

A. RESULTS ANNOUNCEMENT

Overview

The economic outlook in South Africa faces significant structural and growth impediments. Consumer sentiment and business confidence remain depressed and GDP growth rates continue to underperform market expectations. During the reporting period, industrial output was subdued with many corporates choosing to delay investment and expansion pending further clarity of key sectoral policies. Unexpected load shedding also negatively impacted both consumer and business confidence which was felt across almost all of Ethos' South African based Portfolio Companies. Unfortunately, this is likely to continue over the medium term. However, strong economic growth across many other sub-Saharan African countries has continued which positively impacted those assets which had exposure to such countries.

The Ethos Capital Group modestly increased its total assets and NAVPS at 31 December 2019 to R2.0 billion and R11.48 respectively (30 June 2019: R11.34). During the period, the Company invested R0.2 billion, largely into four acquisitions within the existing portfolio and thereby increasing its invested capital to R1.7 billion, 85.5% of total assets. The investments provide exposure to 19 Portfolio Companies operating in sub-Saharan Africa (>40% by value outside of South Africa) that are currently valued at an implied EBITDA multiple of 6.7x (30 June 2019: 6.9x)

Post the period-end, in February 2020, the Company successfully completed a R750 million fully underwritten Rights offer at R7.50 per share, to fund its participation in the Brait SE ("Brait") Rights Offer. In March 2020, Ethos took over as the investment advisor to the Brait Board. The above increased both the Group's total assets and invested capital to R2.7 billion, expanding the investments further to 24 Portfolio Companies, with a wide geographic spread.

Given the uncertain economic outlook, the Board believes that remaining focused on Ethos' strategy of theme/tailwind led investing and leveraging the sector, value add and domain expertise it has, while exercising price discipline, will result in strong investment returns in excess of the Company's cost of equity.

Presentation

Ethos Capital will host a webcast presentation at 10h00 am on Thursday 12 March 2020 covering the results relating to the six months ended 31 December 2019, and outlook. A copy of the presentation is available for download on the Company's website at http://www.ethoscapital.mu/investors1/reports-results/

Participants should please register for the webcast in advance by navigating to this website:
https://www.diamondpass.net/6486164

B. CHIEF EXECUTIVE OFFICER'S REVIEW

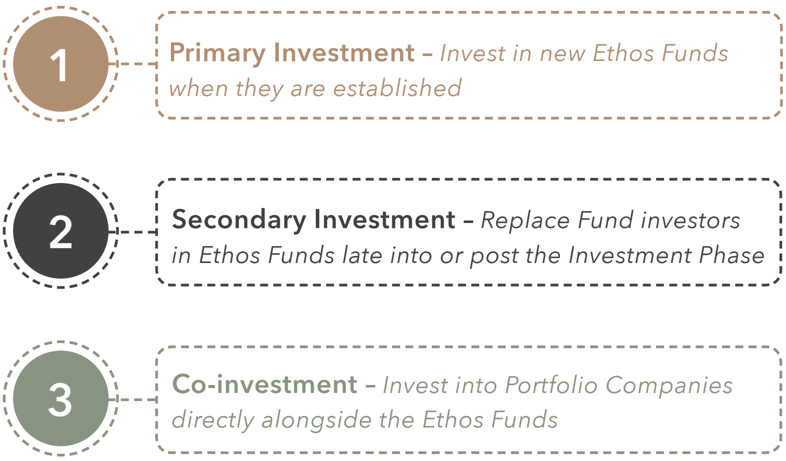
"Ethos has focused much of its efforts on improving the fundamentals of and outlook for its Portfolio Companies and positioning these businesses to benefit from an improved macroeconomic outlook."

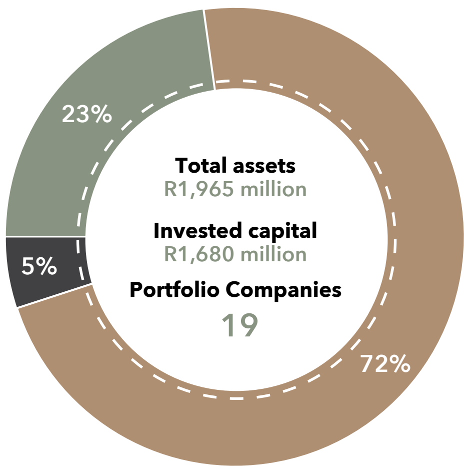
Peter Hayward-Butt
Chief Executive Officer

Company strategy

Ethos Capital provides its shareholders with access, both indirectly (through Fund investments) and directly (through Co-investments), to a diversified portfolio of unlisted companies that are actively managed by Ethos ("the Manager"). Ethos Capital aims to deliver consistent, market-beating returns through these actively managed private equity investments.

Ethos Capital invests using primary, secondary and co-investment strategies to access private equity backed companies:





The Ethos Capital Board and Investment Committee are responsible for allocating capital commitments across these three strategies based on, *inter alia*, the macroeconomic outlook, overall portfolio diversification, liquidity constraints and prevailing market sentiment.

Once the Board has made its decision to invest in the above strategies, the Manager is responsible for driving returns from the underlying Portfolio Companies.

The Investment Phase is the initial period of ownership of an asset. These investments are often held at cost for the first year as the management teams of the underlying investment develop and initiate operational strategies for the Portfolio Company.

The Growth Phase is the period of ownership where the Manager's Value Add capacity and capabilities are institutionalised in the Portfolio Companies to drive growth. This phase is normally between three and five years.

The Mature Phase entails preparing the Portfolio Company for exit and executing the sales process. The proceeds are then returned to investors.

Ethos has a long, successful track record. Since 1984, Ethos' large equity Funds have invested in 108 Portfolio Companies, 96 of which have been sold generating a realised IRR of 36%.

The key factors that differentiate Ethos and have led to this sustained outperformance are:

- The largest and most experienced team of private equity professionals in sub-Saharan Africa.
- A world-class governance platform and investment process which leverages the experience of doing deals on the continent for 35 years.
- A highly skilled Value Add capability which is leveraged to provide strategic and operational insights into Portfolio Companies.
- Sector expertise and domain knowledge (such as artificial intelligence ("Ai")) in addition to an extensive understanding of all aspects of the private equity lifecycle.

A combination of the above and the industry expertise and oversight of the Ethos Capital Board, provide a unique investment opportunity to enable shareholders to benefit from the sustained outperformance that private equity can deliver.

Performance overview

The economic conditions across sub-Saharan Africa have remained mixed during the period.

The South African economy faces significant structural and growth impediments. Consumer sentiment and business confidence are at multi decade lows and GDP growth rates continue to underperform market expectations. Industrial output remained muted with many corporates choosing to delay investment and expansion pending further clarity of key sectoral policies. Unexpected load shedding during the second half of 2019 also negatively impacted both consumer and business confidence which was felt across almost all of Ethos' South African based Portfolio Companies. Unfortunately, this is likely to continue to be a reality over the medium term.

By contrast, the strong GDP growth rates of some of the other countries in sub-Saharan Africa have provided a strong platform for growth in key sectors of these economies. While strong growth rates provide a solid platform for investment in these sub-Saharan African countries, political and currency stability remain key risk factors.

Difficult macroeconomic conditions do however have a silver lining. The Ethos Funds assessed a significant number of investment opportunities during the year. High quality businesses at reasonable valuations provide an opportunity to generate strong returns.

To counter the macroeconomic headwinds in South Africa and to benefit from the secular growth in countries in sub-Saharan Africa, Ethos has focused on investments in those regions, sectors and companies that have the propensity to benefit from the following key growth tailwinds:

1. Technology-driven disruption to "business as usual"
2. Transportable business models scaling across countries
3. LSM migration and demand-led growth in consumer goods
4. Lowest cost-to-serve, scalable businesses
5. High impact, differentiated services
6. Growing connectivity and data access

Investments that have one or more of the above attributes have a demonstrably better chance of creating a sustainable business niche and delivering market leading returns.

Since June 2019, the Ethos Funds invested a total of R620 million into four existing Portfolio Companies. Ethos Capital's share of the above investments totalled R217 million. As a result and including the growth in the investments, Ethos Capital's invested capital increased from R1.4 billion at 30 June 2019 to R1.7 billion (from 74.0% to 85.5% of total assets) as at 31 December 2019, across 19 Portfolio Companies.

The underlying growth in value of the portfolio in the past six months has been muted. At a Group level, the NAVPS was largely flat increasing from R11.34 at 30 June 2019 to R11.48 as at 31 December 2019. This is reflective of the difficult economic conditions in South Africa with profitability under pressure and valuation multiples approaching multi year lows across most industrial sectors.

The performance of the 16 Portfolio Companies that are valued on an earnings-based methodology was mixed, with nine showing positive EBITDA growth but seven experiencing profitability declines over the past twelve months. Strong growth in certain key sub-Saharan African markets positively impacted the performance of Channel VAS in particular and enabled a very positive exit for Ethos Fund VI from its investment in Eaton Towers. However, the challenging operating environment in South Africa resulted in the aggregate attributable revenue across the portfolio growing by 5.3% and attributable EBITDA by 3.2%, with the cost inflation offsetting many of the cost-optimisation initiatives undertaken by the Portfolio Companies.

Ethos Mid Market Fund I

The Ethos Mid Market Fund I ("EMMF I") is a majority black owned and controlled entity which invests into medium sized private equity investment opportunities predominantly in South Africa.

Since 30 June 2019, EMMF I completed a follow-on investment in Echotel to acquire Gondwana. Gondwana provides in-country presence and a platform across nine sub-Saharan African countries, which gives the business the scale and service offering to compete successfully in the corporate ISP space across the continent. Ethos Fund VII has co-invested alongside EMMF I into Gondwana.

Ethos Capital has committed R950 million to this Fund out of the Fund's total commitments of R2.5 billion. As at 31 December 2019, R595 million of this commitment has been drawn.

Ethos Mezzanine Fund

The pipeline of opportunities for Ethos Mezzanine Partners Fund 3 ("EMP 3") remains strong, with particular application of the mezzanine product to growth opportunities in sub-Saharan Africa for investee companies looking to access growth capital. The Fund has two transactions at an advanced stage which are likely to complete before 30 June 2020.

Ethos Capital has committed R250 million to this Fund out of the total commitments of US$124 million (c.R1.7 billion). As at 31 December 2019, R40 million of this commitment has been drawn.

Ethos Fund VI

Ethos Fund VI ("EF VI") concluded a number of bolt-on and follow-on investments by the Portfolio Companies during the period to complete the Fund's investment programme.

While Ethos Capital's commitment to Ethos Fund VI is small (US$10 million), the Company has made a number of co-investments alongside the Fund, including Primedia and Vertice.

In January 2020, EF VI completed the sale of Eaton Towers to American Towers. The investment was a highly successful one for the Fund which realised c.2.5x money back in ZAR over the 4.5-year investment period.

Ethos Healthcare Platform

The Ethos Healthcare Platform ("EHP") has continued to invest behind the buy-and-build strategy for Vertice, a medical technology ("MedTech") business that it acquired in May 2018. Since acquisition, the Company has acquired five complementary MedTech businesses to build scale in a high-end market-leading, scaled supplier of high-end medical devices. Ethos Capital has invested R85 million into the platform to date.

Ethos Fund VII

Ethos Fund VII ("EF VII") is the successor equity fund for EF VI (which is now fully invested) and had its first close in October 2018.

The Fund completed its first investment into Channel VAS, an airtime credit service provider with operations and contracts with mobile network operators across 28 countries in Africa. Ethos Capital also made a co-investment in Channel VAS, alongside the Fund, through Ethos Direct Investment Fund ("EDI"). The company continued to grow strongly during the 6 months to 31 December 2019 although the stronger ZAR:USD in Q4 19 moderated the increase in the Channel VAS valuation.

EF VII also co-invested alongside EMMF I to facilitate the acquisition of Gondwana by Echotel.

Ethos Capital has committed R1.25 billion as a first close investor to EF VII. As at 31 December 2019, R372 million of this commitment has been drawn.

Ethos Ai Fund I

The Ethos Ai Fund I ("EAiF I") was established as a co-investment vehicle which invests alongside other Ethos Funds in businesses that will benefit from the adoption and implementation of algorithmic decision making. The Fund had its first close in October 2018 and has invested alongside EF VII in Channel VAS, and alongside the EHP in Vertice. In June 2019, the Fund announced the acquisition of an interest in TymeBank alongside African Rainbow Capital Limited.

The Fund is exploring a number of interesting data-driven transactions, some of which are at an advanced stage of due diligence.

Ethos Capital has committed R150 million as a first close investor to EAiF I. As at 31 December 2019, R108 million of this commitment has been drawn.

Valuations

As at 31 December 2019, the implied EV/maintainable EBITDA of the portfolio (that is valued using an earnings-based approach) was 6.7x (6.9x at 30 June 2019) and the implied price earnings ratio ("PER") is 11.6.

Based on the share price as at 31 December 2019, the "market implied" EV/maintainable EBITDA and PER are 4.7x and 8.1x respectively.

Liquidity

As at 31 December 2019, Ethos Capital had invested 85.5% of its total assets.

Ethos Capital, like its local and global listed private equity peers, follows an "overcommitment" strategy. Ethos Capital makes commitments to funds, secondaries and co-investment transactions that exceed the current cash and debt facilities available to the Company. The Board closely monitors the liquidity profile of the Company and benchmarks the liquidity against a number of widely used ratios.

Ethos Capital has agreed the terms of a debt facility with Rand Merchant Bank ("RMB"). The Board believes that the prudent use of leverage to supplement its equity invested into various Funds and co-investments should enhance returns. The Board considers both the asset cover (total assets/net debt) and the "look-through" net debt:EBITDA ratio of the portfolio in determining the optimal level of debt to utilise for investment purposes. The current maintainable net debt:maintainable EBITDA of the Portfolio Companies is 1.6x as at 31 December 2019 (1.9x at 30 June 2019).

Post year end transaction

The Board announced a transaction on 27 November 2019 whereby Ethos Capital would invest R600 million (via EDI) alongside Ethos Fund VII (R750 million) to invest in the Brait Rights Offer.

The rationale for Ethos Capital was to acquire a stake in a high-quality portfolio of assets at a discount to their fundamental value. Ethos will take over as adviser to the Brait Board and the medium term strategy is to optimise the exit proceeds from the Brait assets and return the capital to Brait shareholders.

To fund its participating in the Brait Rights Offer, Ethos Capital undertook a Rights Issue to raise R750 million which completed on 12 February 2020. The rights were taken up by a combination of existing and new investors and the Company issued 100 million new shares.

The transaction has completed and Ethos has taken over the role of adviser to the Brait Board on 1 March 2020.

Outlook

The Board believes that it is unlikely that there will be a material improvement in the macroeconomic outlook for South Africa in the next 12 months. However, it is likely that the number of investment opportunities will continue to remain robust and economic growth in other sub-Saharan African countries will also provide exciting investment opportunities for the various Funds.

Ethos has focused much of its efforts on improving the fundamentals of and outlook for its Portfolio Companies and positioning these businesses to benefit from an improved macroeconomic outlook. Many of the Portfolio Companies have undergone significant financial and operational restructuring in the past year to ensure they are optimally positioned for growth. Some of the Portfolio Companies have undertaken major transformational strategic transactions which have significantly changed their position in their respective markets. The Funds have continued to invest behind value-enhancing strategic projects and follow-on acquisitions to provide the Portfolio Companies with scale and new growth adjacencies.

While the effect of the Coronavirus on the global economy, both in terms of its severity and duration, is unknown, the impacts, both direct and indirect, are likely to be felt by many of Ethos' Portfolio Companies. This is likely to have an impact both on profitability and valuations of the underlying investments, the severity of which will become clearer during the first half of 2020.

Given the uncertain economic outlook, the Board believes that remaining focused on theme/tailwind led investing, leveraging the sector, value add and domain expertise of the Manager while exercising price discipline, will result in strong investment returns in excess of the Company's cost of equity.

Peter Hayward-Butt
Chief Executive Officer

C. REVIEW OF THE INVESTMENT PORTFOLIO AND RETURNS

Performance

NAV

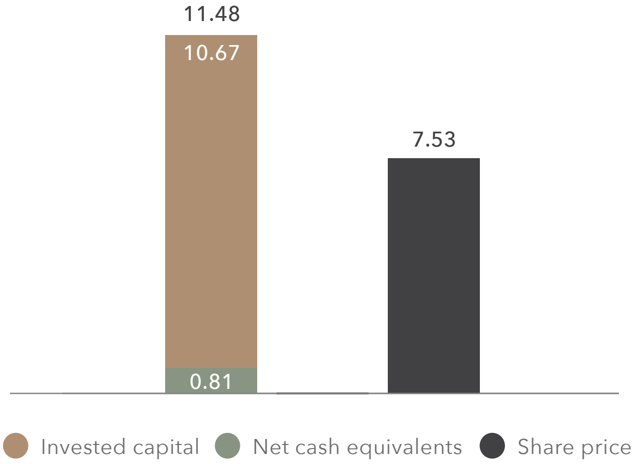
As an investment company, the key performance measure of the portfolio is the growth in its NAV and NAVPS. The NAVPS is derived from the underlying NAV of the Company, consisting of invested capital and net cash, and the number of its shares outstanding (net of treasury and encumbered shares). During the six months to 31 December 2019, the NAVPS increased from R11.34 to R11.48, a very modest increase that reflects the tough trading conditions in the South African market.

The Group's invested capital increased to R1.7 billion by 31 December 2019, or R10.67 per share, equating to 85.5% of the Group's total assets.

Post period-end activity

Post the period-end, in February 2020, the Group completed a R750 million Rights Offer, at R7.50 per share, that increased the Group's total assets to R2.7 billion.

GROUP NAVPS AND SHARE PRICE AT 31 DECEMBER 2019 – RAND



An analysis of the movements in the Group's NAV and NAVPS are detailed below:

	NAV R'000	NAVPS Cents
At 30 June 2019	1,785,549	11.34
Net return on Temporary Investments	14,097	0.09
Net return on investment portfolio (incl. portfolio expenses)	33,926	0.22
Provision for Rights Issue costs	(3,700)	(0.02)
Operating expenses	(5,564)	(0.04)
Interest paid	(2,916)	(0.02)
Fees paid to Ethos	(12,218)	(0.08)
Taxation	(1,221)	(0.01)
At 31 December 2019	**1,807,953**	**11.48**

The net return on the Temporary Investments portfolio (consisting of liquid NCDs, cash and call accounts) was R14.1 million, a yield of 6.8%, net of administration fees of R0.3 million that was payable to Ashburton Fund Managers Proprietary Limited ("Ashburton") for managing the portfolio.

The investment portfolio achieved a net return of R33.9 million, including investment portfolio expenses of R9.2 million, which largely relate to transaction fees (and mainly a provision for Brait), and Fund operating expenses (general legal fees, shared investor expenses, etc.).

As noted above, the Company completed a Rights Issue in February 2020, with a legal and professional fees provision of R3.7 million having been provided at 31 December 2019.

The Group is focussed on minimising its operating expenses which totalled R5.6 million during the period, principally relating to Directors' remuneration (R2.2 million), legal fees relating to the loan facility and audit, listing, administration, insurance, travel and other general costs. The operating expense equalled 0.3% of the Group's average NAV over the period. Accrued interest on the loan facility of R2.9 million has been recognised at the Group consolidated level. This represents the excess of the long term loan facility over the par value of the corresponding pledged shares recognised as treasury shares of the Group, as this amount is now a charge against the Group's profit.

The fees payable to Ethos as the Company's Investment Advisor and Investment Manager of the Funds totalled R12.2 million. These include advisory and management fees on Primary, Secondary and Direct Investments (R12.0 million), and administration fees on Temporary Investments (R0.2 million). The Ethos fees equalled 0.7% of the Group's average NAV.

Taxation of R1.2 million was largely as a result of withholding tax (R0.5 million) from income distributions received during the period and the Mauritian income tax charges.

Further details on expenses are provided in notes 10 and 13 of the Notes to the Summarised Interim Financial Statements.

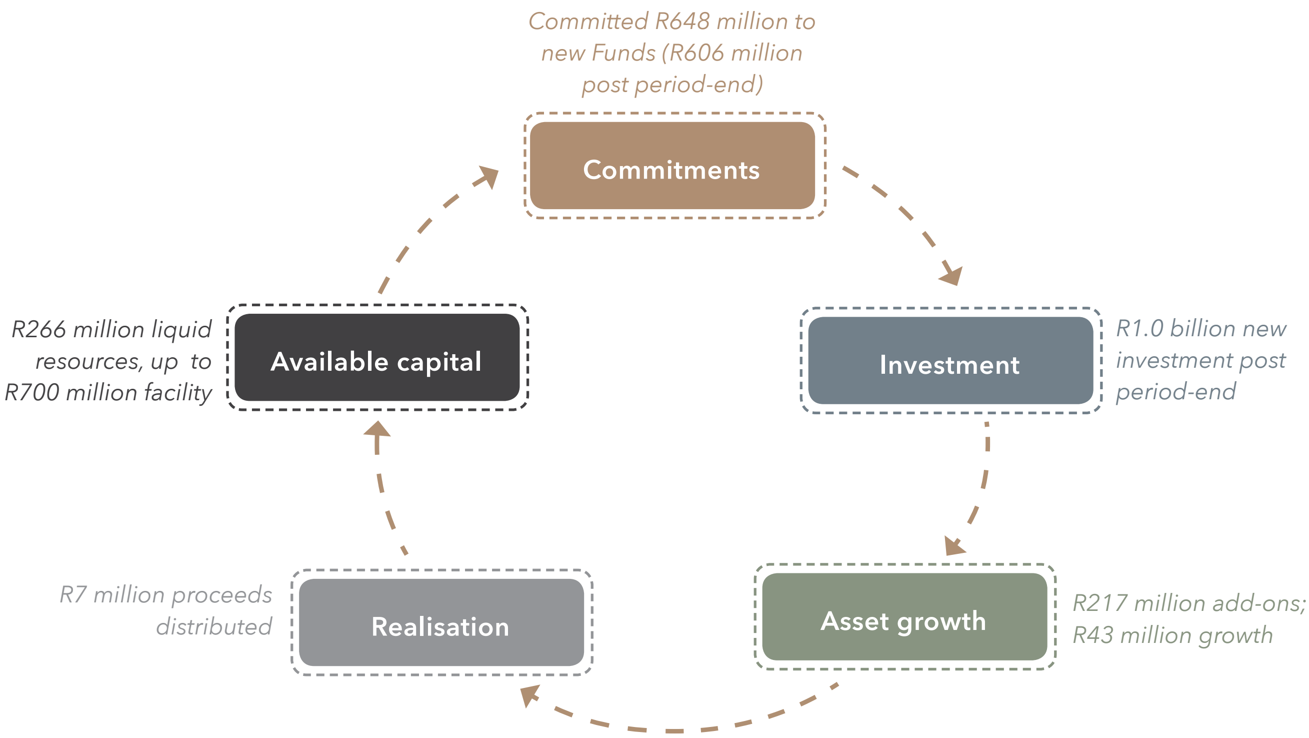
Share price analysis

Ethos Capital's share price as at 31 December 2019 was R7.53 which represented a 34% discount to the Group's 31 December 2019 NAV. The average discount to NAV during the year was c.36%.

Whilst the Board's focus remains on showing consistent growth in NAV, it will continue to monitor the Company's share price performance and the discount to NAV and assess ways to optimise long term shareholder value.

Private equity activity cycle

The Group follows the life-cycle of a private equity fund. The Board is responsible for making commitments either to existing or new Ethos Funds or to Co-investments (Direct Investments) alongside the Funds. Once these commitments are made, Ethos (the Investment Manager) takes responsibility for deploying the committed capital into various Portfolio Companies, driving growth and transformation in these underlying assets and finally exiting the businesses. The capital is then returned to Ethos Capital, either to be distributed to shareholders or to be recycled and invested in new Ethos Funds. The below provides a summary of the activities over the past six months, and where noted, the post period-end.

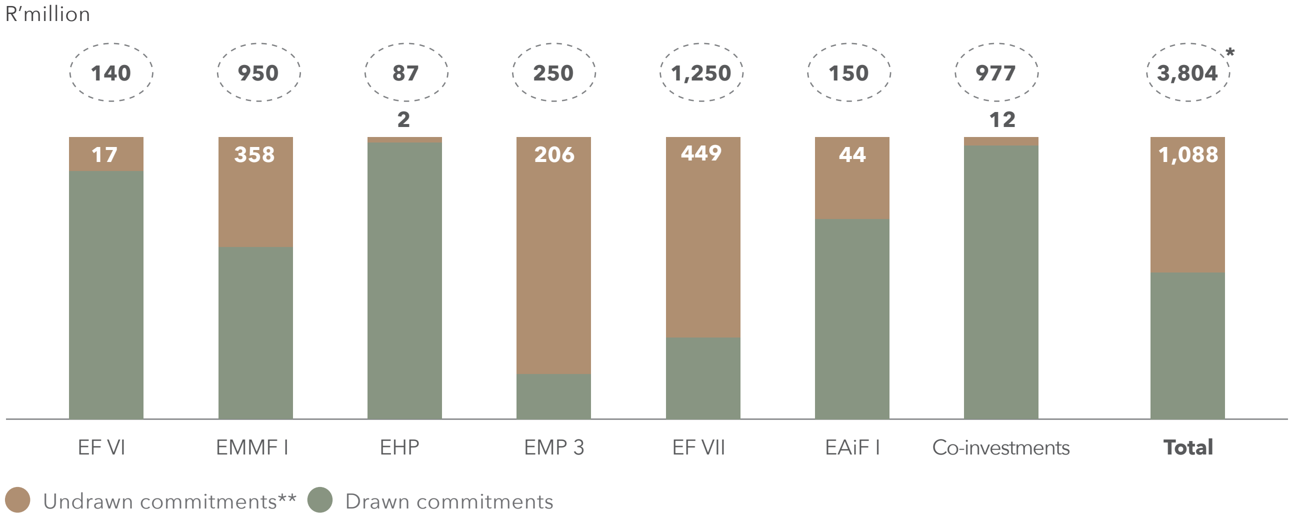


Commitments to Ethos

During the period, the Company made further commitments of R42 million to the EHP, which the EHP used to fund acquisitions within Vertice. At 31 December 2019, the Company had total commitments to Ethos Funds of R3.2 billion, of which R1.7 billion was drawn.

Post period-end activity

In February 2020, the Company made an additional commitment of R606 million to EDI, to enable a Co-investment alongside EF VII into Brait. Adjusting for the above, the Company's commitments to Ethos Funds increased to R3.8 billion, of which R1.1 billion was undrawn (including recycled distributions that can be redrawn), as detailed below.



* *At 31 December 2019, adjusted for post period-end transactions.*
** *Including recycled distributions that can be redrawn.*

Investments

Investment portfolio

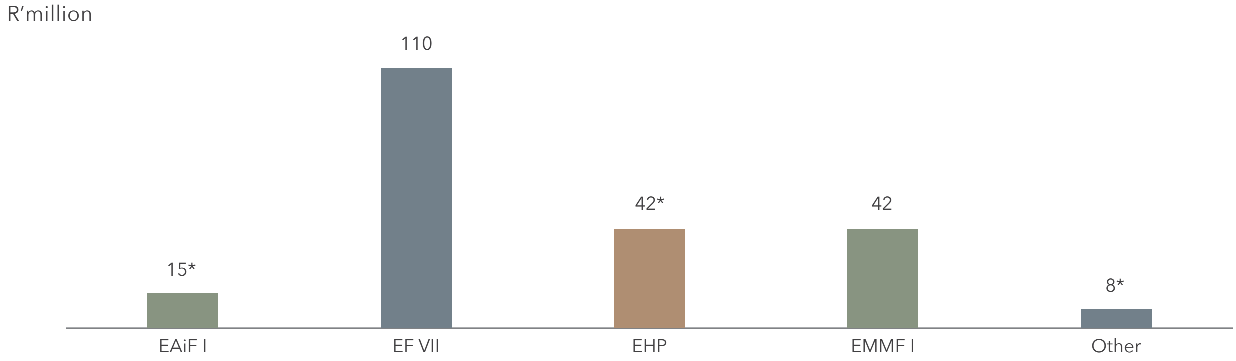
At 31 December 2019, the investment portfolio of the Company consisted of the following nine investments:

Investment name	Participation in Ethos Funds/ investments %	Valuation R'000	Share of total assets %
Primary/Secondary Investments			
EMMF I	38.9	520,949	26.5
EF VII	61.0	417,987	21.3
EAiF I	30.6	119,152	6.1
EHP	15.7	108,410	5.5
EF VI	1.4	91,286	4.6
EMP 3	14.4	40,358	2.1
Co-investments			
Primedia(1)	4.4	175,330	8.9
Channel Vas(2)	2.4	105,602	5.4
Kevro(3)	8.4	100,921	5.1
Total invested capital		**1,679,995**	**85.5**

(1) *Investment in Primedia Group (Proprietary) Ltd and Ster-Kinekor Theatres Pty Ltd.*
(2) *Investment in Ethos Direct Investment Partnership ("EDI"), that co-invested in Channel VAS Investments Ltd BVI.*
(3) *Investment in Ethos Mid Market Direct Investment Partnership ("EMM Direct"), that co-invested in Kevro Holdings (Proprietary) Limited.*

In the six months to 31 December 2019, the Company invested R217 million into the Ethos Funds. The proceeds were invested into add-ons for existing investments – more details are provided in the section on the opposite page.

Details of the capital drawdowns by Fund are provided below:



** R58 million in aggregate into Vertice.*

Post period-end activity

Post the period-end, Ethos (through Ethos Capital (R0.6 billion) and EF VII (R0.75 billion)) invested R1.35 billion in the Brait Rights Offer. Through a new commitment in EDI and its existing commitment in EF VII, Ethos Capital invested R1.0 billion into the transaction for an effective 9.8% holding in Brait. This increased Ethos Capital's total assets to R2.7 billion.

Underlying Portfolio Companies

The Ethos Funds invest in a diversified pool of unlisted Portfolio Companies which provides the Company with a diversified portfolio of underlying investments.

At 31 December 2019, the investments, constituting 85.5% of the Group's total assets, consisted of the following 19 companies:

Name	Business description	Year*	% of total assets
Channel Vas	FinTech service provider	2018	23.4
Kevro	Corporate clothing and gifting	2017	9.7
Echotel	Corporate ISP	2018	8.7
Primedia	Media	2017	8.0
Vertice	MedTech	2018	7.5
Synerlytic	Specialised analytical and testing services	2019	6.2
Gammatek	TMT accessory distribution	2018	4.8
Twinsaver	Manufacturing (FMCG)	2015	3.4
Autozone	Automotive parts retailer & wholesaler	2014	2.4
TymeBank	Banking	2019	2.3
Chibuku	Brewing and distribution	2018	2.1
Ster Kinekor	Media (entertainment)	2017	1.5
Eazi Access	Industrial support services	2016	1.5
MTN Zakhele Futhi	Telecommunications	2017	1.4
Eaton Towers	Telecoms towers	2015	0.8
The Beverage Company	Carbonated drinks manufacturer	2017	0.5
Waco International	Industrial support services	2012	0.5
RTT	Logistics	2014	0.5
Neopak	Paper and packaging	2015	0.3
			85.5

** Initial acquisition date by Ethos Fund.*

The following investments were made by the Funds during the period:

Through its MedTech platform company, Vertice, the EHP completed further bolt-on acquisitions of Jumla and Paragmed in October 2019 and Stratmed in November 2019, to consolidate its position in these complementary, high growth markets. Through its investment in EHP, EF VI and EAiF I, Ethos Capital has invested R58 million into the MedTech platform during the period.

In October 2019, the Ethos Funds utilised dividends they received to date from Channel Vas to increase their stakes in Channel Vas by a further 2.5% to 20%, with Ethos Capital investing an additional R20 million.

Echotel, an existing investment in EMMF I, completed the acquisition of Gondwana, a pan sub-Saharan African ISP, which will provide Echotel with a broad coverage and product-offering in nine key sub-Saharan countries in October 2019. The investment was partly funded by EF VII that invested alongside EMMF I into the transaction. Through its exposure to EMMF I and EF VII, Ethos Capital's share of the investment was R133 million.

In addition, during the period, Ethos Capital invested a further R6 million into the existing Portfolio Companies of EMMF I and EF VI.

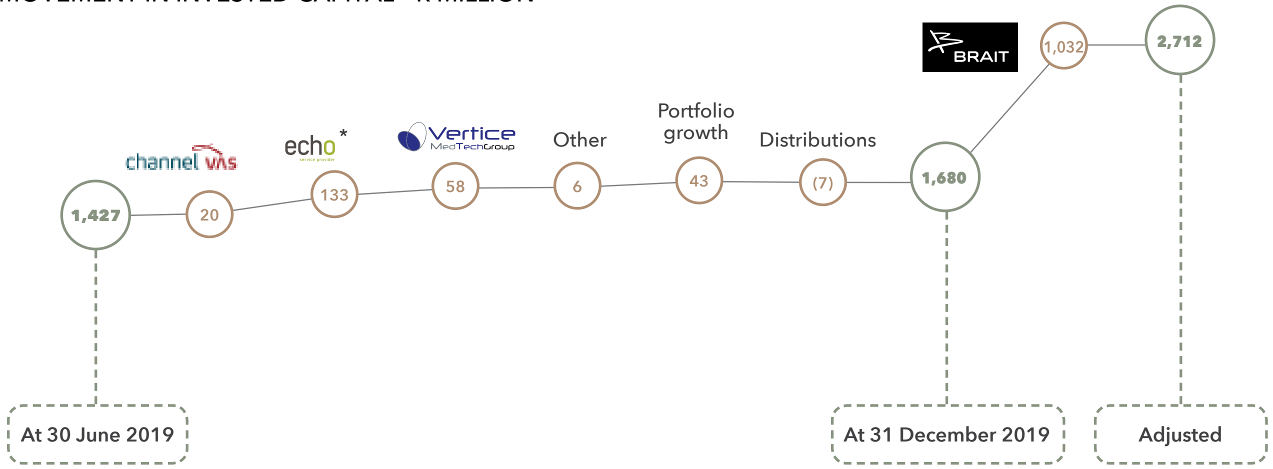
Post period-end activity

As noted earlier, in February 2020, the Company invested c.R1.0 billion in Brait through its investments in EF VII and EDI.

Ethos Capital's adjusted invested capital, taking into account the above transaction, increased to R2.7 billion, c.100% of the Group's total assets, further diversifying the portfolio and expanding its geographical exposure through 24 Portfolio Companies.

An analysis of the movements in invested capital, pre and post the period-end, is provided below:

MOVEMENT IN INVESTED CAPITAL – R'MILLION



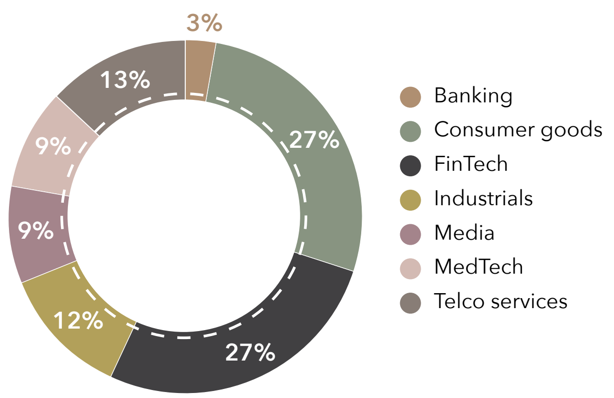
** Echotel acquisition of Gondwana.*

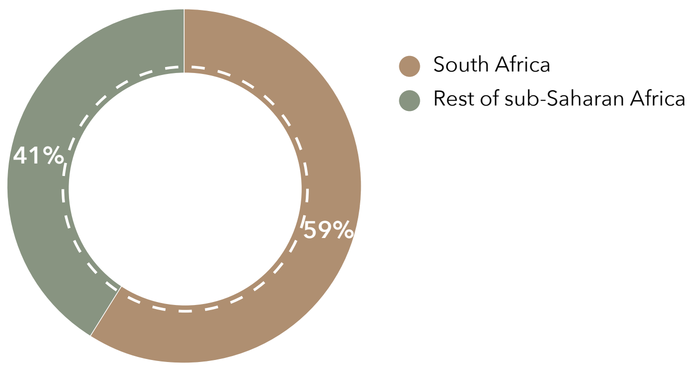
Asset growth

Portfolio Company performance

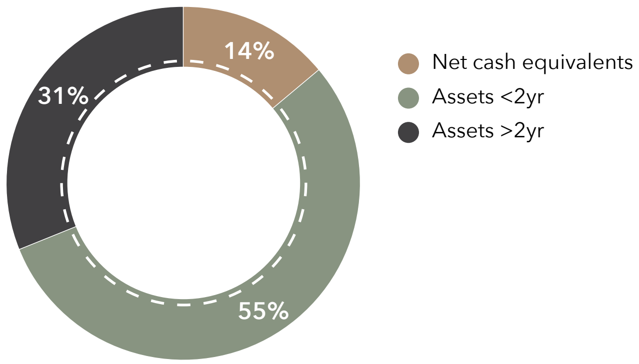
Ethos Capital's investment portfolio at 31 December 2019 has exposure to 19 Portfolio Companies that in aggregate (excluding the results of the MTN Group, TymeBank and Eaton Towers) have sales of c.R26 billion and EBITDA of c.R3.3 billion.

The Portfolio Companies span a number of sectors and geographies, providing diversified portfolio exposure.



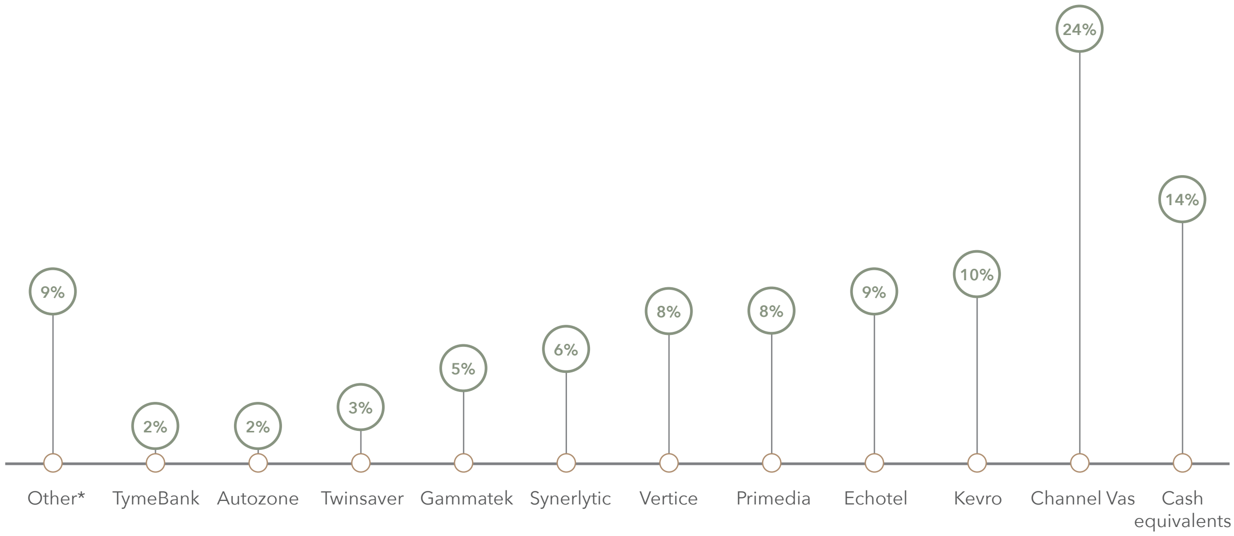


The investment portfolio has an (value-weighted) average holding-period of only 1.9 years with many of the Portfolio Companies in the early stages of their investment cycle. These assets can be expected to begin to benefit from the strategic and operational interventions that the management teams are implementing which should result in positive growth in these companies.



At 31 December 2019, the contribution of each underlying Portfolio Company and net Temporary Investments to the Company's total assets of R2.0 billion, is as follows:

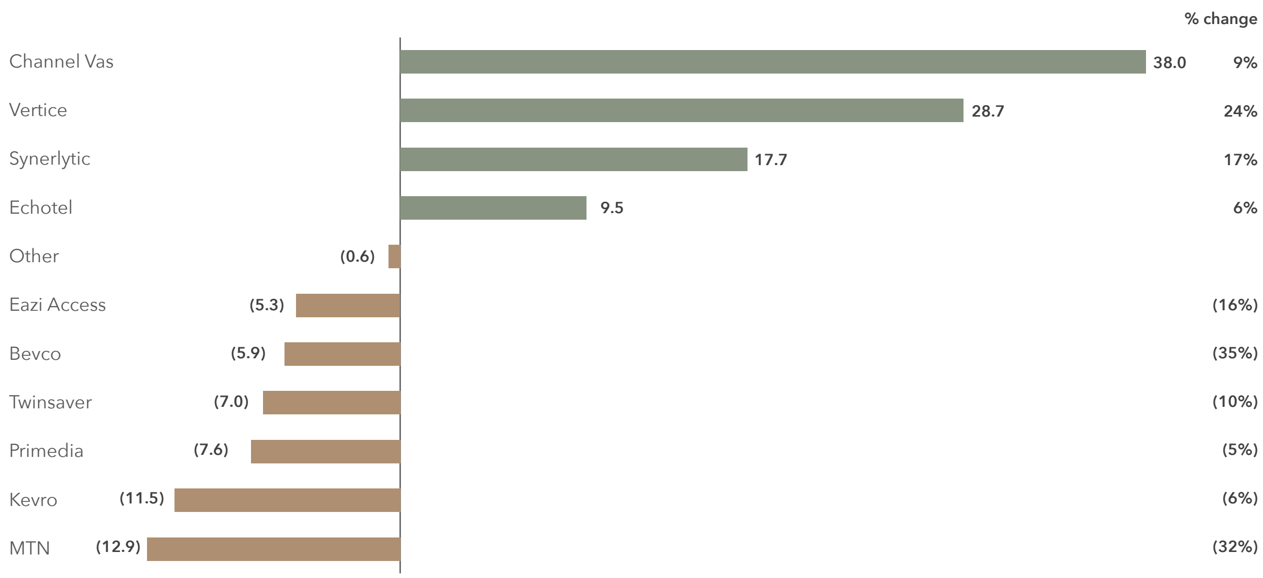
TOTAL ASSETS CONTRIBUTION – R2.0 BILLION



** Including nine portfolio companies.*

The gross portfolio return of R43.1 million over the period was largely attributable to the growth in the portfolio valuation of Channel VAS (despite the stronger ZAR:USD in Q4 19 which moderated the value increase), including dividend distributions made to the Company from EF VII, EAiF I and EDI; Vertice, that benefited from good organic growth and the impact of a number of acquisitions; and Synerlytic which grew strongly during the period. This was however partially offset by negative share price movements in MTN, and downward valuation pressures on a number of Portfolio Companies, reflective of the difficult South African trading environment. The attribution of the gross portfolio return by Portfolio Company over the six month period is detailed below:

RETURN ANALYSIS BY PORTFOLIO COMPANY – R'MILLION



Channel VAS maintained its strong growth in earnings from its airtime credit services, with some encouraging signs on the mobile financial services. The strong growth was somewhat offset by the strengthening of the ZAR:USD in Q4 19 from 15.20 to 14.01 by 31 December 2019. Synerlytic has benefited from continued strong performance in its underlying business units, especially AMIS and the recently acquired Anglo Field Services, while Vertice benefited from strong organic growth, cost savings and the benefit of a number of acquisitions.

The valuation of MTN Zakhele Futhi was impacted by its listing in November 2019, and the impact of a decline in the MTN share price since 30 June 2019.

The depressed local market conditions specifically impacted Ethos Capital's exposure to the Consumer Goods and Media sectors. Across these sectors, the Ethos Capital Portfolio Companies were impacted by delayed price increases, low sales volumes and reduced public spending activity, increased international input costs and lack of advertising spend and the inability to pass on inflationary costs given the state of the South African consumer market.

Impacted by the difficult macro conditions, the Company's attributable share of Portfolio Companies' sales increased by 5.3% over the last 12 months ("LTM"), while attributable EBITDA increased by 3.2%.

Portfolio Company valuations

The NAV of each Fund is derived from the valuations of the underlying Portfolio Companies which are prepared in accordance with International Private Equity and Venture Capital Guidelines ("IPEV Guidelines"). Valuations are performed quarterly, audited semi-annually and approved by each Fund's Advisory Boards. The IPEV Guidelines set out best practice where private equity investments are reported on at fair value, with the majority of the private equity investments being valued on an earnings multiple method.

In terms of this method, an appropriate valuation multiple is applied to an investment's maintainable earnings to determine the enterprise value ("EV") of the investment. The valuation multiple for each investments is derived from the average of public market companies' multiples, with the Investment Manager then adjusting each investment's multiple based on its risk profile and performance factors (i.e. applying a premium or discount). The EV is then adjusted for surplus assets or net debt to derive the equity value of the investment, which is then apportioned to the underlying holders of the financial instruments (e.g. shareholder loans and ordinary shares) – all of these are referred to as unobservable inputs as referred to in note 18 of the Notes to the Summarised Interim Financial Statements.

For the majority of the underlying Portfolio Companies, the key valuation inputs are the earnings (e.g. EBITDA) of a Portfolio Company and the relevant multiple that is then applied to these earnings to determine the EV. Net debt/cash is then subtracted/added to the EV to determine the equity value. The table below illustrates in aggregate how the equity value of the Company's investments is determined.

The valuation of some of the other Portfolio Companies are not derived from an earnings based valuation basis: Eaton Towers was sold pre 31 December 2019 and was valued based on the sale proceeds that were received in January 2020; Chibuku Products consists of mezzanine financing provided and is based on the fair value of the instrument less any impairment; and TymeBank, an investment in an early stage growth company, is held at the price of the most recent investment.

Ethos Capital's attributable share of the Portfolio Companies' maintainable EBITDA as at 31 December 2019 (excluding Chibuku, TymeBank and Eaton Towers – see above) was R310 million and its attributable share of the maintainable net debt was R507 million.

Based on the Company's attributable EBITDA of R310 million and an implied EV/EBITDA multiple of 6.7x, the EV of the Company's participation in the underlying Portfolio Companies is R2.085 billion. The attributable net debt of R507 million is subtracted to result in an equity value of R1.578 billion, as set out on the following page.

Based on the information provided by the Investment Manager, the implied EV/EBITDA of 6.7x represents a 46% discount to the peer group average (30 June 2019: 31%), therefore implying an unadjusted EV/EBITDA multiple, for the comparable peer groups used, of 12.4x. The Investment Manager believes that this discount applied to the peer group multiples appropriately represents the relevant discounts applied for, inter alia, liquidity, jurisdictional discount, risks and growth outlook. The implied EV/EBIAT (equivalent to a Price Earnings Ratio) of the portfolio was 11.6x.

The portfolio continued to deleverage during the year and the attributable Net Debt/EBITDA was 1.6x (30 June 2019: 1.9x).

	31 December 2019 R'million	30 June 2019 R'million
Attributable EBITDA	310.3	268.9
Implied valuation multiple	*6.72x*	*6.91x*
Attributable enterprise value	**2,085.2**	**1,858.1**
Less: Attributable debt	(507.3)	(518.4)
Attributable debt multiple	*1.6x*	*1.9x*
Attributable equity value	**1,577.9**	**1,339.7**
Add: Other equity investments	102.1	87.6
Total investments	**1,680.0**	**1,427.3**

Based on the Company's share price of R7.53 as at 31 December 2019, the market implied EV/EBITDA was 4.7x and the EV/EBIAT was 8.1x.

	Share price based 31 December 2019 R'million	NAV based 31 December 2019 R'million
Attributable EBITDA	310.3	310.3
Implied valuation multiple	*4.72x*	*6.72x*
Implied multiple discount	*30%*	
Attributable enterprise value	**1,464.6**	**2,085.2**
Less: Attributable debt	(507.3)	(507.3)
Attributable debt multiple	*1.6x*	*1.6x*
Attributable equity value	**957.3**	**1,577.9**
Add: Other equity investments	102.1	102.1
Total implied/actual investments	**1,059.4**	**1,680.0**

Realisations

During the period, distributions of over R7.0 million were received from the various Ethos Funds largely relating to underlying dividends received from Portfolio Companies, including Channel VAS (R5.6 million) and Chibuku.

In May 2019, Fund VI announced the sale of its investment in Eaton Towers, generating a ZAR 2.5x money back multiple. Upon its completion in January 2020, Ethos Capital received proceeds of R15.8 million – as reflected in the 31 December 2019 valuation.

Available capital

Liquid resources and balance sheet management

As at 31 December 2019, Ethos Capital had net liquid resources of R266 million to meet its outstanding commitments. In February 2020, the Company concluded the terms for a five-year revolving credit facility with Rand Merchant Bank ("RMB") that, subject to meeting certain required covenant levels, will provide access to between R0.5 and R0.7 billion of additional resources for the Company until February 2025.

The Company follows an "over-commitment" strategy in respect of the allocation of capital with the aim to optimise the NAVPS returns by utilising appropriate levels of gearing to enhance returns.

The Board assesses a number of key issues in determining the appropriate level of the over-commitment strategy. The Funds typically have an investment period of five years post their final close in which the Funds can call for capital from the investors to be invested in Portfolio Companies. The Funds would typically be less than 100% invested, and it is expected that realisations from the current investments will supplement the available resources before the end of the investment period. Furthermore, a Portfolio Company can raise additional financing through utilising its own bank facilities.

The Board, through the Investment Committee, regularly monitors the Company's liquidity forecast using a detailed model that forecasts potential capital calls from the Funds, operating expenses and the timing and quantum of distributions from expected portfolio realisations.

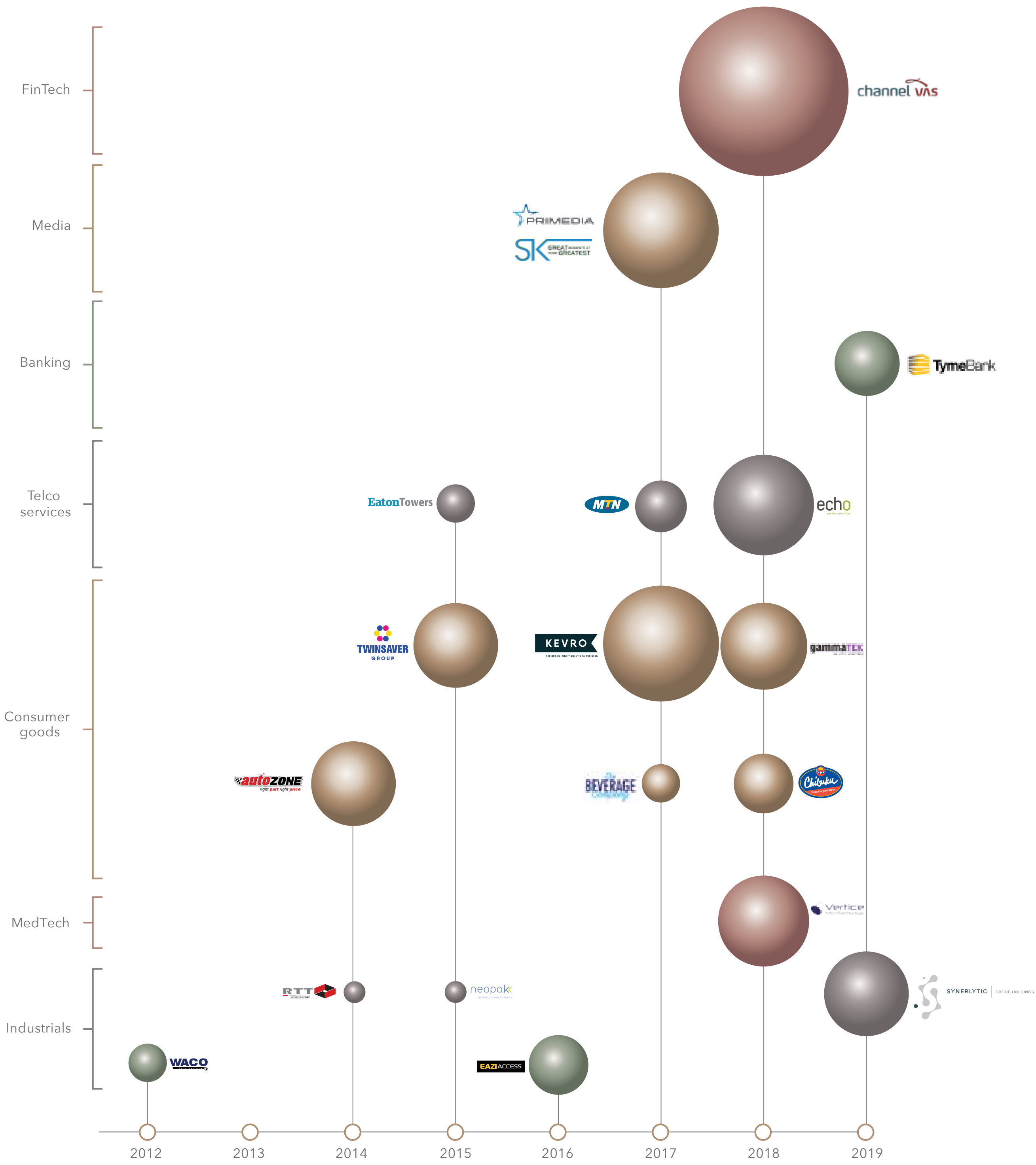
The Board is confident that the Company has the ability to fund its existing commitments to the Funds as they fall due.

Overview of the portfolio companies

Ethos Capital makes commitments into Funds or co-investments that are managed by Ethos, enabling it to invest alongside Ethos' institutional investors to provide its shareholders with unique access and exposure to a diversified portfolio of private equity-type investments. At 31 December 2019, Ethos Capital and its shareholders had an indirect exposure to 19 Portfolio Companies.

Any such indirect participation will generally form part of a much larger majority shareholding that Ethos will manage collectively on behalf of all its investors. Ethos typically aims to hold a controlling stake in the investments with significant representation on the Board of Directors of these Portfolio Companies.

The investments represent a number of industries and sectors and were acquired in different vintage years, providing exposure to different economic cycles, as detailed below.



The size of the bubbles is representative of Ethos Capital's economic interest in the Portfolio Companies.

INTERIM FINANCIAL STATEMENTS

SUMMARISED STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2019

		Group			Company		
		Unaudited		Audited	Unaudited		Audited
	Notes	31 Dec 2019 R'000	31 Dec 2018 R'000	30 June 2019 R'000	31 Dec 2019 R'000	31 Dec 2018 R'000	30 June 2019 R'000
Assets							
Non-current assets							
Unlisted investments at fair value	5	1,679,995	1,301,231	1,427,261	1,679,995	1,301,231	1,427,261
Total non-current assets		1,679,995	1,301,231	1,427,261	1,679,995	1,301,231	1,427,261
Current assets							
Other assets and receivables		394	461	16,741	392	460	16,739
Money market investments at fair value	6	278,296	594,307	481,034	278,296	594,307	481,034
Cash and cash equivalents		5,848	3,673	3,576	5,364	3,198	3,097
Total current assets		284,538	598,441	501,351	284,052	597,965	500,870
Total assets		1,964,533	1,899,672	1,928,612	1,964,047	1,899,196	1,928,131
Equity and liabilities							
Capital and reserves							
Issued capital	7	1,552,245	1,555,945	1,555,945	1,687,245	1,690,945	1,690,945
Retained earnings		255,708	201,685	229,604	258,619	201,685	229,604
Total equity		1,807,953	1,757,630	1,785,549	1,945,864	1,892,630	1,920,549
Non-current liabilities							
Borrowings	8	138,397	127,873	133,093	–	–	–
Other financial liabilities	9	–	7,604	2,388	–	–	–
Total non-current liabilities		138,397	135,477	135,481	–	–	–
Current liabilities							
Other liabilities and payables		18,183	5,249	7,582	18,183	5,250	7,582
Current tax liabilities		–	1,316	–	–	1,316	–
Total current liabilities		18,183	6,565	7,582	18,183	6,566	7,582
Total equity and liabilities		1,964,533	1,899,672	1,928,612	1,964,047	1,899,196	1,928,131
Net asset value		1,807,953	1,757,630	1,785,549	1,945,864	1,892,630	1,920,549
Net asset value per share (Rand)	16.2	11.48	11.16	11.34	11.38	11.07	11.23
Attributable shares in issue at end of the period ('000)	16.2	157,500	157,500	157,500	171,000	171,000	171,000

SUMMARISED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

		Group			Company		
		Unaudited		Audited	Unaudited		Audited
	Notes	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000
Revenue							
Changes in fair value of investments through profit or loss	10	21,927	(10,808)	5,035	21,927	(10,808)	5,035
Investment income	11	14,668	32,384	51,895	14,661	32,378	51,882
Net fair value losses	12	(277)	(289)	(26)	(277)	(289)	(26)
Total revenue		36,318	21,287	56,904	36,311	21,281	56,891
Expenses							
Administration fees	13.1	(513)	(1,285)	(1,993)	(513)	(1,285)	(1,993)
Legal and consultancy fees	13.2	(1,010)	(246)	(982)	(1,010)	(246)	(982)
Other operating expenses	13.3	(4,554)	(4,441)	(8,902)	(4,552)	(4,439)	(8,897)
Finance costs	13.4	(2,916)	(4)	(8)	–	–	–
Total expenses		(8,993)	(5,976)	(11,885)	(6,075)	(5,970)	(11,872)
Profit before tax		27,325	15,311	45,019	30,236	15,311	45,019
Income tax expense		(1,221)	(2,346)	(4,135)	(1,221)	(2,346)	(4,135)
Profit for the period/year		26,104	12,965	40,884	29,015	12,965	40,884
Other comprehensive income for the period/year		-	-	–	-	-	–
Total comprehensive income for the period/year		26,104	12,965	40,884	29,015	12,965	40,884
Earnings per share							
Basic and diluted earnings per share (Rand)	16.1	0.17	0.08	0.26	0.17	0.08	0.24

The above relates to continuing operations as no operations were acquired or discontinued during the period.

SUMMARISED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Notes	Group Unaudited Six months ended 31 December 2019 Share capital R'000	Retained earnings R'000	Total equity R'000	Company Unaudited Six months ended 31 December 2019 Share capital R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2019		1,555,945	229,604	1,785,549	1,690,945	229,604	1,920,549
Provision for rights issue costs	7	(3,700)	–	(3,700)	(3,700)	–	(3,700)
Income for the period		–	26,104	26,104	–	29,015	29,015
Balance at 30 December 2019		1,552,245	255,708	1,807,953	1,687,245	258,619	1,945,864

	Notes	Group Unaudited Six months ended 31 December 2018 Share capital R'000	Retained earnings R'000	Total equity R'000	Company Unaudited Six months ended 31 December 2018 Share capital R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2018		1,584,031	188,720	1,772,751	1,719,031	188,720	1,907,751
Buy-back of ordinary shares		(28,086)	–	(28,086)	(28,086)	–	(28,086)
Income for the period		–	12,965	12,965	–	12,965	12,965
Balance at 31 December 2018		1,555,945	201,685	1,757,630	1,690,945	201,685	1,892,630

	Notes	Group Audited Year ended 30 June 2019 Share capital R'000	Retained earnings R'000	Total equity R'000	Company Audited Year ended 30 June 2019 Share capital R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2018		1,584,031	188,720	1,772,751	1,719,031	188,720	1,907,751
Buy-back of ordinary shares		(28,086)	–	(28,086)	(28,086)	–	(28,086)
Income for the year		–	40,884	40,884	–	40,884	40,884
Balance at 30 June 2019		1,555,945	229,604	1,785,549	1,690,945	229,604	1,920,549

SUMMARISED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

		Group			Company		
		Unaudited		Audited	Unaudited		Audited
	Notes	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000
Cash flows from operating activities							
Cash generated by/(used in) operations	15	17,120	(5,695)	(25,188)	17,122	(5,693)	(25,183)
Interest income from cash and bank balances		255	310	440	248	304	427
Income tax paid		(1,170)	(2,069)	(5,533)	(1,170)	(2,069)	(5,533)
Net cash generated by/(used in) operating activities before investing activities		16,205	(7,454)	(30,281)	16,200	(7,458)	(30,289)
Cash flows from investing activities							
Net cash flow from non-current investments		(230,807)	(600,114)	(710,301)	(230,807)	(600,114)	(710,301)
Payments to acquire non-current investments		(217,397)	(595,116)	(716,928)	(217,397)	(595,116)	(716,928)
Proceeds on disposal of non-current investments		–	5,928	5,888	–	5,928	5,888
Interest received from non-current investments		1,263	337	5,060	1,263	337	5,060
Dividends received from non-current investments		6,478	1,724	19,083	6,478	1,724	19,083
Investment-related expenses		(21,151)	(12,987)	(23,404)	(21,151)	(12,987)	(23,404)
Net cash flow from current investments		216,872	625,890	758,808	216,872	625,890	758,808
Payments to acquire money market investments		(623,998)	(612,213)	(1,447,679)	(623,998)	(612,213)	(1,447,679)
Proceeds on maturities and disposals of money market investments		822,000	1,203,000	2,140,026	822,000	1,203,000	2,140,026
Interest received from money market investments		18,870	35,103	66,461	18,870	35,103	66,461
Net cash (used in)/generated by investing activities		(13,935)	25,776	48,507	(13,935)	25,776	48,507
Cash generated by operating and investing activities		2,270	18,322	18,226	2,265	18,318	18,218
Cash flows from financing activities							
Payment for buy-back of ordinary shares		–	(28,086)	(28,086)	–	(28,086)	(28,086)
Net cash used in financing activities		–	(28,086)	(28,086)	–	(28,086)	(28,086)
Net increase/(decrease) in cash and cash equivalents		2,270	(9,764)	(9,860)	2,265	(9,768)	(9,868)
Cash and cash equivalents at the beginning of the period/year		3,576	13,414	13,414	3,097	12,943	12,943
Effects of exchange rate changes on the balance of cash held in foreign currencies		2	23	22	2	23	22
Total cash and cash equivalents at the end of the period/year		5,848	3,673	3,576	5,364	3,198	3,097

NOTES TO THE SUMMARISED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

1 General information

EPE Capital Partners Ltd ("Ethos Capital", "the Company" or "the Group") was registered and incorporated in Mauritius as a private company on 26 May 2016 under the Mauritian Companies Act 2001, and was converted to a public company on 15 July 2016. The Company is licensed as a Category One Global Business Company by the Financial Services Commission of Mauritius and is designed to offer shareholders long-term capital appreciation by investing into Funds or Co-investments that provide the Group exposure to a diversified portfolio of unlisted private equity-type investments.

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

The following new and revised standards and interpretations are relevant to the Group and have been adopted in these Group (consolidated) and Company Interim Financial Statements (collectively referred to as "Summarised Interim Financial Statements"). Their adoption has not had any significant impact on the amounts reported in these Summarised Interim Financial Statements but may have affected the accounting and disclosure of transactions and arrangements. These standards are effective for companies with financial year-ends beginning on or after the effective date as noted for each standard.

Standard	Subject	Effective date
New		
IFRS 16	*Leases*	1 January 2019
IFRIC 23	*Uncertainty over Income Tax Treatments*	1 January 2019
Amendments/Improvements		
IFRS 9	*Prepayment Features with Negative Compensation*	1 January 2019
IAS 28	*Long-term Interests in Associates and Joint-venture (not relevant to the Group)*	1 January 2019
IAS 19	*Employee Benefits – Plan Amendment, Curtailment or Settlement*	1 January 2019

IFRS 16 Leases

The Group currently has no leases and it is not expected to have any in the foreseeable future.

IFRIC 23 Uncertainty over Income Tax Treatments

The current alignment of the accounting profits and the Mauritian tax legislation results in this having no impact on the Group.

IFRS 9 Prepayment features

The Group does not make prepayments on financial assets and other changes has not impacted its current borrowings.

IAS 19 Employee benefits

The Group does not currently have any employees.

3 Significant accounting policies

3.1 Basis of preparation

These Summarised Interim Financial Statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS as issued by the International Accounting Standards Board; the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee; the Financial Pronouncements as issued by the Financial Reporting Standards Council; as a minimum, the information required by IAS 34 *Interim Financial Reporting;* the Listings Requirements of the JSE; and the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licensed companies.

The Summarised Interim Financial Statements do not include all of the information required for the preparation of Annual Financial Statements and should therefore be read in conjunction with the Consolidated Annual Financial Statements for the year ended 30 June 2019.

The accounting policies applied in the preparation of these Summarised Interim Financial Statements are, where applicable to the prior financial year, consistent in all material respects with those used in the prior financial year and with IFRS, except for the adoption of the IFRS revisions as noted previously. These however have not resulted in material changes to the Group's results and/or disclosures.

The Summarised Interim Financial Statements have been prepared under the historical cost basis except for financial instruments and investments which are measured at fair value.

The Directors believe the Group has adequate resources to settle its obligations as and when they become due, therefore these Summarised Interim Financial Statements have been prepared on the going concern basis.

These Summarised Interim Financial Statements were compiled under the supervision of the Chief Financial Officer, Mr Jean-Pierre van Onselen, CA (SA), and were approved by the Board on 11 March 2020 and the Directors take full responsibility for the preparation of these results.

3.2 Basis of consolidation

The Group (consolidated) Summarised Interim Financial Statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- has the ability to use its power to affect its returns.

Controlled entities, including unincorporated entities, controlled by the Group. The Group controls an entity when it has power over and is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of controlled entities are consolidated from the date on which the Group acquires control, up to the date that control ceases.

3 Significant accounting policies (continued)

3.2 Basis of consolidation (continued)

When the Company has less than a majority of the voting rights of a controlled entity, it has power over the controlled entity when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the controlled entity unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in a controlled entity are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of controlled entities is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

There were no intercompany transactions and/or balances between the Group companies that otherwise needed to be eliminated on consolidation.

3.3 Segmental reporting

Since the Group has only one business segment, and all its investments are managed as one segment with the Board making commitments into private equity-type investments, segmental reporting is not applicable. While these private equity-type investments are potentially made in multiple industry sectors, the Board does not make its decisions or monitor investment performance individually as relevant to these sectors.

3.4 Critical judgement and accounting estimates: valuation of unlisted investments

The basis of valuation of all investments is fair value. Fair value is determined as of the end of each quarter. All investments are valued in accordance with IFRS and the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines.

As stated above, the Group's investments mainly comprise drawn commitments into Funds, which in turn invests in Portfolio Companies in which the Group has an indirect interest. In addition, the Group can also invest directly into a Portfolio Company (co-investments).

The General Partners of these Funds provide quarterly NAV statements as calculated from the Investment Advisor's valuations, which the Directors of the Group use to determine the fair value of a Fund or co-investments. The Investment Advisor's valuations, as prepared in December, are audited annually by its auditor and, its valuations, as prepared in June, are audited by the Group's auditor.

The Investment Advisor determines the individual fair value of each Portfolio Company and the Fund's NAV at the end of each quarter and the June and December valuations and NAV are approved by its Board of Advisors. The policy of the Investment Advisor to determine the fair value of the Portfolio Companies, which is in accordance with the IPEV Valuation Guidelines, is noted below.

3 Significant accounting policies (continued)

3.4 Critical judgement and accounting estimates: valuation of unlisted investments (continued)

At each reporting date after the initial acquisition date, an assessment is made of the fair value of the investment to determine any required changes in the fair value of the investment. An earnings multiple methodology is generally applied, although other methods are available and might be considered more appropriate, e.g. a discounted cash flow ("DCF") method. In terms of the earnings multiple method, an appropriate and reasonable valuation multiple is applied to the maintainable earnings of the investment. For each investment an earnings before interest, tax, depreciation and amortisation ("EBITDA") or an earnings before interest after tax ("EBIAT") multiple is generally considered appropriate to determine the enterprise value for the investment. In deriving a reasonable valuation multiple, the Investment Manager develops a benchmark multiple, generally with reference to the multiples of comparable publicly traded companies adjusted for finance costs (i.e. multiples have been degeared). The benchmark multiple is further adjusted for points of difference relating to risk profile (geographic, operational, financial, liquidity factors and growth prospects).

Maintainable earnings are typically based on historical earnings figures that are considered to be appropriate and relevant. Once an enterprise value has been determined, it is adjusted for surplus assets, excess liabilities, and financial instruments ranking ahead of the Fund's investments. The resultant attributable enterprise value is then apportioned to all investors, included in the Fund's investments, based on their respective participation in each underlying security of the Portfolio Company.

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

In some valuations, 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.

Although best judgement is used in determining the fair value of these investments, there are inherent limitations in any valuation technique involving the type of securities in which the Funds invests. Therefore, the fair values presented herein may not be indicative of the amount the Funds could realise in a current transaction.

3.5 Net asset value per share

The Group calculates and presents the Group and Company's net asset value per share ("NAVPS"), which is not required in terms of IFRS. The Board is of the view that given the nature of the Group's business, the sustainability of the NAV and NAVPS, and the growth thereon over a longer period is considered the most appropriate measurement of the Group's financial performance.

In calculating the NAVPS, the Group and Company's NAV, as presented in the Summarised Statements Financial Position, is divided by the number of shares as disclosed in note 7. For the purposes of the NAVPS calculation, the number of shares issued is calculated as the number of shares in issue at year-end, less treasury shares and less the notionally encumbered shares.

3.6 Going concern

The Directors believe the Group has adequate resources to settle its obligations as and when they become due, therefore these Summarised Interim Financial Statements have been prepared on the going concern basis.

4 Restatement

Capital calls issued by the Funds that relate to expenses are included within expenses and allocated to the specific expense category. These expenses were previously recognised and disclosed under expenses in the Summarised Statements Comprehensive Income, alongside other operating expenses of the Group and Company. In order to improve the presentation and alignment of the returns from investments through profit and loss, the Board made a decision to recognise the above Fund and investment-related expenses under the investment returns in the Summarised Statements Comprehensive Income. Such expenses will in future be included alongside the changes in fair value of investments through profit or loss. This resulted in a reclassification and hence restatement of the comparable numbers as at 31 December 2019.

4.1 Restatement impact on Group Summarised Statements Financial Position

The restatement has no effect on the Group Summarised Statements Financial Position.

4.2 Restatement impact on Group Summarised Statements Comprehensive Income

The expenses relating to the Funds have been reclassified and included in changes in fair value of investments through profit or loss and added back to the respective expenses categories as noted below:

	Group			Company		
	Restated 31 Dec 2018 R'000	Restatement adjustment 31 Dec 2018 R'000	Previously reported at Group level 31 Dec 2018 R'000	Restated 31 Dec 2018 R'000	Restatement adjustment 31 Dec 2018 R'000	Previously reported at Company level 31 Dec 2018 R'000
Changes in fair value of investments through profit or loss	(10,808)	(12,987)	2,179	(10,808)	(12,987)	2,179
Investment-related fees	(1,285)	6,652	(7,937)	(1,285)	6,652	(7,937)
Legal and consultancy fees	(246)	5,823	(6,069)	(246)	5,823	(6,069)
Other operating expenses	(4,441)	512	(4,953)	(4,439)	512	(4,951)
Other unchanged net income	29,745	–	29,745	29,743	–	29,743
Total comprehensive income for the period	12,965	–	12,965	12,965	–	12,965
Basic and diluted earnings per share (Rand)	0.08	–	0.08	0.08	–	0.08

4 Restatement (continued)

4.3 Restatement impact on Group Statement of Cash flows

The expenses relating to Fund Partnerships that were previously recognised in net cash used in operating activities before investing activities, are now classified under net cash generated by investing activities as noted below:

	Group			Company		
	Restated 31 Dec 2018 R'000	Restatement adjustment 31 Dec 2018 R'000	Previously reported at Group level 31 Dec 2018 R'000	Restated 31 Dec 2018 R'000	Restatement adjustment 31 Dec 2018 R'000	Previously reported at Company level 31 Dec 2018 R'000
Net cash used in operating activities before investing activities	(7,454)	12,987	(20,441)	(7,458)	12,987	(20,445)
Net cash generated by investing activities	25,776	(12,987)	38,763	25,776	(12,987)	38,763
Other unchanged cash flow items	(14,649)	–	(14,649)	(15,120)	–	(15,120)
Total cash and cash equivalents at the end of the period	3,673	–	3,673	3,198	–	3,198

5 Unlisted investments at fair value

The Group obtains exposure to and has indirect interests in a diversified pool of unquoted investments ("Portfolio Companies") by investing into Fund Limited Partnerships ("Funds"), managed by Ethos Private Equity (Pty) Limited ("Ethos"), that typically have a 10-year life cycle. The Group becomes a Limited Partner of the Fund and the investments are made through commitments into the Funds. Alternatively, the Group can also make co-investment commitments to invest into Portfolio Companies alongside the Funds.

At 31 December 2019, the Group had the following investments:

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	31 Dec 2019 R'000	31 Dec 2018 R'000	30 June 2019 R'000	31 Dec 2019 R'000	31 Dec 2018 R'000	30 June 2019 R'000
Investments held at fair value through profit and loss						
Carrying amounts of:						
Unlisted investments	1,679,995	1,301,231	1,427,261	1,679,995	1,301,231	1,427,261
	1,679,995	1,301,231	1,427,261	1,679,995	1,301,231	1,427,261
Comprising:						
Cost	1,614,824	1,275,575	1,397,427	1,614,824	1,275,575	1,397,427
Unrealised capital revaluation movement at the end of the period/year	(38,517)	(34,674)	(48,366)	(38,517)	(34,674)	(48,366)
Accrued income	103,688	60,330	78,200	103,688	60,330	78,200
	1,679,995	1,301,231	1,427,261	1,679,995	1,301,231	1,427,261

5 Unlisted investments at fair value (continued)

The investments consisted of the following nine investments:

Group and Company	Participation in Ethos funds/ co-investments 31 Dec 2019 %	Cost 31 Dec 2019 R'000	Valuation 31 Dec 2019 R'000	Income distributions received 31 Dec 2019 R'000	Devaluation 31 Dec 2019 R'000
Investments held at fair value through profit and loss:					
Consisting of unlisted investments in:					
EMMF I[1]	38.9	569,358	520,949	99	(48,409)
EF VII[2]	61.0	364,614	417,987	3,449	–
Primedia Holdings Pty Ltd[3]	4.4	162,046	175,330	–	–
EAi I[4]	30.6	106,463	119,152	593	–
EHP[5]	15.7	85,057	108,410	–	–
EDI[6]	2.4	89,959	105,602	1,510	–
EMM Direct[7]	7.5	97,710	100,921	–	–
EF VI[8]	1.4	101,148	91,286	–	(9,862)
EMP 3[9]	14.4	38,469	40,358	2,090	–
		1,614,824	1,679,995	7,741	(58,271)

(1) *Ethos Mid Market Fund I (B) Partnership.*

(2) *Ethos Fund VII (B) Partnership.*

(3) *Including the investment in Ster-Kinekor Theatres Pty Ltd.*

(4 *Ethos Ai Fund I (B) Partnership.*

(5) *Ethos Healthcare (A) Partnership.*

(6) *Ethos Direct Investment Partnership.*

(7) *Ethos Mid Market Direct Investment Partnership.*

(8) *Ethos Fund VI (Jersey) LP.*

(9) *Ethos Mezzanine Partners 3.*

The valuation (or NAV) of each investment is representative of its fair value and also represents the net assets of each. The devaluation results from specific provisions made against certain of the underlying Portfolio Companies within each Fund or co-investment that are currently underperforming relative to its acquisition value, that in aggregate, devalues the NAV of the Group's investments to below its cost.

5 Unlisted investments at fair value (continued)

Group and Company	Participation in Ethos Funds/ co-investments 31 Dec 2018 %	Cost 31 Dec 2018 R'000	Valuation 31 Dec 2018 R'000	Income distributions received 31 Dec 2018 R'000	Devaluation 31 Dec 2018 R'000
Investments held at fair value through profit and loss:					
Consisting of unlisted investments in:					
EMMF I	38.9	434,798	407,195	620	(27,603)
EF VII	61.0	254,332	257,659	–	–
Primedia Holdings Pty Ltd	4.4	162,047	190,511	127	–
EMMF Direct	7.5	97,710	107,483	696	–
EF VI	1.4	97,680	100,223	6	–
EDI	2.1	85,390	86,510	–	–
EAi I	72.0	62,559	63,535	–	–
EMP 3	14.9	44,235	49,144	–	–
EHP	18.0	36,834	38,971		
		1,275,575	1,301,231	1,449	(27,603)

Group and Company	Participation in Ethos Funds/ co-investments 30 June 2019 %	Cost 30 June 2019 R'000	Valuation 30 June 2019 R'000	Income distributions received 30 June 2019 R'000	Devaluation 30 June 2019 R'000
Investments held at fair value through profit and loss:					
Consisting of unlisted investments in:					
EMMF I	38.9	527,182	491,933	2,660	(35,249)
EF VII	61.0	254,322	278,690	11,523	–
Primedia Holdings Pty Ltd	4.4	162,046	182,420	2,004	–
EMM Direct	7.5	97,710	107,029	2,986	–
EAi I	30.6	91,726	95,095	3,469	–
EDI	2.1	85,390	93,572	3,869	–
EF VI	1.4	98,003	92,114	141	(5,889)
EHP	14.0	42,579	44,727	222	–
EMP 3	14.9	38,469	41,681	3,157	–
		1,397,427	1,427,261	30,031	(41,138)

5 Unlisted investments at fair value (continued)

Further details on the Ethos Funds that the Group invest in or alongside as a co-investor, are provided below:

Fund	Type	Vintage year	Target enterprise value	Target investment size
Ethos Fund VI	Large private equity	2011	R1.5 billion – R7 billion	R350 million – R900 million
Ethos Fund VII	Large private equity	2018	R1.5 billion – R7 billion	R350 million – R900 million
Ethos Mid Market Fund I	Mid-market private equity	2016	R0.5 billion – R1.5 billion	R100 million – R350 million
Ethos Ai Fund I	Co-investment	2018	80% growth/20% early-stage growth equity	R100 million – R200 million
Ethos Healthcare Platform	Co-investment	2018	n/a	n/a
Ethos Mezzanine Partners 3	Mezzanine and quasi-equity financing	2018	n/a	n/a

At 31 December 2019, the underlying investments (Portfolio Companies) of the above Funds constituting 85.5% of the total assets, consisted of the following 19 unlisted companies:

Company

Name	Fund or type	Economic interest %	Business description/sector	Percentage of total assets 31 Dec 2019 %
Channel VAS	EF VII/EAiF I/EDI	10.4	FinTech service provider	23.4
Kevro	EMMF I/EMM Direct	16.0	Corporate clothing and gifting	9.7
Echotel	EMMF I/EF VII	31.7	Corporate internet service provider	8.7
Primedia	EF VI/Co-invest	4.7	Media	8.0
Vertice	EHP	21.2	MedTech	7.5
Synerlytic	EMMF I	37.2	Specialised analytical and testing services	6.2
Gammatek	EMMF I	20.0	TMT accessory distribution	4.8
Twinsaver	EF VI/EMMF I	7.4	Manufacturing (FMCG)	3.4
Autozone	EF VI/EMMF I	8.2	Automotive parts retailer and wholesaler	2.4
TymeBank	EAiF I	2.4	Banking	2.3
Chibuku	EMP 3	n/a	Brewing and distribution	2.1
Ster-Kinekor	EF VI/Co-invest	4.7	Media (entertainment)	1.5
Eazi Access	EF VI/EMMF I	4.8	Industrial support services	1.5
MTN Zakhele Futhi	EMMF I	0.1	Telecommunications	1.4
Eaton Towers	EF VI	0.1	Telecoms towers	0.8
The Beverage Company	EF VI	1.1	Carbonated drinks manufacturer	0.5
Waco International	EF VI	0.3	Industrial support services	0.5
RTT	EF VI	0.8	Logistics	0.5
Neopak	EF VI	1.4	Paper and packaging	0.3
				85.5

6 Money market investments at fair value

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	31 Dec 2019 R'000	31 Dec 2018 R'000	30 June 2019 R'000	31 Dec 2019 R'000	31 Dec 2018 R'000	30 June 2019 R'000
Investments held at fair value through profit and loss:						
Carrying amounts of:						
Negotiable certificates of deposit	271,753	589,271	473,532	271,753	589,271	473,532
Cash and call accounts	6,543	5,036	7,502	6,543	5,036	7,502
	278,296	594,307	481,034	278,296	594,307	481,034
Consisting of:						
Cost	276,500	576,102	474,502	276,500	576,102	474,502
Unrealised capital revaluation movement at the end of the period/year	34	75	313	34	75	313
Accrued income	1,762	18,130	6,219	1,762	18,130	6,219
	278,296	594,307	481,034	278,296	594,307	481,034

The money market investments, or Temporary Investments, are managed by Ashburton Fund Managers Proprietary Limited ("Ashburton") under a discretionary investment management agreement dated 28 July 2016. These investments are invested in money market instruments that typically consist of a combination of floating rate notes, negotiable certificates of deposit ("NCD"), treasury bills and cash or call accounts.

At 31 December 2019, the following range of interest rates was applicable to the respective categories of money market instruments, from which the accrued income at 31 December 2019 was derived:

	31 Dec 2019	
Group and Company	Low %	High %
NCD	6.6500	6.825
Cash and call accounts	6.2500	6.5000

7 Issued capital

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	31 Dec 2019 Number	31 Dec 2018 Number	30 June 2019 Number	31 Dec 2019 Number	31 Dec 2018 Number	30 June 2019 Number
Authorised, issued and fully paid						
A Ordinary Shares issued at R10.00 per share	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000
A Ordinary Shares issued at R0.01 per share	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
B Ordinary Shares issued at R0.01 per share	10,000	10,000	10,000	10,000	10,000	10,000
Total issued at time of listing	187,510,000	187,510,000	187,510,000	187,510,000	187,510,000	187,510,000
Black Hawk treasury shares (A Ordinary shares)	(13,500,000)	(13,500,000)	(13,500,000)	–	–	–
A Ordinary Shares repurchased	(9,000,000)	(9,000,000)	(9,000,000)	(9,000,000)	(9,000,000)	(9,000,000)
Total issued share capital	165,010,000	165,010,000	165,010,000	178,510,000	178,510,000	178,510,000

	R'000	R'000	R'000	R'000	R'000	R'000
Issued and fully paid						
A Ordinary Shares issued at R10.00 per share	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
A Ordinary Shares issued at R0.01 per share	75	75	75	75	75	75
B Ordinary Shares issued at R0.01 per share	–	–	–	–	–	–
Less: Share issue costs	(38,416)	(34,716)	(34,716)	(38,416)	(34,716)	(34,716)
Total issued at time of listing	1,761,659	1,765,359	1,765,359	1,761,659	1,765,359	1,765,359
Black Hawk treasury shares (A Ordinary shares)	(135,000)	(135,000)	(135,000)	–	–	–
A Ordinary Shares repurchased	(74,414)	(74,414)	(74,414)	(74,414)	(74,414)	(74,414)
Total issued share capital	1,552,245	1,555,945	1,555,945	1,687,245	1,690,945	1,690,945

On 5 August 2016, 180,000,000 and 7,500,000 A Ordinary Shares, ranking *pari passu*, were issued at an issue price of R10.00 and R0.01 per share respectively. The A Ordinary Shares were admitted to listing and trading on the JSE at that date. Each A Ordinary Share entitles the holder to, including other rights as stated in the Company's Constitution, participate proportionately in any distribution made by the Company in respect of the A Ordinary Shares and to receive a proportion of the total net assets of the Company remaining upon its liquidation.

Costs that are directly attributable to the issue of all shares, amounting to R34,716,000, were capitalised and recognised as a deduction from share capital.

At the same time, 10,000 B Ordinary Shares were issued to the Trustees of the Ethos Private Equity Allocation Trust ("the EPE Trust"), at an issue price of R0.01 per share. These shares were not admitted to the JSE for listing and trading. The B Ordinary Shares are a mechanism to effect payment of the annual performance participation to the EPE Trust in the form of a cash dividend on the B Ordinary Shares, following the notional encumbrance termination date. The B Ordinary Shares therefore entitle the holders to, including other rights as stated in the Company's Constitution, participate proportionately in any distribution made by the Company in respect of the B Ordinary Shares and, upon the A Ordinary Shares issued to the EPE Trust at R0.01 per share ceasing to be encumbered, to receive out of the profits of the Company an annual dividend that collectively represents the annual performance participation.

As set out in note 14, the 13.5 million secured A Ordinary Shares that are legally owned by Black Hawk Private Equity (Pty) Limited ("Black Hawk") and pledged as security, are treated as treasury shares of the Group at their par value of R10 per share.

8 Borrowings

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	31 Dec 2019 R'000	31 Dec 2018 R'000	30 June 2019 R'000	31 Dec 2019 R'000	31 Dec 2018 R'000	30 June 2019 R'000
Unsecured – at amortised cost						
Bank loan	138,397	127,873	133,093	–	–	–
	138,397	127,873	133,093	–	–	–
Current						
Non-current	138,397	127,873	133,093	–	–	–
	138,397	127,873	133,093	–	–	–

The Group has exposure to RMB via a R105 million five-year non-recourse loan facility (plus any outstanding interest thereon) issued by RMB to Black Hawk, expiring on 29 July 2021. This amount represents the current outstanding balance on the facility, including any accrued interest charges to 31 December 2019. Interest currently accrues at a rate that is based on JIBAR plus a 1% margin, and the interest is intended to be rolled up and settled with the capital amount outstanding upon the maturity of the loan or an earlier repayment event. Post the period-end, the facility was extended and is now expiring in February 2025.

The carrying amount of the bank loan approximates its fair value.

9 Other financial liabilities

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	31 Dec 2019 R'000	31 Dec 2018 R'000	30 June 2019 R'000	31 Dec 2019 R'000	31 Dec 2018 R'000	30 June 2019 R'000
Unsecured – at amortised cost						
Black Hawk shareholders' loans	–	7,604	2,388	–	–	–
	–	7,604	2,388	–	–	–
Non-current	–	7,604	2,388	–	–	–
	–	7,604	2,388	–	–	–

At inception, the Group had loan amounts repayable to the two Black Hawk shareholders of R15,000,000 each, which were used to acquire some of the secured shares pledged in favour of the Company in respect of the guarantee provided to RMB. Any unrealised or realised losses incurred by the Group, up to an amount of R30,000,000 representing the par value of above loans, are recoverable and therefore charged against the loans payable and treated as an unrealised gain to the Group in the Group Statement of Comprehensive Income.

The carrying amount of shareholders' loans approximates its fair value.

10 Changes in fair value of investments through profit or loss

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000
Income:						
Interest accrued and received on unlisted investments	25,081	23,986	43,184	25,081	23,986	43,184
Dividends accrued and received on unlisted investments	8,148	(2,616)	18,138	8,148	(2,616)	18,138
	33,229	21,370	61,322	33,229	21,370	61,322
Net gain/(loss) arising on changes in the fair value of unlisted investments	9,849	(19,191)	(32,883)	9,849	(19,191)	(32,883)
	9,849	(19,191)	(32,883)	9,849	(19,191)	(32,883)
Expenses:						
Ethos fees	(11,999)	(6,652)	(15,343)	(11,999)	(6,652)	(15,343)
Fund formation fees	–	(1,009)	(1,934)	–	(1,009)	(1,934)
Expenses relating to the acquisition of investments	(2,300)	(4,808)	(2,988)	(2,300)	(4,808)	(2,988)
Other Fund operating expenses	(6,852)	(518)	(3,139)	(6,852)	(518)	(3,139)
	(21,151)	(12,987)	(23,404)	(21,151)	(12,987)	(23,404)
	21,927	(10,808)	5,035	21,927	(10,808)	5,035

11 Investment income

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000
Income:						
Interest from money market investments	14,470	32,148	51,595	14,470	32,148	51,595
Interest from cash and bank balances	255	310	440	248	304	427
Amortisation of net premium	(57)	(74)	(140)	(57)	(74)	(140)
	14,668	32,384	51,895	14,661	32,378	51,882
Analysis of investment income by category of asset:						
Interest earned from fair value through profit and loss assets	14,413	32,074	51,455	14,413	32,074	51,455
Loans and receivables (including cash and bank balances)	255	310	440	248	304	427
	14,668	32,384	51,895	14,661	32,378	51,882

12 Net fair value losses

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000
Unrealised:						
Net loss arising on changes in the fair value of money market instruments	(279)	(312)	(74)	(279)	(312)	(74)
Net foreign exchange gain on conversion of cash and cash equivalents	2	23	22	2	23	22
	(277)	(289)	(52)	(277)	(289)	(52)
Realised						
Gain on realisation of money market instruments	–	–	26	–	–	26
	–	–	26	–	–	26
Net fair value losses	(277)	(289)	(26)	(277)	(289)	(26)

13 Profit before tax

Profit before tax has been arrived at after charging:

13.1 Administration fees

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000
Administration fee – Ethos	219	653	966	219	653	966
Administration fee – Ashburton	294	632	1,027	294	632	1,027
	513	1,285	1,993	513	1,285	1,993

13.2 Legal and consultancy fees

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000
Professional advisors' fees	1,010	246	982	1,010	246	982
	1,010	246	982	1,010	246	982

13 Profit before tax (continued)

13.3 Other operating expenses

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000
Company secretarial, accounting and other administration fees	558	569	1,037	558	569	1,037
Directors' emoluments	2,155	2,058	4,117	2,155	2,058	4,117
Auditors' remuneration	750	536	1,204	750	536	1,204
Insurance costs	165	240	481	165	240	481
Sponsor and listing-related fees	362	350	694	362	350	694
Other expenses	564	688	1,369	562	686	1,364
	4,554	4,441	8,902	4,552	4,439	8,897

13.4 Finance costs

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000
Other interest expense	5,304	4,992	10,212	–	–	–
Less: Reimbursement by Black Hawk shareholders	(2,388)	(4,988)	(10,204)	–		
	2,916	4	8	–	–	–

14 Capital commitments and contingent liabilities

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	31 Dec 2019 R'000	31 Dec 2018 R'000	30 June 2019 R'000	31 Dec 2019 R'000	31 Dec 2018 R'000	30 June 2019 R'000
Undrawn capital commitments:						
Consisting of unlisted investments in:						
EF VII[1]	887,386	994,060	997,678	887,386	994,060	997,678
EMMF I[2]	357,872	500,506	400,879	357,872	500,506	400,879
EMP 3[3]	205,931	204,718	211,454	205,931	204,718	211,454
EAiF I[4]	43,486	87,050	58,528	43,486	87,050	58,528
EF VI[5]	16,833	20,333	19,993	16,833	20,333	19,993
EDI[6]	10,710	13,939	14,560	10,710	13,939	14,560
EHP[7]	1,683	1,167	4,784	1,683	1,167	4,784
Primedia Holdings Pty Ltd[8]	1,605	3,663	1,605	1,605	3,663	1,605
EMM Direct[9]	–	–	–	–	–	–
	1,525,506	1,825,436	1,709,481	1,525,506	1,825,436	1,709,481
Contingent liabilities						
RMB Bank loan	–	–	–	138,397	127,873	133,093
	–	–	–	138,397	127,873	133,093
Total commitments and contingent liabilities	1,525,506	1,825,436	1,709,481	1,663,903	1,953,309	1,842,574

(1) *First close commitment of R1.25 billion to Ethos Fund VII (B) Partnership on 1 October 2018*

(2) *Final commitment of R950 million to Ethos Mid Market Fund I (B) Partnership on 7 June 2018*

(3) *First close commitment of R250 million to Ethos Mezzanine Partners 3 (B) Partnership on 16 May 2018*

(4) *First close commitment of R150 million to Ethos Ai Fund I (B) Partnership on 1 October 2018*

(5) *Commitment of $10 million (R140 million) to Ethos Fund VI (Jersey) LP on 18 November 2016*

(6) *Final commitment of R100 million to Ethos Direct Investment Partnership on 2 October 2018*

(7) *R87 million commitment to Ethos Healthcare (A) Partnership; first commitment made on 16 May 2018*

(8) *R171 million commitment to invest in Primedia Holdings Pty Ltd on 20 September 2017*

(9) *R100 million commitment to Ethos Mid Market Direct Investment Partnership on 2 August 2017*

The Company has provided a guarantee against a R105 million five-year non-recourse loan facility (plus any outstanding interest thereon) issued by RMB to Black Hawk, expiring on 29 July 2021. This amount represents the current outstanding balance on the facility, including any accrued interest charges to 31 December 2019. Interest currently accrues at a rate that is based on JIBAR plus a 1% margin, and the interest is intended to be rolled up and settled with the capital amount outstanding upon the maturity of the loan or an earlier repayment event. Post the period-end, the facility was extended and is now expiring in February 2025.

As security against the above guarantee, Black Hawk has pledged 13.5 million shares in favour of the Company, which was valued at R101,655,000 at 31 December 2019. In the event that a mandatory repayment under the RMB facility was triggered at 31 December 2019, an implied shortfall would have resulted in a loss to the Company of R36,742,000, a decrease in the NAVPS of R0.23. The guarantee has been recognised as a contingent liability in the Summarised Interim Financial Statements of the Company and the above contingent loss has not been recognised in the Summarised Interim Financial Statements of the Company.

15 Notes to the Summarised Statements Cash Flows

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000
Cash flows from operating activities before investing activities:						
Profit for the period/year	26,104	12,965	40,884	29,015	12,965	40,884
Adjustments for:						
Investment income recognised in profit	(47,897)	(53,754)	(113,217)	(47,890)	(53,748)	(113,204)
Investment-related expenses	21,151	12,987	23,404	21,151	12,987	23,404
(Gain)/loss from fair value adjustments	(9,570)	19,503	32,957	(9,570)	19,503	32,957
Net foreign exchange gain	(2)	(23)	(22)	(2)	(23)	(22)
Gain on disposal of investments	–	–	(26)	–	–	(26)
Finance costs recognised in profit	2,916	4	8	–	–	–
Income tax expense recognised in profit	1,221	2,346	4,135	1,221	2,346	4,135
	(6,077)	(5,972)	(11,877)	(6,075)	(5,970)	(11,872)
Movements in working capital	23,197	277	(13,311)	23,197	277	(13,311)
Decrease/(increase) in trade and other receivables	16,296	532	(15,389)	16,296	531	(15,389)
Increase/(decrease) in trade and other payables	6,901	(255)	2,078	6,901	(254)	2,078
Cash generated by/(used in) operations	17,120	(5,695)	(25,188)	17,122	(5,693)	(25,183)

16 Earnings and NAVPS

As detailed in note 7, the Company issued 187,500,000 A Ordinary Shares, 7,500,000 of which were issued to the EPE Trust and are currently notionally encumbered. Until these shares are released from their encumbrance (through the notional performance participation), the Company has an irrevocable right and option to acquire the notionally encumbered A Ordinary Shares at a repurchase price of R0.01 per share, being each share's fair value, and then to apply for the delisting of such shares acquired. The holders of these shares are therefore restricted from selling the shares to any party other than the Company and obtaining or sharing in any economic benefit derived from the shares, until they are released from their encumbrance.

Given the restrictions the encumbered shares place on the holder and the probability of the shares being delisted unless certain contingent conditions are met, they are excluded from the calculations to determine the earnings, headline earnings and NAV respectively. The calculations below therefore reflect the earnings, headline earnings and NAV attributable to the unrestricted A ordinary shareholders.

16 Earnings and NAVPS (continued)

16.1 Earnings and headline earnings per share

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Year ended 30 June 2019 R'000
Total comprehensive profit attributable to ordinary shareholders	26,104	12,965	40,884	29,015	12,965	40,884
Reconciliation of basic earnings to headline earnings:						
Total comprehensive profit attributable to ordinary shareholders	26,104	12,965	40,884	29,015	12,965	40,884
Items attributable to headline earnings	–	–	–	–	–	–
Headline earnings for the period/year	26,104	12,965	40,884	29,015	12,965	40,884
	'000	'000	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of earnings per share	**157,500**	159,000	158,256	171,000	172,500	171,756
Basic and diluted earnings per share (Rand)	0.17	0.08	0.26	0.17	0.08	0.24
Basic and diluted headline earnings per share (Rand)	0.17	0.08	0.26	0.17	0.08	0.24

16 Earnings and NAVPS (continued)

16.2 Basic net asset value per share

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	31 Dec 2019 R'000	31 Dec 2018 R'000	30 June 2019 R'000	31 Dec 2019 R'000	31 Dec 2018 R'000	30 June 2019 R'000
Net assets	1,807,953	1,757,630	1,785,549	1,945,864	1,892,630	1,920,549
	'000	'000	'000	'000	'000	'000
Number of shares in issue during the period/year	187,500	187,500	187,500	187,500	187,500	187,500
Less: Shares held in treasury	(22,500)	(22,500)	(22,500)	(9,000)	(9,000)	(9,000)
Less: Notionally encumbered shares	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)
Number of attributable shares in issue at end of the period/year	157,500	157,500	157,500	171,000	171,000	171,000
Basic net asset value per share (Rand)	11.48	11.16	11.34	11.38	11.07	11.23

17 Related parties

Related parties are entities with the ability to control the other party or exercise significant influence over such party in making financial and operating decisions, or anyone that is part of the key management personnel (including Directors) of the Group. The Board of Directors considered the key agreements, transactions and relationships between the Group and other entities and has classified the same entities as identified and disclosed in the Annual Financial Statements as at 30 June as related parties.

18 Financial risk factors and instruments

18.1 Overview

This note presents information about the Group's exposure to each of the below mentioned risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the products offered.

Through the Group's activities, it is exposed to a variety of risks that could result in changes to the NAV or its performance.

The main risks the Group is exposed to which could result in changes to the NAV or its performance are: capital risk; valuation risk; market risk (comprising currency risk, interest rate risk and equity price risk); credit risk; and liquidity risk.

The financial instruments of the Group and Company are categorised and measured at FVTPL or at amortised cost, as set out in note 3, and the financial risks are managed according to these categories.

These risks and financial instruments categories are detailed in note 26 of the Notes to the Annual Financial Statements as at 30 June 2019.

18.2 Fair value classification of investments

Financial assets and liabilities carried at fair value need to be classified within the appropriate level of hierarchy on which their fair values are based. The information below sets out the different levels as well as the classification of the Group's assets and liabilities where appropriate.

Investments trading in active markets and deriving their fair value from quoted market prices of identical assets are classified within level 1. These prices provide the most reliable fair value classification and the Group 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 Group is the current bid price.

Investments trading in markets not considered to be active and deriving their fair value from observable inputs other than quoted prices included within level 1 are classified within level 2. 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. The Group's money market investments will typically be classified within level 2.

Level 3 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 in Funds and co-investments are within this level.

18 Financial risk factors and instruments (continued)

18.2 Fair value classification of investments (continued)

The financial assets and liabilities measured at fair value in the Summarised Statements of Financial Position can be analysed as follows within the fair value hierarchy:

Group and Company	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Unlisted investments	28,089	–	1,651,906	1,679,995
Money market investments	–	278,296	–	278,296
At 31 December 2019	28,089	278,296	1,651,906	1,958,291

Group and Company	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Unlisted investments	–	–	1,301,231	1,301,231
Money market investments	–	594,307	–	594,307
At 31 December 2018	–	594,307	1,301,231	1,895,538

Group and Company	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Unlisted investments	–	–	1,427,261	1,427,261
Money market investments	–	481,034	–	481,034
At 30 June 2019	–	481,034	1,427,261	1,908,295

During the period, an asset with a value of R41,035,000 at 30 June 2019 was transferred from level 3 to level 1, following the listing of an underlying investment. There were no other transfers of assets from level 1 to level 2 or 3, level 2 to level 1 or 3 and level 3 to level 1 or 2.

The following table presents the movement in level 3 assets during the period/year by class of financial instrument:

	Unlisted investments		
Group and Company	**31 Dec 2019 R'000**	**31 Dec 2018 R'000**	**30 June 2019 R'000**
Non-current assets			
Opening balance	1,427,261	711,925	711,925
Transfer to level 1	(41,035)	–	–
Acquisitions	217,397	595,116	716,928
Realisations at 30 June 2019 carrying value	(99)	(7,377)	(7,445)
Net gains included in the Summarised Statements Comprehensive Income	48,382	1,567	5,853
	1,651,906	1,301,231	1,427,261

18 Financial risk factors and instruments (continued)

18.3 Sensitivity of the fair values to unobservable inputs

18.3.1 Fund investments – NAV based

The Board of Directors has approved the valuation method for level 3 investments as set out in the accounting policies. The valuation techniques used and the inputs available to determine the fair value of each investment, are detailed in note 3. The inputs that are available to the Board to determine the valuation of the investments of the Company, are the NAVs of the Funds that represent its investments. The analysis below demonstrates the impact that a potential reasonable change in the level 3 unobservable input (i.e. the Funds' NAV) might have on the fair value and NAVPS of the Group and Company at 31 December 2019.

	Group and Company		Group	Company	Group and Company
			NAVPS		
Investments	**R'000**	**% change**	**Rand**	**Rand**	**Fair value adjustment R'000**
NAV					
EMMF I	520,949	±5	±0.17	±0.15	±26,047
EF VII	417,987	±5	±0.13	±0.12	±20,899
EAi I	119,152	±5	±0.04	±0.03	±5,958
EHP	108,410	±5	±0.03	±0.03	±5,421
EDI	105,602	±5	±0.03	±0.03	±5,280
EMM Direct	100,921	±5	±0.03	±0.03	±5,046
EF VI	91,286	±5	±0.03	±0.03	±4,564
EMP 3	40,358	±5	±0.01	±0.01	±2,018
Earnings					
Primedia Holdings Pty Ltd (refer to note 18.3.2 on page 50)	175,330	n/a	n/a	n/a	n/a

18 Financial risk factors and instruments (continued)

18.3 Sensitivity of the fair values to unobservable inputs (continued)

18.3.2 Underlying Portfolio Companies – valuation drivers

The categories of unlisted assets that are valued by the Investment Manager, based on different level 3 unobservable inputs and valuation methodologies, to derive the Funds' NAVs at 31 December 2019, are as follows:

		Group and Company		
Methodology	**Category**	**31 Dec 2019 R'000**	**31 Dec 2018 R'000**	**30 June 2019 R'000**
Non-earnings based				
Other – sales proceeds	Unlisted private equity	15,811	–	–
Price of recent investment	Unlisted private equity – early stage growth	45,920	–	45,920
Other – fair value less any impairment	Unlisted mezzanine	40,358	49,144	41,681
Earnings based				
Earnings based	Unlisted private equity	1,549,817	1,252,087	1,339,660
		1,651,906	1,301,231	1,427,261

Non-earnings based

Sales proceeds – unlisted private equity

The valuation technique adopted for this investment is the agreed sale proceeds, which is a direct observable input. Therefore, no sensitivity analysis is applicable.

Price of recent investment – unlisted private equity

The valuation technique adopted for this investment is the price of recent investment, which is a direct observable input. Therefore, no sensitivity analysis is applicable.

Fair value less any impairment – unlisted mezzanine

The fair value of the mezzanine loan component of the underlying investment is based on the outstanding principal plus any accrued interest - less any impairments that are deemed required – plus any equity value that might be receivable subject to certain earnings levels of the Portfolio Company. The equity component of the underlying investment is, if applicable, based on an earnings multiple methodology. The information on the following page aims to demonstrate the impact that a potential change in a level 3 unobservable input might have on the fair value of the investment at 31 December 2019, if all other inputs remain unchanged, and absent any changes in any other subjective inputs. Any upside change, from a certain level of equity value, will result in an increase in the equity component of the investment, whereas any downside change, would firstly reduce the equity component up to a nil value, and thereafter could result in the impairment of the outstanding principal and accrued interest.

18 Financial risk factors and instruments (continued)

18.3 Sensitivity of the fair values to unobservable inputs (continued)

18.3.2 Underlying Portfolio Companies – valuation drivers (continued)

	Group and Company	Group	Company	Group and Company
	% change	NAVPS Rand	NAVPS Rand	Fair value adjustment R'000
Attributable EBITDA or EBITDA valuation multiple	+5	0.01	0.01	1,665
Attributable EBITDA or EBITDA valuation multiple	-5	(0.01)	(0.01)	(2,045)

Earnings based

The main inputs available to the Investment Advisor to determine the valuation on a case-by-case basis for each of the underlying Portfolio Companies, from which the NAV of the Funds is derived, are: maintainable earnings, trading multiples and capital structures. Earnings, for instance EBITDA, can be based on budgeted EBITDA, most recent or historic reported EBITDA, the last 12 months' EBITDA or EBITDA adjusted to a normalised earnings level.

Trading multiples are determined by identifying comparable public companies based on, for instance, their industry, size, growth stage, revenue generation and strategy. Once a public company's trading multiple is calculated, the Investment Advisor can then adjust the multiple for considerations such as illiquidity, capital structure and other differences between the public company and the Portfolio Company, based on company-specific facts and differences. The Investment Advisor can also, in addition to the original transaction multiples, consider recent private transactions in similar securities as the Portfolio Company or third-party transactions, and adjust the trading multiples as deemed appropriate.

The capital structure of each Portfolio Company determines the ranking or distribution waterfall of how the fair value is firstly allocated to each type of security, and secondly to each holder of such securities, for example taking into consideration preferred rights or incentive schemes upon an exit scenario, possible earn-out payment etc. Other subjective inputs to use might be based on the Investment Advisor's assessment of the quality of earnings, third-party external debt, comparability differences and probability of default.

All these numerical and subjective inputs are recorded and maintained, for each Portfolio Company, in a valuation model designed, controlled and updated by the Investment Advisor. The Board of Directors does not have direct access to or control over or provide input to these valuation models or the subjective assessments that were considered in deriving at the fair value and is not reasonably available to the Board. The Board however receives summary output of the valuation outcomes and drivers from the Investment Advisor, which the Board can then review to assess the reasonableness of the Fund NAVs provided in determining the valuation of the Company's investment portfolio and its NAV. However, the Board does not currently maintain or develop its own independent quantitative unobservable inputs. All these inputs and considerations are largely interdependent and subjective, and the models are highly complex for an outside party to manage. Therefore, it is not reasonable, and potentially misleading, for the Board to determine and present to the shareholders of the Group a sensitivity analysis of the potential impact on changes to one or more of the underlying inputs to fair value. The Board instead derives implied multiples and the impact thereof based on information that is reasonably available to it.

18 Financial risk factors and instruments (continued)

18.3 Sensitivity of the fair values to unobservable inputs (continued)

18.3.2 Underlying Portfolio Companies – valuation drivers (continued)

The analysis below aims to demonstrate, where relevant, the impact that a potential change in a level 3 unobservable input (maintainable EBITDA, maintainable net debt or the EBITDA valuation multiple) might have on the aggregate fair value of the respective Fund categories and NAVPS of the Group and Company at 31 December 2019, if all other inputs remain unchanged, and absent any changes in any other subjective inputs. The Board believes that it is more useful to provide this information in aggregate by Fund type and vintage (see note 5 on page 33), including the co-investments that are made alongside the Funds, reflecting the monitoring levels of the Board.

Each Fund's attributable EBITDA and Net Debt presented in the table, represent the aggregate of the maintainable EBITDA and Net Debt of the underlying Portfolio Companies for each Fund category, as used in the underlying valuations, multiplied by the Group's implied effective economic participation held via the Funds in each Portfolio Company. The implied multiples were then calculated in relation to the aggregate fair value of the Fund categories.

	Group and Company		Group	Company	Group and Company
			NAVPS		Fair value adjustment
At 31 December 2019	**R'000**	**% change**	**Rand**	**Rand**	**R'000**
EF VI and relevant Co-investments:					
Attributable EBITDA	81,000	±5	±0.15	±0.14	±23,740
Attributable Net debt	154,000	±5	∓0.02	∓0.02	∓3,900
Implied EBITDA valuation multiple	6.8x	±5	±0.15	±0.14	±23,740
EF VII and relevant Co-investments:					
Attributable EBITDA	67,000	±5	±0.18	±0.17	±28,435
Attributable Net cash	(15,000)	±5	±0.00	±0.00	±550
Implied EBITDA valuation multiple	8.1x	±5	±0.18	±0.17	±28,435
EMMF I and relevant Co-investments:					
Attributable EBITDA	120,000	±5	±0.25	±0.23	±39,000
Attributable Net debt	296,000	±5	∓0.06	∓0.05	∓8,800
Implied EBITDA valuation multiple	7.5x	±5	±0.25	±0.23	±39,000

18 Financial risk factors and instruments (continued)

18.3 Sensitivity of the fair values to unobservable inputs (continued)

18.3.2 Underlying Portfolio Companies – valuation drivers (continued)

Given the potential impact of changes to the Investment Manager's subjective considerations in the event that any unobservable inputs change, different capital structures and participation ratios that might change at different valuation levels, the Board believes it is not reasonable, and potentially misleading, for it to accurately determine and present to the shareholders of the Group the sensitivity analysis of the potential impact on changes to one or more of the underlying inputs to fair value. Therefore, shareholders need to be careful when considering above indicative fair value adjustments.

Included in the analysis on page 49, is the impact of the Group's co-investment in Primedia Holdings Pty Ltd, representing the direct shareholdings in the equity of Primedia and Ster-Kinekor Theatres. The below information aims to demonstrate the impact that a potential change in a level 3 unobservable input might have on the fair value of the investment on a standalone basis at 31 December 2019, if all other inputs remain unchanged, and absent any changes in any other subjective inputs.

	Group and Company		Group	Company	Group and Company
			NAVPS		Fair value adjustment
	R'000	% change	Rand	Rand	R'000
Earnings based – unlisted investment in Primedia:					
Attributable EBITDA	37,000	±5	±0.09	±0.08	±13,717
Attributable Net debt	99,000	±5	∓0.03	∓0.03	∓4,950
Implied investment EBITDA valuation multiple	7.4x	±5	±0.09	±0.08	±13,717

19 Events after the reporting period

On 12 February 2020, the Company completed a fully underwritten rights issue, raising R750 million at a value of R7.50 per share. There have been no other material events after the reporting date that would require disclosure or adjustment to the Summarised Interim Financial Statements for the period ended 31 December 2019.

CORPORATE INFORMATION

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Kevin Allagapen
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Disclaimer

The financial information in this announcement is itself not audited, but is extracted from the audited Annual Financial Statements

Ebene, Mauritius (with simultaneous circulation in Johannesburg)

12 March 2019

Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

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