



## FINANCIAL RESULTS

*for the six months ended  
31 December 2020*



EPE CAPITAL PARTNERS LTD  
INCORPORATED IN THE REPUBLIC OF MAURITIUS

REGISTRATION NUMBER: C138883 C1/GBL

ISIN: MU0522S00005

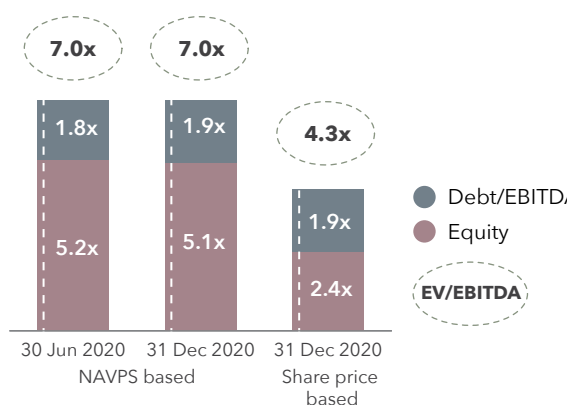
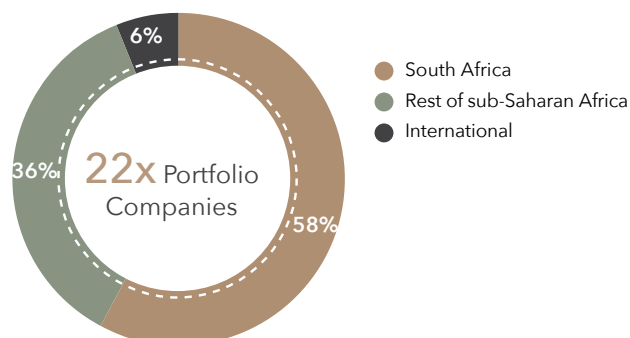
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("ETHOS CAPITAL" OR  
"THE COMPANY" OR "THE GROUP")

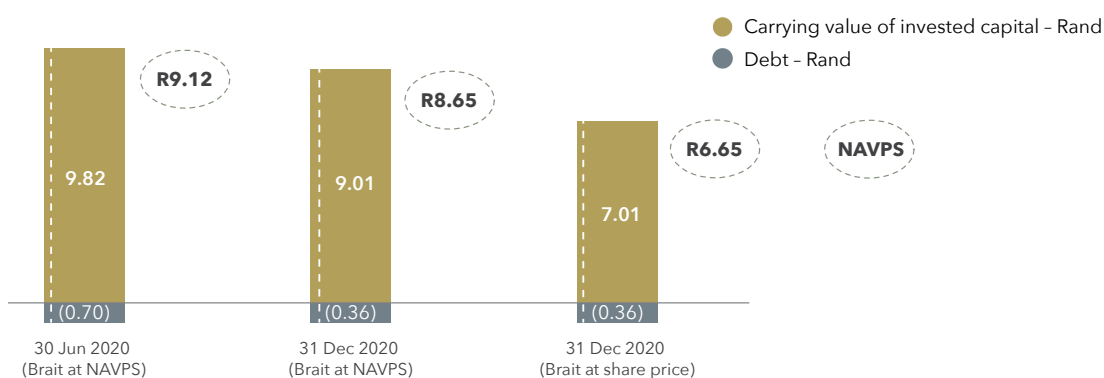
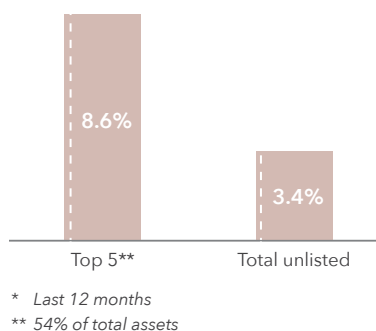
## Financial and operational highlights for the six months ended 31 December 2020

Performance of underlying Portfolio Companies remains constrained by the COVID pandemic

**R1.8 billion** carrying value of  
invested capital  
**96%** of total assets

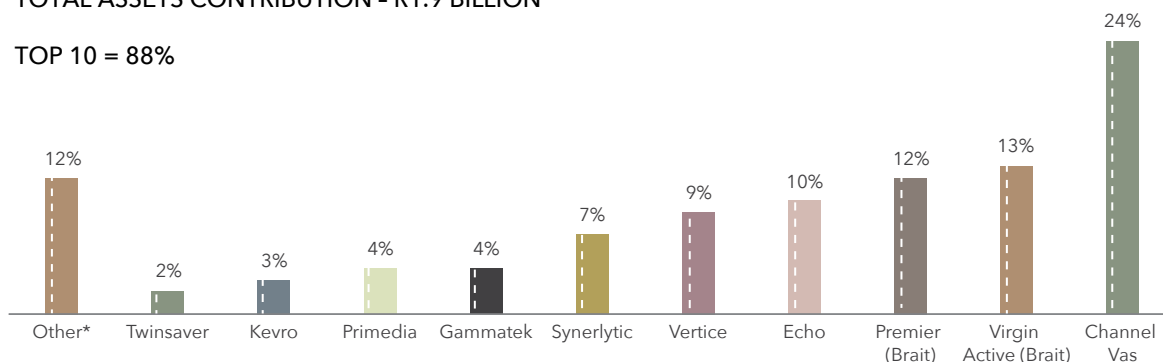


### LTM\* EBITDA GROWTH OF UNLISTED PORTFOLIO



### TOTAL ASSETS CONTRIBUTION - R1.9 BILLION

TOP 10 = 88%



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

## A. RESULTS ANNOUNCEMENT

### Overview

COVID has had a significant impact on most of the Portfolio Companies. As a consequence of the initial lockdown, the Portfolio Companies implemented significant cost-saving initiatives and improved operational efficiencies, and focused on finding opportunities to grow the businesses post the crisis. With the improved consumer sentiment, slightly improved macroeconomic outlook, and easing of respective lockdown restrictions towards the second part of the year, most of the Portfolio Companies benefitted from these earlier initiatives that resulted in stronger than expected recoveries across some of these businesses. The largest five unlisted investments achieved growth in their last 12 months ("LTM") attributable revenue and EBITDA of 15.0% and 8.6% respectively, resulting in significant valuation uplifts.

Some others though have been adversely impacted by the further enforced lockdowns and consumer restrictions and spending, with Virgin Active and Ster Kinekor having to contend with significant reductions in revenue that necessitated significant restructuring of the businesses to ensure they are viable and able to thrive in a post-COVID world.

Despite a significant re-rating of the market from its COVID lows with some sectors having fully recovered, Ethos has kept the valuation multiples effectively at the March 2020 levels until the sustainability of the recovery and investment performance is entrenched. The unlisted portfolio is valued at an unchanged implied EV/maintainable EBITDA multiple of 7.0x.

The NAV of R1.7 billion increased slightly over the period, while the NAVPS, including Brait at its share price that increased by 12% during the period, ended the six-month period flat at R6.65. The NAVPS, including Brait at a valuation of its last reported NAVPS, decreased from R9.12 to R8.65. Ethos Capital benefitted from R159 million of realisations during the past 12 months, including a partial sale of Channel VAS for R75.7 million, that achieved a multiple on invested capital ("MOIC") of 1.6x and a gross internal rate of return ("IRR") of 25%. Following the R1 billion invested during the six months to 30 June 2020, the investment rate was subdued during the current period, other than a few bolt-on acquisitions by Portfolio Companies.

The impact of COVID is likely to be felt for some time and the macroeconomic outlook for South Africa remains uncertain. The Board believes that remaining focused on theme/tailwind-led investing, leveraging the sector and domain expertise of Ethos while exercising price discipline, should enable the Company to generate sustainable, market-leading returns for its investors.

## B. CHIEF EXECUTIVE OFFICER'S REVIEW



"The economic impact of COVID will be felt for some time and many businesses will need to reinvent themselves to cater for the ever-changing consumer dynamics that will result."

Peter Hayward-Butt  
Chief Executive Officer

### Six-month review

The past six months have seen a significant dichotomy in the economic fortunes of Ethos Capital's Portfolio Companies. A significant majority of the Portfolio Companies have benefitted from the (slightly) improved consumer sentiment post the initial hard lockdown imposed by governments around the world. The benefit of the cost-saving initiatives and improved operating leverage has manifested in stronger than expected recoveries across many of these businesses. On the other hand, a number of the Portfolio Companies, notably Virgin Active and Ster Kinekor, have continued to be adversely impacted by the enforced lockdowns and restrictions on normal consumer access.

The macroeconomic landscape in South Africa leading up to the pandemic was weak and this continues to be the case. However, there have been some green shoots in terms of a recovery and the key will be whether this can be sustained and real economic growth can resume. The economic impact of COVID will be felt for some time and many businesses will need to reinvent themselves to cater for the ever-changing consumer dynamics that will result. Ethos has focused its Portfolio Companies on mitigating the impact of COVID but also on finding opportunities to grow post the crisis. It is pleasing that many of these initiatives are paying off which has resulted in a stronger than expected recovery.

The last six months of 2020 resulted in positive growth in underlying EBITDA of 65% of the unlisted Portfolio Companies by value which resulted in significant valuation increases for these investments, but which were offset by write-downs on some other Portfolio Companies, resulting in a net negative return of 1% on

the unlisted portfolio. The Brait share price increased by 12% during the six months; however, the NAVPS of Brait reduced by 7% which resulted in a decrease in the Ethos Capital NAVPS, assuming Brait at its last reported NAVPS, from R9.12 to R8.65.

Both Virgin Active and Ster Kinekor have had to contend with significant reductions in revenue or, in some territories, no revenue which exposed the impact of operating leverage. This has necessitated significant restructuring of the businesses to ensure that they are viable and able to thrive in a post-COVID world. The measures implemented by management focused on reducing operating and financial leverage and sustainable cash flow management and these actions will ensure that the businesses bounce back stronger as the economic outlook returns to pre-COVID levels.

Ethos Capital has benefitted from a number of disposals of assets within the portfolio in the past 12 months. Brait completed the sale of two key assets, Iceland Foods and DGB, realising proceeds in excess of R3.0 billion. In addition, Ethos Capital sold a small stake in Channel VAS in December 2020 which achieved a 1.6x MOIC and an IRR of 25%. Ethos Fund VI concluded realisations of a number of its assets (some partial exits or asset sales) including Eaton Towers (2.5x MOIC and 22% IRR), asset sales in Waco International and Neopak and returns of capital from a number of Portfolio Companies. Pleasingly, most of the sales were at valuations in excess of the prevailing NAV which demonstrates the robustness of Ethos Capital's valuations.

While the operating environment has been extremely tough, Ethos recognises the importance of and demonstrated the benefit of active management in private markets during this period. Private equity as an asset class has outperformed the public markets over an extended period and Ethos is committed to driving and realising value from the Ethos Capital portfolio. As I said in the last Integrated Annual Report, we apologise for the annual performance and are extremely focused on returning value to shareholders.

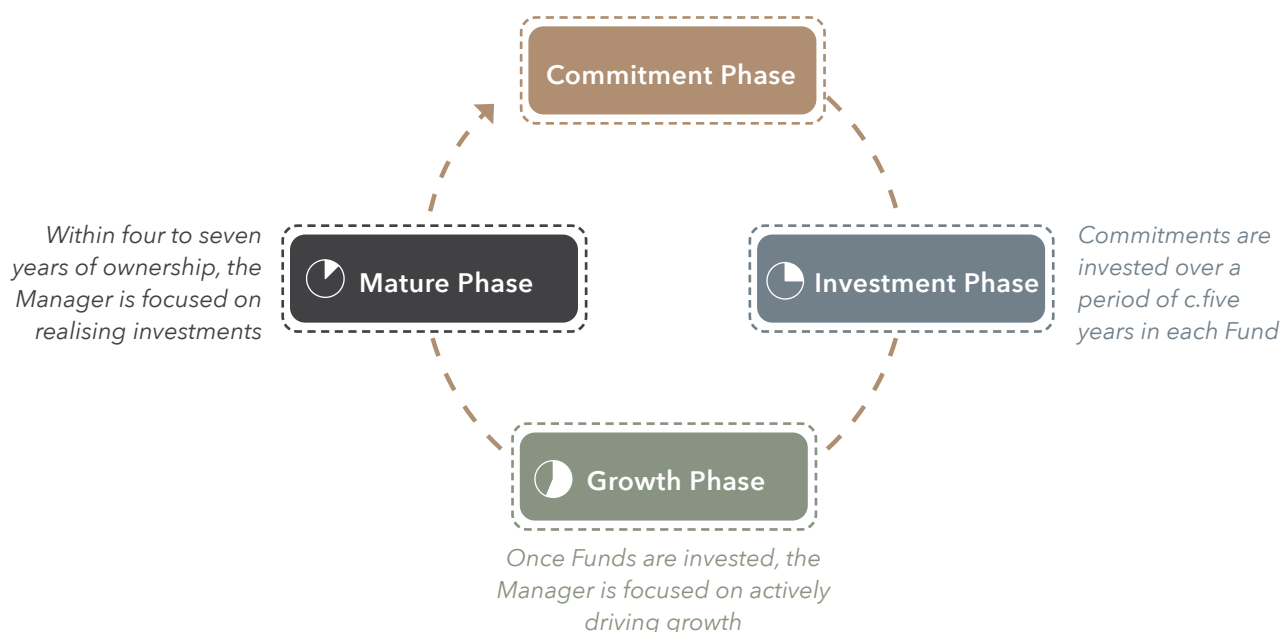
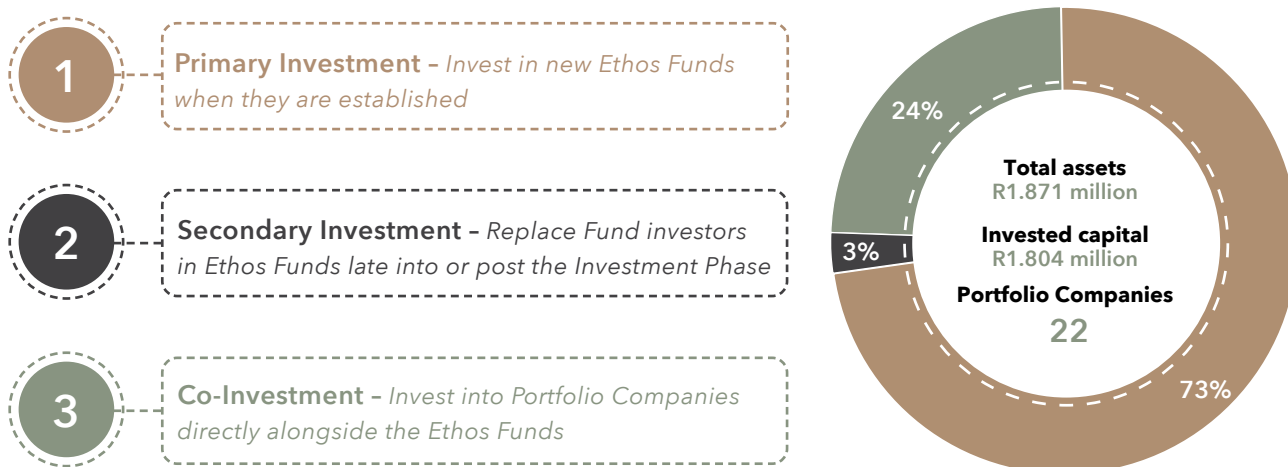
## Company strategy

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, as set out below.

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's large equity Funds have invested in 110 Portfolio Companies, 97 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 (30 investment professionals, including 17 investment partners);
- a world-class governance platform and investment process which leverages the experience of doing deals on the continent for 36 years; and
- sector expertise and domain knowledge (such as artificial intelligence ("Ai")) in addition to an extensive understanding of all aspects of the private equity life cycle.

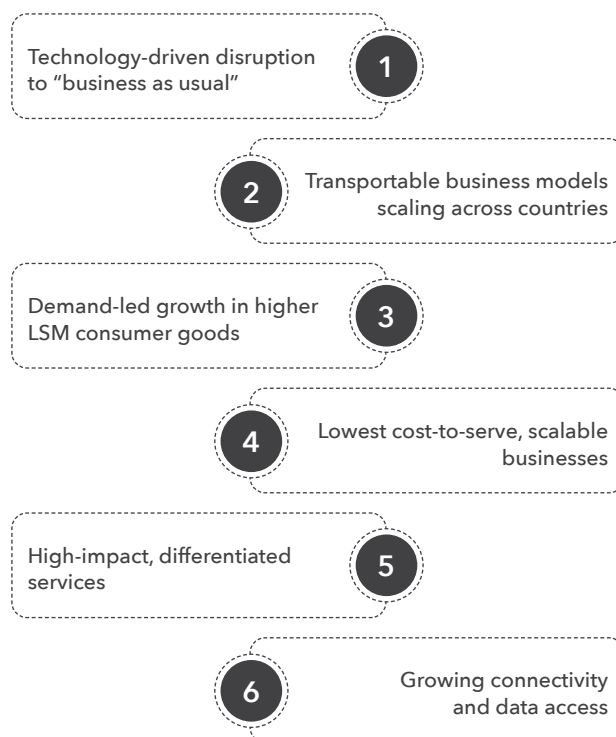
A combination of the above and the industry expertise and oversight of the Ethos Capital Board provide a unique investment opportunity to enable shareholders to benefit from the sustained outperformance that private equity can deliver.

## Performance overview

The outlook for the South African economy, which has been adversely impacted by a number of years of economic mismanagement as well as COVID, has started to show signs of progress post some of the short and medium-term initiatives announced by Cyril Ramaphosa's government. However, sustainable growth is likely to slow and significant macroeconomic and fiscal issues remain. Consumer sentiment has started to improve and producer confidence is slowly returning post the lockdowns. Managing the economy through the next year without further economic lockdowns will be key for the sustainability of economic growth.

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.

Ethos took a strategic decision five years ago to focus on investments in those regions, sectors and companies that have the propensity to benefit from the following key growth tailwinds:



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. The decision has resulted in investments in companies that have been less severely impacted by the COVID pandemic. However, very few sectors have been completely immune from the global economic fallout.

The COVID pandemic resulted in closures across most of the Portfolio Companies during the lockdown periods. However, post lockdown, many of the Portfolio Companies posted strong recoveries with the largest five unlisted investments (equating to 54% of total assets) achieving growth in their attributable LTM revenue and EBITDA of 15.0% and 8.6% respectively, with these investments achieving growth of R62.2 million over the six-month period ended 31 December 2020.

Over R1 billion of investments was concluded in the six-month period to 30 June 2020, but no new investments were made in the past six months other than a number of bolt-on acquisitions by Portfolio Companies.

Proceeds of R126 million were received during the period, largely driven by quarterly dividends from the investment in Channel VAS and a number of capital returns by Portfolio Companies, including Ethos Capital's partial sale of its stake in Channel VAS that concluded in December 2020 for R75.7 million,

achieving a MOIC of 1.6x and an IRR of 25% over the two-year hold period. Channel VAS has continued to perform strongly and grow its international deployments although its valuation as at 31 December 2020 was impacted by the strengthening of the ZAR:US\$ exchange rate.

The 31 December 2020 NAV of R1.7 billion increased slightly over the period, with the NAVPS, based on Brait's share price, flat over the period at R6.65 per share. The implied NAVPS based on a "look through" to Brait's last reported NAVPS decreased from R9.12 to R8.65, reflecting the decrease in Brait's NAVPS from R8.27 (31 March 2020) to R7.71 (30 September 2020).

## Investments

Ethos's investment offering provides Ethos Capital with access to the following underlying Fund "products": large equity; mid market; mezzanine; and Ai. The underlying Funds are further detailed below.

### Ethos Fund VI

During 2016, Ethos Capital acquired a US\$10 million secondary stake in Ethos Fund VI ("EF VI"), a 2011 vintage fund. EF VI has provided Ethos Capital with exposure to 11 investments, two of which have been realised and delivered in aggregate a ZAR MOIC of 1.6x for Ethos Capital and a 2.6x MOIC for EF VI. In addition, Ethos Capital participated in two Co-Investment opportunities alongside EF VI in Primedia and Vertice.

At 31 December 2020, Ethos Capital has undrawn commitments of R15 million.

### Ethos Fund VII

Ethos Fund VII ("EF VII") is the successor large equity fund for EF VI.

The Fund has completed three investments to date, of which Ethos Capital invested c.R800 million:

- Channel VAS, a provider of airtime credit services to prepaid mobile subscribers, with operations and contracts with mobile network operators across 28 countries in Africa, Middle East, Asia and Latin America;
- Echo, a corporate internet service provider that provides information and communications technology services through an aggregation of third party networks; and
- Brait, a listed investment holding company with a portfolio consisting of Virgin Active, Premier, New Look and Consol Glass.

In addition, Ethos Capital has made Co-Investments alongside EF VII in Channel VAS and Brait through a separate Fund, Ethos Direct Investment Partnership

("EDI"). EF VII is now fully invested and is focused on realising value from its six Portfolio Companies. Ethos Capital has no further outstanding commitment to EF VII with discretion over any further participation in the Fund.

### Ethos Mid Market Fund

Ethos Capital has committed R950 million to the Ethos Mid Market Fund I ("EMMF I"). EMMF I has a relatively unique position as a majority black-owned and controlled entity which has provided the Fund with a significant number of investment opportunities. The Fund has total commitments of R2.5 billion and to date has completed eight acquisitions.

Ethos Capital has undrawn commitments of R334 million to EMMF I.

### Ethos Mezzanine Fund

Ethos Mezzanine Partners Fund 3 ("EMP 3") is a Fund that provides mezzanine and quasi-equity growth or acquisition financing solutions to companies in Southern and East Africa.

Ethos Capital had committed R250 million out of the total commitments of US\$123 million (c.R2.1 billion). In order to strengthen its liquidity position, Ethos Capital has entered into a series of transactions including the sale of US\$6 million of its commitments to an existing partner of EMP 3 which will reduce its commitments to EMP 3 to Rnil.

### Ethos Ai Fund I

Ethos Ai Fund I ("EAI F I") was established as a Co-Investment vehicle to invest 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, alongside the EHP in Vertice and into TymeBank, alongside African Rainbow Capital Limited.

Ethos Capital has committed R150 million as a first close investor, and after the final close and equalisation in November 2020, its outstanding commitments increased to R74 million.

### 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 alongside EF VI and EAI F I. In addition to the five acquisitions that were completed to June 2020, a further complementary medical software business was acquired in December 2020. Ethos Capital has invested R93.5 million into the platform to date.

## Valuations

The COVID pandemic had a significant impact on both maintainable EBITDA and valuation multiples of the Portfolio Companies. The market has significantly re-rated off its COVID lows and in many sectors, fully recovered. However, Ethos has taken a more conservative approach and kept multiples at similar levels to those prevailing at March 2020 until the sustainability of the recovery and Portfolio Company performance is entrenched.

As at 31 December 2020, the implied EV/maintainable EBITDA of the unlisted portfolio that is valued on an earnings-based methodology, is largely unchanged at 7.0x and the implied price earnings ratio ("PER") is 12.1x.

Based on the Ethos Capital share price as at 31 December 2020, the equivalent "market implied" EV/maintainable EBITDA and PER are 4.3x and 7.4x respectively.

## Share price performance

The Board is conscious of the prevailing share price discount to NAVPS and is assessing opportunities to address the discount and maximise value for shareholders. Based on an analysis of a number of globally listed private equity firms, the Board believes that, while buybacks are accretive on a NAVPS basis, buybacks have been unsuccessful at materially closing the discount to NAVPS. Ultimately, strong underlying growth in NAVPS will drive a closing of the discount to NAVPS and the Board will continue to focus on achieving this through underlying portfolio performance and opportunistic share buybacks, subject to available liquidity.

By nature, private equity is a long-term investment, requiring long-term thinking and a patient strategy. Ethos Capital remains confident of its ability to generate sustainable, market-leading returns for its investors.

## Liquidity

At 31 December 2020, Ethos Capital had invested 96% of its total assets across a portfolio of 22 companies with a combined EBITDA of just under R3 billion (excluding Brait and the MTN Group). The Company has current net cash liquidity of c.R60 million.

Ethos Capital, like its local and global listed private equity peers, follows an "over-commitment" 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 and the non-discretionary Fund commitments of the Company. A liquidity model is maintained alongside Ethos to best forecast the timing and quantum of anticipated realisations and drawdowns against the commitments.

Ethos Capital has concluded a debt facility with Rand Merchant Bank ("RMB") in February 2020. The Board believes that it is prudent to utilise limited leverage to supplement its equity invested into various Funds and Co-Investments. 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 1.9x.

## Outlook

The impact of COVID is likely to be felt for some time and the macroeconomic outlook for South Africa remains uncertain. 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 made good progress on a number of disposals (Iceland, DGB, Waco International and Eaton Towers) despite the difficult market conditions and this remains a focus of the Fund teams over the medium term.

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, should result in strong investment returns in excess of the Company's cost of equity.

The Board's strategy is not to commit to any new Fund commitments until the underlying Funds' realisation strategies and distributions to shareholders have been demonstrated.

**Peter Hayward-Butt**  
Chief Executive Officer

## C. REVIEW OF THE INVESTMENT PORTFOLIO AND RETURNS

### Performance

#### NAV AND NAVPS

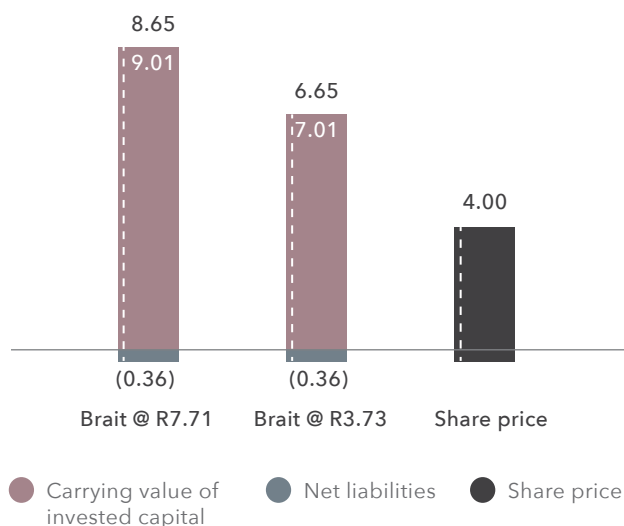
As an investment company, the performance of the NAV and NAVPS is considered the most appropriate measurement of the Group's financial performance. The NAVPS is derived from the underlying NAV of the Group, consisting of the aggregate of invested capital and net cash or liabilities, and the number of its shares outstanding (net of treasury and encumbered shares).

Despite positive value contributions from some unlisted investments (Vertice, Synerlytic, Echo and Gammatek), the unlisted investment portfolio declined by 1% during the period given a significant decline in the valuations of Kevro and Ster Kinekor.

The value of the listed investments (MTN Zakhele Futhi and Brait) increased with the Brait share price increasing from R3.34 to R3.73 over the period. Including the value of Brait at its share price, the Ethos Capital NAVPS remained flat over the first half of the year at R6.65. Including the value of Brait at, and at a value of its last reported NAVPS (as at 30 September 2020) of R7.71, the Ethos Capital NAVPS at 31 December 2020 was R8.65.

The Group's share price as at 31 December 2020 of R4.00, implies a 40% discount to the 31 December 2020 NAVPS; and a 54% discount to the NAVPS based on Brait's NAVPS.

#### GROUP NAVPS AND SHARE PRICE AT 31 DECEMBER 2020 - RAND



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

	NAV R'000	NAVPS Cents
<b>At 30 June 2020</b>	1,711,750	6.65
Net return on Temporary Investments	139	-
Net return on investment portfolio (incl. portfolio expenses)	27,788	0.11
Operating expenses	(3,847)	(0.02)
Finance costs	(7,701)	(0.03)
Fees paid to Ethos	(11,954)	(0.05)
Taxation	(2,575)	(0.01)
<b>At 31 December 2020</b>	<b>1,713,600</b>	<b>6.65</b>

The investment portfolio achieved a net gain of R27.8 million, resulting from unrealised gains on the listed portfolio of R49.4 million and a small decline in the value of the unlisted portfolio of R20.9 million, from a combination of net realised gains and unrealised losses. These movements are detailed further in the report.

Operating expenses totalled R3.8 million or 0.2% of the Group's average NAV over the period. These expenses relate to Directors' remuneration (R2.3 million), audit fees, listing-related expenses and other general costs.

The fees payable to Ethos as the Company's Investment Advisor and Investment Manager of the Funds and Co-Investments totalled R12.0 million, equating to 0.7% of the Group's average NAV over the period.

Finance costs relate to accrued interest on the Group's facility, interest paid on the Company's revolving credit facility that was drawn for most of the period, and commitment fees levied on the latter.

Taxation of R2.6 million was largely as a result of withholding tax (R1.9 million) from income distributions received during the period and the Mauritian income tax charges for the period.

Further details on expenses are provided in notes 8 and 11 of the Notes to the Summarised Interim Financial Statements.

### Share price analysis

The share price ended the period at R4.00, slightly down on the 30 June 2020 share price of R4.11. The share price represented a 40% discount to the Group's 31 December 2020 NAVPS, and 54% compared to the increased NAVPS that reflects the Brait investment at its last reported NAVPS.

### Commitments to Ethos

There were no new commitments to Ethos Funds made during the six-month period ended 31 December 2020. At 31 December 2020, the Company had undrawn commitments to Ethos Funds of R0.4 billion.

Investment name	Vintage	Share of Ethos investors %	Commitment R'000	Undrawn R'000
EMMF I	2016	38 - 40	950,000	334,020
EaIF I	2018	27	150,000	74,260
EF VI <sup>(1)</sup>	2011	1 - 2	146,539	15,151
				<b>423,431</b>

<sup>(1)</sup> US\$10 million commitment.

The Company has continued to explore options to optimise its liquidity. It received an offer to acquire US\$6 million (c. R88 million) of its R250 million commitment to EMP 3. The Company accepted the offer and agreed with the General Partner of EMP 3 to cancel any future commitment requirements to the Fund.

## Investments

### Investment portfolio

At 31 December 2020, the investment portfolio of the Company consisted of the following 11 investments:

Investment name	Participation in Ethos Funds/ co-investments %	Valuation R'000	Share of total assets %
<b>Primary/Secondary Investments</b>			
EF VII	61.0%	688,802	36.8
EMMF I	37.9%	395,340	21.1
EHP	13.3%	137,624	7.4
EAiF I	20.1%	92,472	4.9
EF VI	1.4%	51,683	2.8
EMP 3	13.9%	8,532	0.4
<b>Co-Investments</b>			
Brait <sup>(1)</sup>	5.7%	280,089	15.0
Primedia <sup>(2)</sup>	4.4%	67,220	3.6
Channel Vas <sup>(1)</sup>	2.4%	51,992	2.8
Kevro <sup>(3)</sup>	8.8%	30,529	1.6
Ster Kinekor <sup>(4)</sup>	4.4%	-	-
<b>Total invested capital</b>		<b>1,804,283</b>	<b>96.4</b>

<sup>(1)</sup>Investment in EDI, that co-invested in Brait SE and Channel VAS Investments Ltd BVI.

<sup>(2)</sup>Investment in Primedia Holdings (Pty) Ltd.

<sup>(3)</sup>Investment in Kevro Holdings (Pty) Ltd, held through EMM Direct.

<sup>(4)</sup>Investment in Ster Kinekor Theatres (Pty) Ltd.

Ethos Capital invested R9.8 million during the period into Ethos Funds – more details on the underlying investments are provided below.

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

The EHP MedTech investment, Vertice, completed its sixth bolt-on acquisition to further consolidate its position in these complementary, high-growth products and markets. The acquisitions of the PSSG Group completed in November 2020.

In addition, Ethos Capital invested a further R5.9 million into the existing Portfolio Companies of EMMF I and EF VI.

At 31 December 2020, the investments, constituting 96.4% of the Group's total assets, consisted of the following 22 companies:

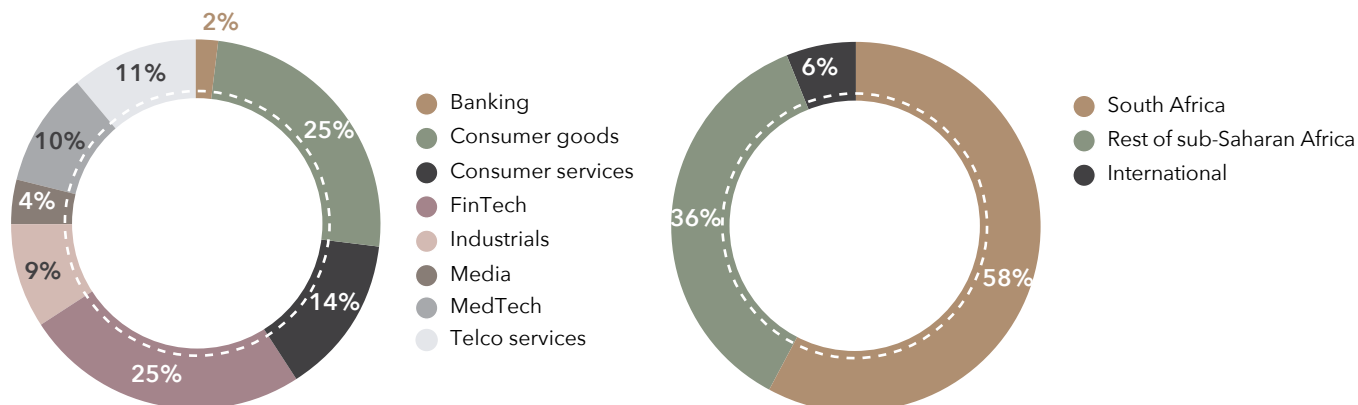
Name	Business description	Year*	% of total assets
Channel Vas	FinTech service provider	2018	24.4
Virgin Active (Brait)	Health club operator	2020	12.9
Premier (Brait)	FMCG manufacturer	2020	11.5
Echo	Corporate ISP	2018	9.9
Vertice	MedTech	2018	9.4
Synerlytic	Specialised analytical and testing services	2019	6.7
Gammatek	TMT accessory distribution	2018	4.4
Primedia	Media	2017	3.8
Kevro	Corporate clothing and gifting	2017	3.1
Twinsaver	Manufacturing (FMCG)	2015	1.8
TymeBank	Banking	2019	1.6
Autozone	Automotive parts retailer and wholesaler	2014	1.5
Consol Glass (Brait)	Manufacturer of glass packaging	2020	1.4
MTN Zakhele Futhi	Telecommunications	2017	1.1
Eazi Access	Industrial support services	2016	0.9
The Beverage Company	Carbonated drinks manufacturer	2017	0.5
Chibuku	Brewing and distribution	2018	0.5
Waco International	Industrial support services	2012	0.4
Neopak	Paper and packaging	2015	0.4
RTT	Logistics	2014	0.2
Ster Kinekor	Media (entertainment)	2017	-
New Look (Brait)	Multi-channel fast-fashion brand	2020	-
			<b>96.4</b>

\* Initial acquisition date by Ethos Fund.

## Asset growth

### Portfolio Company performance

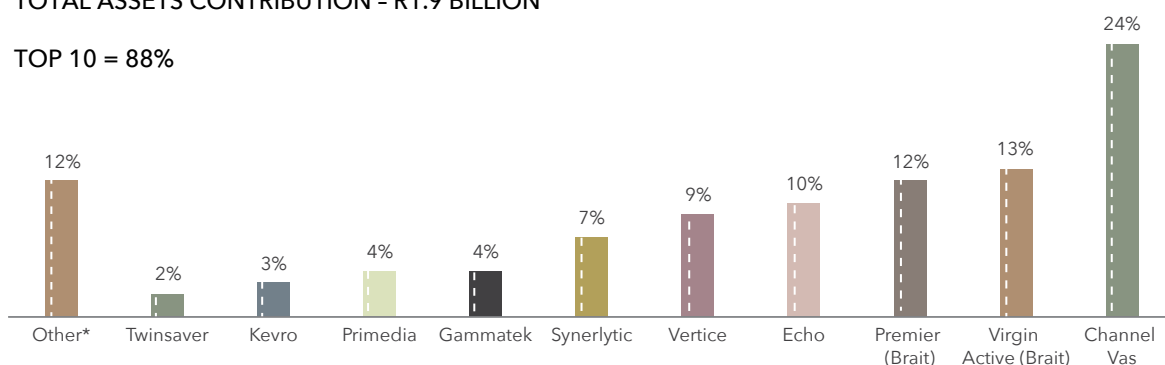
Ethos Capital's investment portfolio at 31 December 2020 has exposure to 22 Portfolio Companies that in aggregate (excluding Brait and the MTN Group) have sales of just under R23 billion and EBITDA of almost R3 billion. The Portfolio Companies span a number of sectors and geographies, providing diversified portfolio exposure.



At 31 December 2020, the contribution of each underlying Portfolio Company to the total assets of R1.9 billion, of which the top 10 investments make up 88% of the total assets, is as follows:

#### TOTAL ASSETS CONTRIBUTION - R1.9 BILLION

TOP 10 = 88%



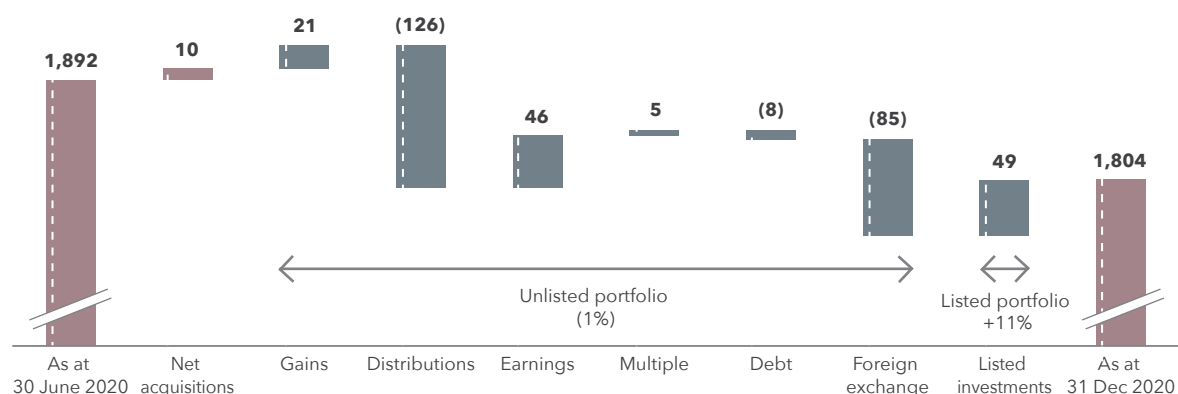
\* Including 12 Portfolio Companies and current assets.

The gross return of the investment portfolio of R28.5 million over the period was largely attributable to positive movements on the listed portfolio that contributed R49.4 million, driven by the increase in the Brait share price from R3.34 at 30 June 2020 to R3.73 at the end of the period. The unlisted portfolio devalued by a net amount of R20.9 million, largely driven by decreases to the valuations of Kevro, Ster Kinekor and Primedia, all were significantly impacted by the ongoing COVID pandemic and resultant lockdowns, that more than offset some positive value contributions from Vertex, Synerlytic, Gammatek and Echo. Furthermore, the valuation of Channel VAS was negatively impacted by the appreciation of ZAR against its US\$ reporting currency.

The drivers of the negative return from the unlisted portfolio (adjusted where relevant for investment transactions and foreign exchange movements during the period) are as follows:

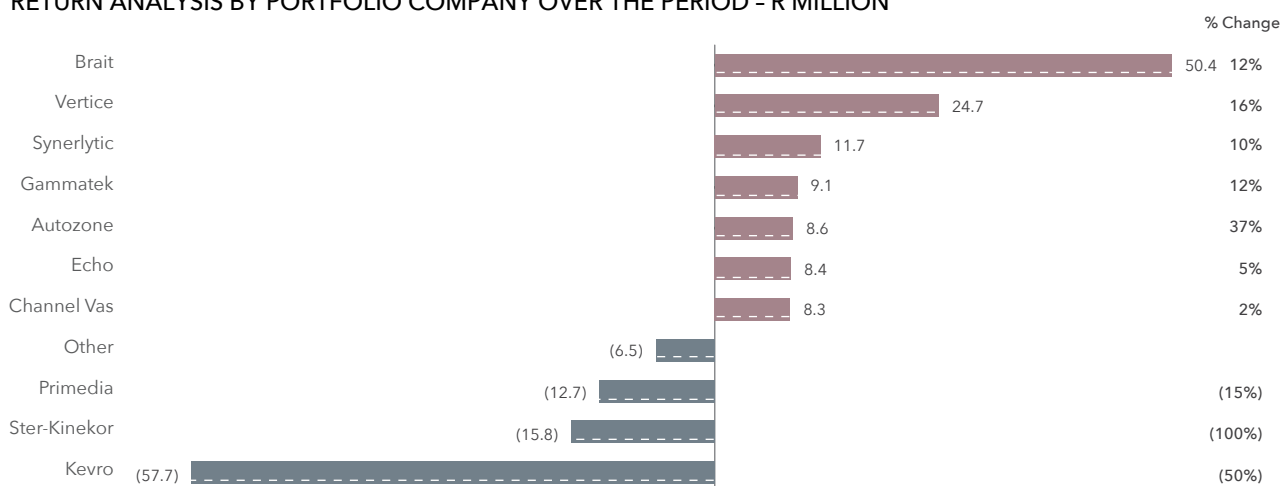
- Dividends received and realised gains, largely from Channel VAS, of R20.6 million;
- An increase in attributable maintainable EBITDA resulting in a value increase of R45.8 million;
- A slight increase driven by the implied valuation multiple of c.7.0x of R5.1 million;
- An increase in sustainable net debt accounting for a R7.7 million devaluation; and
- A 16% strengthening of the ZAR against US\$ contributed R84.7 million to the devaluation.

## MOVEMENT IN THE VALUATION DRIVERS OVER THE PERIOD - R'MILLION



The attribution of the gross portfolio return by Portfolio Company is detailed below:

## RETURN ANALYSIS BY PORTFOLIO COMPANY OVER THE PERIOD - R'MILLION



The COVID pandemic and post-lockdown recovery impacted the underlying Portfolio Companies in different ways. The diversification of the portfolio throughout the pandemic was a key factor of growth and the unlisted portfolio's attributable sales and EBITDA on a value-weighted basis increased by 6.8% and 3.4% respectively, largely driven by the strong performance from the top 5 unlisted investments, consisting of Channel VAS, Echo, Vertice, Synerlytic and Gammatek (54% of total assets).

These investments continued their strong performance and grew their attributable sales and EBITDA (on a value-weighted) basis by 15.0% and 8.6% respectively, despite the tough economic conditions. Channel VAS and Echo, both operating in sub-Saharan Africa, were largely unaffected by COVID, apart from new business development and the rollout of new deployments that were impacted by travel restrictions and the impact on suppliers. Vertice benefitted from a further acquisition that was completed during the period and performance improved once the restriction on elective procedures were eased towards the latter half of the year.

Other businesses such as Kevro, Ster Kinekor and Primedia were severely impacted by COVID and consequently their valuations were further reduced during the period. Kevro suffered from IT integration and procurement issues while Primedia was impacted by a significant drop in broadcasting advertising spend. The lockdown restrictions enforced in late December and the impact on the cinema industry due to a lack of global content unfortunately resulted in Ster Kinekor being placed in voluntary business rescue and accordingly the investment has been written down to Rnil.

The performance of the Brait share price was up c.12% over the period. That was largely driven by strong performance from Premier. Its products fall under the “essential goods” category and hence the business was able to continue with full production and maintain all its operations. While Virgin Active saw positive momentum on membership utilisation and engagement when gyms were able to open post the initial lockdowns, second and third wave lockdowns in its international operations have resulted in new closures that adversely impacted the business. The value unlock strategy for Brait will continue and the Board is confident that this will result in a significant value unlock from the Brait portfolio, as has been demonstrated by the earlier sales of Iceland and DGB since Ethos took over as investment manager.

### 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 Valuation 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 investment 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 16 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 on the following page illustrates in aggregate how the equity value of the Company’s investments is determined.

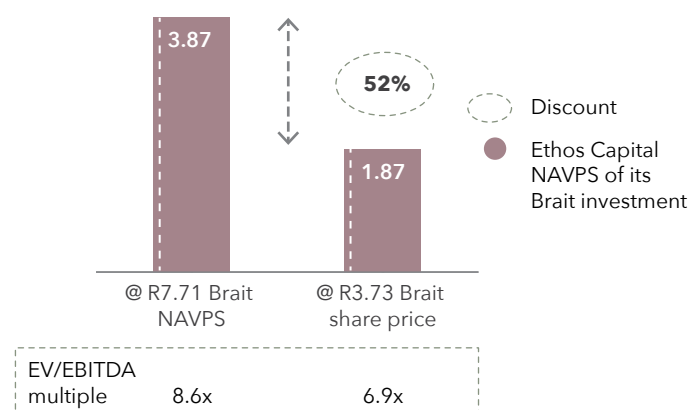
The valuation of some of the other Portfolio Companies are not derived from an earnings-based valuation basis: Chibuku Products consists of mezzanine financing provided and is based on the fair value of the instrument less any impairment; TymeBank, an investment in an early stage growth company, is valued at the price of the most recent investment; and the valuation of the investments in Brait and MTN Zakele Futhi is based on their respective share prices at 31 December 2020.

### Listed portfolio

The investment in Brait is based on the prevailing share price at 31 December 2021 of R3.73. The last reported Brait NAVPS, which is based on the above earnings-based valuation, was R7.71 (as at 30 September 2020), resulting in a Brait share price discount to NAVPS of 52%.

The graph below sets out for Ethos Capital, its attributable NAVPS of the Brait investment and implied EV/EBITDA valuation multiple based on the Brait reported NAVPS of R7.71 and the Brait share price of R3.73.

RAND



The valuation of EMMF I's indirect investment in the MTN Group that is held via its investment in MTN Zakhele Futhi, is based on the latter's prevailing share price at 31 December 2020 of R9.67 per share. Based on the MTN Group's last reported EBITDA and taking into account its debt levels as well as MTN Zakhele Futhi's debt, the share price implies an EV/EBITDA multiple of 3.1x.

### Unlisted portfolio

Ethos Capital's attributable share of the Portfolio Companies' maintainable EBITDA (excluding the listed investments in Brait and MTN Zakhele Futhi) as at 31 December 2020 was R247.2 million and its attributable share of the maintainable net debt was R472.7 million, equating to a net debt/EBITDA multiple of 1.9x (30 June 2020: 1.8x). Portfolio Companies that are not valued on an earnings-based valuation have been excluded from this analysis, (i.e. Chibuku and TymeBank).

Based on the Company's attributable EBITDA and an implied EV/EBITDA multiple of 7.0x, the EV of the Company's participation in the underlying Portfolio Companies is c. R1.7 billion. The attributable net debt is subtracted to result in a net equity value of c.R1.3 billion, as set out below.

Based on the information provided by the Investment Manager, the implied EV/EBITDA of 7.0x represents a 53% discount to the peer group average (30 June 2020: 47%), therefore implying an unadjusted EV/EBITDA multiple, for the comparable peer groups used, of 14.9x. 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 12.1x.

	31 December 2020 R'million	30 June 2020 R'million
<b>Attributable EBITDA</b>	247.2	263.3*
<i>Implied valuation multiple</i>	7.02x	7.01x
<b>Attributable enterprise value</b>	<b>1,735.8</b>	<b>1,845.70</b>
Less: Attributable debt	(472.7)	(469.30)
<i>Attributable debt multiple</i>	1.9x	1.8x
<b>Attributable equity value</b>	<b>1,263.1</b>	<b>1,376.4</b>
Add: Other equity investments	540.8	515.3
<b>Total investments</b>	<b>1,803.9</b>	<b>1,891.7</b>
<b>Carrying value of invested capital per share (Rand)</b>	<b>7.01</b>	<b>7.35</b>

\* R240.2 million if adjusted for net acquisitions and foreign exchange movements during the period.

Based on the Company's share price of R4.00 as at 31 December 2020, the market implied EV/EBITDA was 4.3x and the EV/EBIAT was 7.4x.

	Share price based 31 December 2020 R'million	NAV based 31 December 2020 R'million
<b>Attributable EBITDA</b>	247.2	247.2
<i>Implied valuation multiple</i>	4.33x	7.02
<i>Implied multiple discount</i>	38%	
<b>Attributable enterprise value</b>	<b>1,069.2</b>	<b>1,735.8</b>
Less: Attributable debt	(472.7)	(472.7)
<i>Attributable debt multiple</i>	1.9x	1.9x
<b>Attributable equity value</b>	<b>596.5</b>	<b>1,263.1</b>
Add: Other equity investments	526.2	540.8
<b>Total implied/actual investments</b>	<b>1,122.7</b>	<b>1,803.9</b>
<b>Carrying value of invested capital per share (Rand)</b>	<b>4.36</b>	<b>7.01</b>
<b>Debt (Rand)</b>	<b>(0.36)</b>	<b>(0.36)</b>
<b>NAVPS (Rand)</b>	<b>4.00</b>	<b>6.65</b>
<i>Invested capital discount</i>	38%	

## Realisations

During the period to 31 December 2020, total distributions of R125.8 million were received from the various Ethos Funds.

Quarterly dividends totalling R16.5 million, attributed to the underlying investment in Channel VAS, were received from Ethos Capital's investments in EF VII, EDI and EAiF I. In November 2020, EAiF I had its final close with the increased commitment base resulting in Ethos Capital, as a first close investor, being equalised and R22.9 million of invested cost being returned, alongside R2.8 million of equalisation gains.

In December 2020, EDI completed the partial sale of its investment in Channel VAS, with the proceeds of R75.7 million subsequently distributed to Ethos Capital. Over the two-year hold period, this partial realisation delivered in ZAR a MOIC of 1.6x and an IRR of 25% to Ethos Capital.

Further distributions of R7.9 million were received from EF VI and EMMF I, largely in respect of loan repayments from Autozone and Neopak.

### Post period-end transactions

In February 2020, Ethos Capital received distribution proceeds of R2.6 million following the sale of the UK business operations of Waco International.

## Available capital

### Liquid resources and balance sheet management

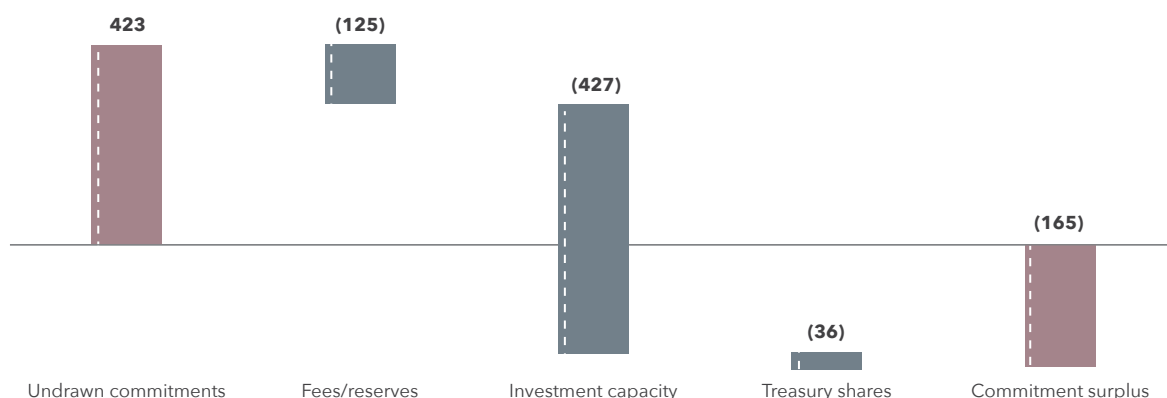
As at 31 December 2020, Ethos Capital had net liquid resources of over R60 million. In addition, it has access to a five-year revolving credit facility with RMB. To minimise commitment fees, only R200 million of the R700 million facility is committed, with a further R500 million uncommitted and subject to lender credit process if further drawdowns are required. Optically, the Board views the ultimate implied capacity of the above facility as being R500 million and used that as their benchmark or maximum capacity for liquidity considerations.

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 (for instance to allow a buffer for management fees to be drawn), 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 graph below sets out the assumed unwinding of the current undrawn commitments if drawn at once. The undrawn commitments of each Fund, however, need to allow for quarterly management fees payable (until the exit of the last investment) and typically for a contingency reserve for existing investments, whether for add-ons or unforeseen funding requirements; hence, it is highly unlikely that this reserve (assumed 10% per Fund) balance will be drawn all at once or imminently in full, and therefore is deducted from the immediate funding requirement. The Company can draw on its benchmark or maximum facility of R500 million, which will be used to fund any further commitments drawn. However, based on the current covenant requirements, the Company can draw R367 million of the facility, supplemented by c.R60 million of available net liquid resources. In addition, Ethos Capital can sell the treasury shares to support any liquidity requirements. That results in a net implied commitment surplus of R165 million. The below demonstrates that Ethos Capital currently has adequate resources to settle its obligations and current undrawn commitments if we assume the commitments are drawn all at once, subject to the fees/reserve provision.



Based on the above analysis, the Board is confident that the Company has the ability to fund its existing commitments to the Funds as they fall due.



INTERIM  
FINANCIAL  
STATEMENTS

# SUMMARISED STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Notes	Group			Company		
		Unaudited		Audited	Unaudited		Audited
		31 Dec 2020 R'000	31 Dec 2019 R'000	30 June 2020 R'000	31 Dec 2020 R'000	31 Dec 2019 R'000	30 June 2020 R'000
<b>Assets</b>							
<b>Non-current assets</b>							
Unlisted investments at fair value	4	1,804,283	1,679,995	1,891,743	1,804,283	1,679,995	1,891,743
<b>Total non-current assets</b>		<b>1,804,283</b>	<b>1,679,995</b>	<b>1,891,743</b>	<b>1,804,283</b>	<b>1,679,995</b>	<b>1,891,743</b>
<b>Current assets</b>							
Other assets and receivables		4,645	86	4,717	4,643	84	4,715
Income tax receivable		417	308	622	417	308	622
Money market investments at fair value	5	50,008	278,296	-	50,008	278,296	-
Cash and cash equivalents		12,116	5,848	7,993	11,617	5,364	7,504
<b>Total current assets</b>		<b>67,186</b>	<b>284,538</b>	<b>13,332</b>	<b>66,685</b>	<b>284,052</b>	<b>12,841</b>
<b>Total assets</b>		<b>1,871,469</b>	<b>1,964,533</b>	<b>1,905,075</b>	<b>1,870,968</b>	<b>1,964,047</b>	<b>1,904,584</b>
<b>Equity and liabilities</b>							
<b>Capital and reserves</b>							
Issued capital	6	2,291,272	1,552,245	2,291,272	2,426,272	1,687,245	2,426,272
(Accumulated losses)/retained earnings		(577,672)	255,708	(579,522)	(562,831)	258,619	(570,064)
<b>Total equity</b>		<b>1,713,600</b>	<b>1,807,953</b>	<b>1,711,750</b>	<b>1,863,441</b>	<b>1,945,864</b>	<b>1,856,208</b>
<b>Non-current liabilities</b>							
Borrowings	7	150,341	138,397	184,949	-	-	40,000
<b>Total non-current liabilities</b>		<b>150,341</b>	<b>138,397</b>	<b>184,949</b>	<b>-</b>	<b>-</b>	<b>40,000</b>
<b>Current liabilities</b>							
Other liabilities and payables		7,528	18,183	8,376	7,527	18,183	8,376
<b>Total current liabilities</b>		<b>7,528</b>	<b>18,183</b>	<b>8,376</b>	<b>7,527</b>	<b>18,183</b>	<b>8,376</b>
<b>Total equity and liabilities</b>		<b>1,871,469</b>	<b>1,964,533</b>	<b>1,905,075</b>	<b>1,870,968</b>	<b>1,964,047</b>	<b>1,904,584</b>
<b>Net asset value</b>		<b>1,713,600</b>	<b>1,807,953</b>	<b>1,711,750</b>	<b>1,863,441</b>	<b>1,945,864</b>	<b>1,856,208</b>
<b>Net asset value per share (Rand)</b>	14.2	6.65	11.48	6.65	6.88	11.38	6.85
<b>Attributable shares in issue at end of the period ('000)</b>	14.2	257,500	157,500	257,500	271,000	171,000	271,000

# SUMMARISED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

		Group			Company		
		Unaudited		Audited	Unaudited		Audited
		Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2020 R'000	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2020 R'000
	Notes						
<b>Revenue</b>							
Changes in fair value of investments through profit or loss	8	15,847	21,927	(797,592)	15,847	21,927	(797,592)
Investment income	9	143	14,668	17,053	130	14,661	17,041
Net fair value gains/(losses)	10	2	(277)	(279)	2	(277)	(279)
<b>Total revenue</b>		<b>15,992</b>	<b>36,318</b>	<b>(780,818)</b>	<b>15,979</b>	<b>36,311</b>	<b>(780,830)</b>
<b>Expenses</b>							
Administration fees	11.1	(19)	(513)	(661)	(19)	(513)	(661)
Legal and consultancy fees	11.2	(227)	(1,010)	(1,706)	(227)	(1,010)	(1,706)
Other operating expenses	11.3	(3,620)	(4,554)	(9,406)	(3,616)	(4,552)	(9,404)
Finance costs	11.4	(7,701)	(2,916)	(12,799)	(2,309)	-	(3,331)
<b>Total expenses</b>		<b>(11,567)</b>	<b>(8,993)</b>	<b>(24,572)</b>	<b>(6,171)</b>	<b>(6,075)</b>	<b>(15,102)</b>
<b>Profit/(loss) before tax</b>		<b>4,425</b>	<b>27,325</b>	<b>(805,390)</b>	<b>9,808</b>	<b>30,236</b>	<b>(795,932)</b>
Income tax expense		(2,575)	(1,221)	(3,736)	(2,575)	(1,221)	(3,736)
<b>Profit/(loss) for the period/year</b>		<b>1,850</b>	<b>26,104</b>	<b>(809,126)</b>	<b>7,233</b>	<b>29,015</b>	<b>(799,668)</b>
Other comprehensive income for the period/year		-	-	-	-	-	-
<b>Total comprehensive income/(loss) for the period/year</b>		<b>1,850</b>	<b>26,104</b>	<b>(809,126)</b>	<b>7,233</b>	<b>29,015</b>	<b>(799,668)</b>
<b>Earnings per share</b>							
Basic and diluted earnings/(loss) per share (Rand)	14.1	0.01	0.17	(4.13)	0.03	0.17	(3.82)

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 2020

	Group			Company		
	Unaudited			Unaudited		
	Six months ended 31 Dec 2020			Six months ended 31 Dec 2020		
	(Accumulated losses)/ retained earnings			(Accumulated losses)/ retained earnings		
	Issued capital R'000	R'000	Total equity R'000	Issued capital R'000	R'000	Total equity R'000
Balance at 1 July 2020	2,291,272	(579,522)	1,711,750	2,426,272	(570,064)	1,856,208
Total comprehensive income for the period	-	1,850	1,850	-	7,233	7,233
Balance at 31 December 2020	2,291,272	(577,672)	1,713,600	2,426,272	(562,831)	1,863,441

	Group			Company		
	Unaudited			Unaudited		
	Six months ended 31 Dec 2019			Six months ended 31 Dec 2019		
	Issued capital R'000	Retained earnings R'000	Total equity R'000	Issued 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	(3,700)	-	(3,700)	(3,700)	-	(3,700)
Total comprehensive income for the period	-	26,104	26,104	-	29,015	29,015
Balance at 31 December 2019	1,552,245	255,708	1,807,953	1,687,245	258,619	1,945,864

	Group			Company		
	Audited			Audited		
	Year ended 30 June 2020			Year ended 30 June 2020		
	Issued capital R'000	Retained earnings/ (accumulated losses) R'000	Total equity R'000	Issued capital R'000	Retained earnings/ (accumulated losses) 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
Net proceeds from issue of ordinary shares	735,327	-	735,327	735,327	-	735,327
Total comprehensive loss for the year	-	(809,126)	(809,126)	-	(799,668)	(799,668)
Balance at 30 June 2020	2,291,272	(579,522)	1,711,750	2,426,272	(570,064)	1,856,208

# SUMMARISED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Note	Group			Company		
		Unaudited		Audited	Unaudited		Audited
		Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2020 R'000	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2020 R'000
<b>Cash flows from operating activities</b>							
Cash (used in)/generated by operations	13	(4,642)	17,120	686	(4,639)	17,122	688
Interest income from cash and bank balances		138	255	607	125	248	595
Finance cost paid		(2,309)	-	(3,331)	(2,309)	-	(3,331)
Income tax paid		(2,370)	(1,170)	(3,999)	(2,370)	(1,170)	(3,999)
<b>Net cash (used in)/generated by operating activities before investing activities</b>		(9,183)	16,205	(6,037)	(9,193)	16,200	(6,047)
<b>Cash flows from investing activities</b>							
Net cash flow from non-current investments		103,307	(230,807)	(1,262,074)	103,307	(230,807)	(1,262,074)
Payments to acquire non-current investments		(9,804)	(217,397)	(1,275,563)	(9,804)	(217,397)	(1,275,563)
Proceeds on disposal of non-current investments		104,926	-	15,811	104,926	-	15,811
Interest received from non-current investments		10,460	1,263	2,249	10,460	1,263	2,249
Dividends received from non-current investments		10,407	6,478	22,984	10,407	6,478	22,984
Investment-related expenses		(12,682)	(21,151)	(27,555)	(12,682)	(21,151)	(27,555)
Net cash flow from current investments		(50,000)	216,872	497,195	(50,000)	216,872	497,195
<b>Net cash generated by/(used in) investing activities</b>		53,307	(13,935)	(764,879)	53,307	(13,935)	(764,879)
<b>Cash generated by/(used in) operating and investing activities</b>		44,124	2,270	(770,916)	44,114	2,265	(770,926)
<b>Cash flows from financing activities</b>							
Net proceeds from issue of ordinary shares		-	-	735,327	-	-	735,327
(Repayment of)/proceeds from borrowings		(40,000)	-	40,000	(40,000)	-	40,000
<b>Net cash (used in)/generated by financing activities</b>		(40,000)	-	775,327	(40,000)	-	775,327
<b>Net increase in cash and cash equivalents</b>		4,124	2,270	4,411	4,114	2,265	4,401
Cash and cash equivalents at the beginning of the period/year		7,993	3,576	3,576	7,504	3,097	3,097
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1)	2	6	(1)	2	6
<b>Total cash and cash equivalents at the end of the period/year</b>		12,116	5,848	7,993	11,617	5,364	7,504

# NOTES TO THE SUMMARISED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

## 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
<b>Amendments/Improvements</b>		
Various	<i>References to the conceptual framework in IFRS standards</i>	1 January 2020
IFRS 3	<i>Definition of a business</i>	1 January 2020
IAS 1 and IAS 8	<i>Definition of material</i>	1 January 2020

## 3 Significant accounting policies

### 3.1 Basis of preparation

These Summarised Interim Financial Statements have been prepared in accordance with and contain the information required by IAS 34: *Interim Financial Reporting*, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council; 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 2020.

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.

### 3 Significant accounting policies (continued)

#### 3.1 Basis of preparation (continued)

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 10 March 2021 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.

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 Significant accounting policies (continued)

#### 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.

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 net asset value ("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.

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 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 degearred). 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.

Assessing the level of maintainable EBITDA and net debt of each Portfolio Company, especially during these unprecedented times, requires a high degree of judgement by Ethos; therefore, the valuations of the unlisted portfolio are subject to a degree of uncertainty and the underlying assumptions may prove in time not to be entirely accurate.

The DCF 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. 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.

### 3 Significant accounting policies (continued)

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

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 6. 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 and / or options available to them to settle its obligations as and when they become due, therefore these Interim Financial Statements have been prepared on the going concern basis.

#### 4 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 2020, the Group had the following investments:

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	31 Dec 2020 R'000	31 Dec 2019 R'000	30 June 2020 R'000	31 Dec 2020 R'000	31 Dec 2019 R'000	30 June 2020 R'000
<b>Investments held at fair value through profit and loss</b>						
<b>Carrying amounts of:</b>						
Unlisted Ethos investments	1,804,283	1,679,995	1,891,743	1,804,283	1,679,995	1,891,743
	1,804,283	1,679,995	1,891,743	1,804,283	1,679,995	1,891,743
<b>Comprising:</b>						
Cost	2,592,374	1,614,824	2,664,271	2,592,374	1,614,824	2,664,271
Unrealised capital revaluation movement at the end of the period/year	(954,189)	(38,517)	(911,569)	(954,189)	(38,517)	(911,569)
Accrued income	166,098	103,688	139,041	166,098	103,688	139,041
	1,804,283	1,679,995	1,891,743	1,804,283	1,679,995	1,891,743
<b>Underlying Portfolio Companies consisting of:</b>						
Unlisted investments	1,302,095	1,651,906	1,438,999	1,302,095	1,651,906	1,438,999
Listed investments	502,188	28,089	452,744	502,188	28,089	452,744
	1,804,283	1,679,995	1,891,743	1,804,283	1,679,995	1,891,743

#### 4 Unlisted investments at fair value (continued)

The investments consisted of the following ten investments:

Group and Company	Participation in Ethos funds/ co-investments 31 Dec 2020 %	Cost 31 Dec 2020 R'000	Valuation 31 Dec 2020 R'000	Income distributions received 31 Dec 2020 R'000	Devaluation 31 Dec 2020 R'000
<b>Investments held at fair value through profit and loss:</b>					
<b>Consisting of unlisted investments in:</b>					
EF VII <sup>(1)</sup>	61.0	798,289	688,802	11,484	(109,487)
EMMF I <sup>(2)</sup>	37.9	585,920	395,340	3,262	(190,580)
EDI <sup>(3)</sup>	1.0 – 5.7	637,803	332,081	79,567	(305,722)
EHP <sup>(4)</sup>	13.3	93,513	137,624	–	–
EAiF I <sup>(5)</sup>	20.1	74,904	92,472	26,836	–
Primedia Holdings (Pty) Ltd ("Primedia")	4.4	144,247	67,220	–	(77,027)
EF VI <sup>(6)</sup>	1.4	92,142	51,683	4,644	(40,459)
EMM Direct <sup>(7)</sup>	8.8	110,891	30,529	–	(80,362)
EMP 3 <sup>(8)</sup>	13.9	36,866	8,532	–	(28,334)
Ster Kinekor Theatres (Pty) Ltd ("Ster Kinekor")	4.4	17,799	–	–	(17,799)
		<b>2,592,374</b>	<b>1,804,283</b>	<b>125,793</b>	<b>(849,770)</b>

<sup>(1)</sup> Ethos Fund VII (B) Partnership.

<sup>(2)</sup> Ethos Mid Market Fund I (B) Partnership.

<sup>(3)</sup> Ethos Direct Investment Partnership.

<sup>(4)</sup> Ethos Healthcare (A) Partnership.

<sup>(5)</sup> Ethos Ai Fund I (B) Partnership.

<sup>(6)</sup> Ethos Fund VI (Jersey) LP.

<sup>(7)</sup> Ethos Mid Market Direct Investment Partnership.

<sup>(8)</sup> Ethos Mezzanine Partners 3(B) Partnership.

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. Furthermore, the devaluation also related to the fair value of certain underlying listed investments that are reflected at the prevailing share price that currently is lower than the acquisition cost.

The above devaluation is largely attributable to the COVID pandemic that had a significant impact on the underlying Portfolio Company valuations, both from its impact on maintainable EBITDA and increased net debt to reflect the increased levels of working capital required to resume trading post-lockdown, and also a reduction in the valuation multiples of the Portfolio Companies, largely driven by a reduction in the public market prices. Whilst the valuation multiples of some sectors did increase towards the end of the 2020 calendar year, Ethos decided to keep most of the multiples at similar levels to March 2020 until the sustainability of the rally and Portfolio Company performance could be ascertained.

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.

**4 Unlisted investments at fair value** (continued)

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
<b>Investments held at fair value through profit and loss:</b>					
<b>Consisting of unlisted investments in:</b>					
EMMF I	38.9	569,358	520,949	99	(48,409)
EF VII	61.0	364,614	417,987	3,449	-
Primedia	4.4	144,247	147,854	-	-
EaIF I	30.6	106,463	119,152	593	-
EHP	15.7	85,057	108,410	-	-
EDI	2.4	89,959	105,602	1,510	-
EMM Direct	7.5	97,710	100,921	-	-
EF VI	1.4	101,148	91,286	-	(9,862)
EMP 3	14.4	38,469	40,358	2,090	-
Ster Kinekor	4.4	17,799	27,476	-	-
		<b>1,614,824</b>	<b>1,679,995</b>	<b>7,741</b>	<b>(58,271)</b>

Group and Company	Participation in Ethos Funds/ co-investments 30 June 2020 %	Cost 30 June 2020 R'000	Valuation 30 June 2020 R'000	Income distributions received 30 June 2020 R'000	Devaluation 30 June 2020 R'000
<b>Investments held at fair value through profit and loss:</b>					
<b>Consisting of unlisted investments in:</b>					
EF VII	61.0	798,290	667,713	14,741	(130,577)
EMMF I	37.9	584,235	390,772	99	(193,463)
EDI	2.4 - 5.7	690,530	378,139	4,950	(312,391)
EHP	18.1	93,513	116,778	-	-
EaIF I	26.5	94,575	112,704	3,552	-
Primedia	4.4	144,247	79,177	-	(65,070)
EMM Direct	8.8	110,891	61,027	-	(49,864)
EF VI	1.4	93,325	47,793	-	(45,532)
EMP 3	14.9	36,866	22,794	1,891	(14,072)
Ster Kinekor	4.4	17,799	14,846	-	(2,953)
		<b>2,664,271</b>	<b>1,891,743</b>	<b>25,233</b>	<b>(813,922)</b>

#### 4 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 2020, the underlying investments (Portfolio Companies) of the above Funds constituting 96.4% of the total assets, consisted of the following 22 unlisted companies:

##### Company

Name	Fund or type	Economic interest %	Business description/sector	Percentage of total assets 31 Dec 2020 %
Channel VAS	EF VII/EaIF I/EDI	8.7	FinTech service provider	24.4
Virgin Active (Brait)	EF VII/EDI	7.8	Health club operator	12.9
Premier (Brait)	EF VII/EDI	9.7	FMCG manufacturer	11.5
Echo	EMMF I/EF VII	31.8	Corporate internet service provider	9.9
Vertice	EHP	16.9	MedTech	9.4
Synerlytic	EMMF I	37.4	Specialised analytical and testing services	6.7
Gammatek	EMMF I	20.3	TMT accessory distribution	4.4
Primedia	EF VI/Co-invest	4.7	Media	3.8
Kevro	EMMF I/EMM Direct	16.6	Corporate clothing and gifting	3.1
Twinsaver	EF VI/EMMF I	7.5	Manufacturing (FMCG)	1.8
TymeBank	EaIF I	1.6	Banking	1.6
Autozone	EF VI/EMMF I	8.2	Automotive parts retailer and wholesaler	1.5
Consol Glass (Brait)	EF VII/EDI	0.3	Manufacturer of glass packaging	1.4
MTN Zakhele Futhi	EMMF I	0.1	Telecommunications	1.1
Eazi Access	EF VI/EMMF I	4.9	Industrial support services	0.9
The Beverage Company	EF VI	1.1	Carbonated drinks manufacturer	0.5
Chibuku	EMP 3	n/a	Brewing and distribution	0.5
Waco International	EF VI	0.3	Industrial support services	0.4
Neopak	EF VI	1.4	Paper and packaging	0.4
RTT	EF VI	0.8	Logistics	0.2
Ster Kinekor	EF VI/Co-invest	4.7	Media (entertainment)	-
New Look (Brait)	EF VII/EDI	1.8	Multi-channel fast-fashion brand	-
				96.4

**5 Money market investments at fair value**

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	31 Dec 2020 R'000	31 Dec 2019 R'000	30 June 2020 R'000	31 Dec 2020 R'000	31 Dec 2019 R'000	30 June 2020 R'000
<b>Investments held at fair value through profit and loss:</b>						
<b>Carrying amounts of:</b>						
Negotiable certificates of deposit	50,008	271,753	-	50,008	271,753	-
Cash and call accounts	-	6,543	-	-	6,543	-
	<b>50,008</b>	<b>278,296</b>	<b>-</b>	<b>50,008</b>	<b>278,296</b>	<b>-</b>
<b>Consisting of:</b>						
Cost	50,000	276,500	-	50,000	276,500	-
Unrealised capital revaluation movement at the end of the period/year	3	34	-	3	34	-
Accrued income	5	1,762	-	5	1,762	-
	<b>50,008</b>	<b>278,296</b>	<b>-</b>	<b>50,008</b>	<b>278,296</b>	<b>-</b>

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, treasury bills and cash or call accounts.

## 6 Issued capital

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	31 Dec 2020 Number	31 Dec 2019 Number	30 June 2020 Number	31 Dec 2020 Number	31 Dec 2019 Number	30 June 2020 Number
<b>Authorised, issued and fully paid</b>						
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 R7.50 per share	100,000,000	-	100,000,000	100,000,000	-	100,000,000
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
	<b>287,510,000</b>	<b>187,510,000</b>	<b>287,510,000</b>	<b>287,510,000</b>	<b>187,510,000</b>	<b>287,510,000</b>
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)
<b>Total issued share capital</b>	<b>265,010,000</b>	<b>165,010,000</b>	<b>265,010,000</b>	<b>278,510,000</b>	<b>178,510,000</b>	<b>278,510,000</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Issued and fully paid</b>						
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 R7.50 per share	750,000	-	750,000	750,000	-	750,000
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	(49,389)	(38,416)	(49,389)	(49,389)	(38,416)	(49,389)
	<b>2,500,686</b>	<b>1,761,659</b>	<b>2,500,686</b>	<b>2,500,686</b>	<b>1,761,659</b>	<b>2,500,686</b>
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)
<b>Total issued share capital</b>	<b>2,291,272</b>	<b>1,552,245</b>	<b>2,291,272</b>	<b>2,426,272</b>	<b>1,687,245</b>	<b>2,426,272</b>

## 6 Issued capital (continued)

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.

On 12 February 2020, the Company completed a Rights Issue whereby 100,000,000 A Ordinary Shares were issued at R7.50 per share. Costs amounting to R14,673,000 that are directly attributable to the share issue were capitalised and recognised as a deduction from share capital.

Further information on the A and B Ordinary Shares is provided in note 14.

Cumulative to date, the Company has purchased 9,000,000 A Ordinary Shares at an average of R8.27 per share. These shares are currently held in treasury. As set out in note 12, the 13.5 million secured A Ordinary Shares that are legally owned by Black Hawk Private Equity (Pty) Ltd ("Black Hawk") and pledged as security, are treated as treasury shares of the Group at their par value of R10.00 per share.

## 7 Borrowings

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	31 Dec 2020 R'000	31 Dec 2019 R'000	30 June 2020 R'000	31 Dec 2020 R'000	31 Dec 2019 R'000	30 June 2020 R'000
<b>Unsecured – at amortised cost</b>						
Loan facility	150,341	138,397	144,949	-	-	-
<b>Secured – at amortised cost</b>						
Revolving credit facility	-	-	40,000	-	-	40,000
	150,341	138,397	184,949	-	-	40,000
Current	-	-	40,000	-	-	40,000
Non-current	150,341	138,397	144,949	-	-	-
	150,341	138,397	184,949	-	-	40,000

On 13 February 2020, the Company concluded a five-year revolving credit facility with FirstRand Bank Limited (acting through its Rand Merchant Bank (“RMB”) division) which expires on 12 February 2025. The credit facility is secured against the Company’s assets and is capped at a maximum of 4.5x the Company’s NAV (subject to some preagreed adjustments). R200 million of the facility is currently committed, with R500 million uncommitted. Interest currently accrues at a rate that is based on JIBAR plus a 3.5% margin. No balance was drawn at 31 December 2020.

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 12 February 2025. This amount represents the current outstanding balance on the facility, including any accrued interest charges to 31 December 2020. Interest currently accrues at a rate that is based on JIBAR plus a 3.75% 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.

The carrying amount of the bank loans approximates their fair values.

**8 Changes in fair value of investments through profit or loss**

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2020 R'000	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2020 R'000
<b>Income:</b>						
Interest accrued and received on unlisted investments	28,540	25,081	56,619	28,540	25,081	56,619
Dividends accrued and received on unlisted investments	19,384	8,148	29,455	19,384	8,148	29,455
	<b>47,924</b>	<b>33,229</b>	<b>86,074</b>	<b>47,924</b>	<b>33,229</b>	<b>86,074</b>
Net (losses)/gains arising on changes in the fair value of unlisted investments	(20,713)	9,849	(856,974)	(20,713)	9,849	(856,974)
Reversal of prior years' fair value gains on disposal	(21,907)	-	(6,229)	(21,907)	-	(6,229)
Gains on realisation of unlisted investments	23,225	-	7,092	23,225	-	7,092
	<b>(19,395)</b>	<b>9,849</b>	<b>(856,111)</b>	<b>(19,395)</b>	<b>9,849</b>	<b>(856,111)</b>
<b>Expenses:</b>						
Ethos fees	(11,941)	(11,999)	(23,679)	(11,941)	(11,999)	(23,679)
Fund formation fees	(156)	-	(2,625)	(156)	-	(2,625)
Expenses relating to the acquisition of investments	-	(2,300)	(469)	-	(2,300)	(469)
Other Fund operating expenses	(585)	(6,852)	(782)	(585)	(6,852)	(782)
	<b>(12,682)</b>	<b>(21,151)</b>	<b>(27,555)</b>	<b>(12,682)</b>	<b>(21,151)</b>	<b>(27,555)</b>
	<b>15,847</b>	<b>21,927</b>	<b>(797,592)</b>	<b>15,847</b>	<b>21,927</b>	<b>(797,592)</b>

## 9 Investment income

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2020 R'000	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2019 R'000
<b>Income:</b>						
Interest from money market investments	5	14,470	16,503	5	14,470	16,503
Interest from cash and bank balances	138	255	607	125	248	595
Amortisation of net premium	-	(57)	(57)	-	(57)	(57)
	143	14,668	17,053	130	14,661	17,041
<b>Analysis of investment income by category of asset:</b>						
Interest earned from fair value through profit and loss assets	5	14,413	16,446	5	14,413	16,446
Loans and receivables (including cash and bank balances)	138	255	607	125	248	595
	143	14,668	17,053	130	14,661	17,041

## 10 Net fair value gains/(losses)

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2020 R'000	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2020 R'000
<b>Unrealised:</b>						
Net gains/(losses) arising on changes in the fair value of money market instruments	3	(279)	(313)	3	(279)	(313)
Net foreign exchange (losses)/gains on conversion of cash and cash equivalents	(1)	2	6	(1)	2	6
	2	(277)	(307)	2	(277)	(307)
<b>Realised</b>						
Gains on realisation of money market instruments	-	-	28	-	-	28
	-	-	28	-	-	28
<b>Net fair value gains/(losses)</b>	2	(277)	(279)	2	(277)	(279)

**11 Profit before tax**

Profit before tax has been arrived at after charging:

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2020 R'000	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2020 R'000
<b>11.1 Administration fees</b>						
Administration fee - Ethos	13	219	331	13	219	331
Administration fee - Ashburton	6	294	330	6	294	330
	<b>19</b>	<b>513</b>	<b>661</b>	<b>19</b>	<b>513</b>	<b>661</b>
<b>11.2 Legal and consultancy fees</b>						
Professional advisors' fees	227	1,010	1,706	227	1,010	1,706
	<b>227</b>	<b>1,010</b>	<b>1,706</b>	<b>227</b>	<b>1,010</b>	<b>1,706</b>
<b>11.3 Other operating expenses</b>						
Company secretarial, accounting and other administration fees	190	558	1,511	190	558	1,511
Directors' emoluments	2,268	2,155	4,401	2,268	2,155	4,401
Auditors' remuneration	400	750	1,443	400	750	1,443
Insurance costs	120	165	239	120	165	239
Sponsor and listing-related fees	386	362	726	386	362	726
Other expenses	256	564	1,086	252	562	1,084
	<b>3,620</b>	<b>4,554</b>	<b>9,406</b>	<b>3,616</b>	<b>4,552</b>	<b>9,404</b>
<b>11.4 Finance costs</b>						
Interest on secured bank loan	1,370	5,304	1,097	1,370	-	1,097
Commitment and transaction fees	939	-	2,234	939	-	2,234
Interest on unsecured bank loan	5,392	-	11,856	-	-	-
Less: Reimbursement by Black Hawk shareholders	-	(2,388)	(2,388)	-	-	-
	<b>7,701</b>	<b>2,916</b>	<b>12,799</b>	<b>2,309</b>	<b>-</b>	<b>3,331</b>

## 12 Capital commitments and contingent liabilities

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	31 Dec 2020 R'000	31 Dec 2019 R'000	30 June 2020 R'000	31 Dec 2020 R'000	31 Dec 2019 R'000	30 June 2020 R'000
<b>Undrawn capital commitments:</b>						
<b>Consisting of unlisted investments in:</b>						
EMMF I <sup>(1)</sup>	334,020	357,872	341,305	334,020	357,872	341,305
EAiF I <sup>(2)</sup>	74,260	43,486	55,646	74,260	43,486	55,646
EF VI <sup>(3)</sup>	15,151	16,833	20,075	15,151	16,833	20,075
EF VII <sup>(4)</sup>	-	887,386	-	-	887,386	-
EMP 3 <sup>(5)</sup>	-	205,931	200,201	-	205,931	200,201
EDI <sup>(6)</sup>	-	10,710	-	-	10,710	-
EHP <sup>(7)</sup>	-	1,683	-	-	1,683	-
Primedia <sup>(8)</sup>	-	1,605	-	-	1,605	-
	<b>423,431</b>	<b>1,525,506</b>	<b>617,227</b>	<b>423,431</b>	<b>1,525,506</b>	<b>617,227</b>
<b>Contingent liabilities</b>						
RMB Bank loan	-	-	-	150,341	138,397	144,949
	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,341</b>	<b>138,397</b>	<b>144,949</b>
<b>Total commitments and contingent liabilities</b>	<b>423,431</b>	<b>1,525,506</b>	<b>617,227</b>	<b>573,772</b>	<b>1,663,903</b>	<b>762,176</b>

<sup>(1)</sup> Commitment of R950 million to Ethos Mid Market Fund I (B) Partnership on 7 June 2018

<sup>(2)</sup> Commitment of R150 million to Ethos Ai Fund I (B) Partnership on 1 October 2018

<sup>(3)</sup> Commitment of \$10 million (R147 million) to Ethos Fund VI (Jersey) LP on 18 November 2016

<sup>(4)</sup> Commitment to Ethos Fund VII (B) Partnership on 1 October 2018

<sup>(5)</sup> Commitment to Ethos Mezzanine Partners 3 (B) Partnership on 16 May 2018

<sup>(6)</sup> Commitment to Ethos Direct Investment Partnership; first commitment made on 2 October 2018

<sup>(7)</sup> Commitment to Ethos Healthcare (A) Partnership; first commitment made on 16 May 2018

<sup>(8)</sup> Commitment to invest in Primedia Holdings (Pty) Ltd on 20 September 2017

The Company agreed to sell US\$6 million of its R250 million commitment to EMP 3 and to cancel any future commitment requirements to the Fund, thereby reducing its undrawn capital commitments to EMP 3 to Rnil.

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 12 February 2025. This amount represents the current outstanding balance on the facility, including any accrued interest charges to 30 June 2020. Interest currently accrues at a rate that is based on JIBAR plus a 3.75% 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.

As security against the above guarantee, Black Hawk has pledged 13.5 million shares in favour of the Company, which was valued at R54,000,000 at 31 December 2020. In the event that a mandatory repayment under the RMB facility was triggered at 31 December 2020, an implied shortfall would have resulted in a loss to the Company of R96,341,000, a decrease in the NAVPS of R0.36. The guarantee has been recognised as a contingent liability in the Annual Financial Statements of the Company and the above contingent loss has not been recognised in the Summarised Interim Financial Statements of the Company.

**13 Notes to the Summarised Statements Cash Flows**

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2020 R'000	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2020 R'000
<b>Cash flows from operating activities before investing activities:</b>						
<b>Profit/(loss) for the period/year</b>	1,850	26,104	(809,126)	7,233	29,015	(799,668)
<b>Adjustments for:</b>						
Investment income recognised in profit	(48,067)	(47,897)	(103,127)	(48,054)	(47,890)	(103,115)
Investment-related expenses	12,682	21,151	27,555	12,682	21,151	27,555
Losses/(gains) from fair value adjustments	42,617	(9,570)	863,516	42,617	(9,570)	863,516
Net foreign exchange losses/(gains)	1	(2)	(6)	1	(2)	(6)
Gains on disposal of investments	(23,225)	-	(7,120)	(23,225)	-	(7,120)
Finance costs recognised in profit	7,701	2,916	12,799	2,309	-	3,331
Income tax expense recognised in profit	2,575	1,221	3,736	2,575	1,221	3,736
	<b>(3,866)</b>	<b>(6,077)</b>	<b>(11,773)</b>	<b>(3,862)</b>	<b>(6,075)</b>	<b>(11,771)</b>
<b>Movements in working capital</b>	(776)	23,197	12,459	(777)	23,197	12,459
Decrease in other assets and receivables	72	16,296	11,665	72	16,296	11,665
(Decrease)/increase in other liabilities and payables	(848)	6,901	794	(849)	6,901	794
<b>Cash (used in)/generated by operations</b>	<b>(4,642)</b>	<b>17,120</b>	<b>686</b>	<b>(4,639)</b>	<b>17,122</b>	<b>688</b>

**14 Earnings/(loss) and NAVPS**

As detailed in note 6, the Company has 287,500,000 A Ordinary Shares in issue, 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.

**14 Earnings/(loss) and NAVPS (continued)****14.1 Earnings/(loss) and headline earnings/(loss) per share**

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2020 R'000	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Year ended 30 June 2020 R'000
Total comprehensive profit/(loss) attributable to ordinary shareholders	1,850	26,104	(809,126)	7,233	29,015	(799,668)
Reconciliation of basic earnings/(loss) to headline earnings/(loss):						
Total comprehensive income/(loss) attributable to ordinary shareholders	1,850	26,104	(809,126)	7,233	29,015	(799,668)
Reconciling items	-	-	-	-	-	-
Headline earnings/(loss) for the period/year	1,850	26,104	(809,126)	7,233	29,015	(799,668)
	'000	'000	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of earnings per share	257,500	157,500	195,751	271,000	171,000	209,251
Basic and diluted earnings/(loss) per share (Rand)	0.01	0.17	(4.13)	0.03	0.17	(3.82)
Basic and diluted headline earnings/(loss) per share (Rand)	0.01	0.17	(4.13)	0.03	0.17	(3.82)

**14.2 Basic net asset value per share**

	Group			Company		
	Unaudited		Audited	Unaudited		Audited
	31 Dec 2020 R'000	31 Dec 2019 R'000	30 June 2020 R'000	31 Dec 2020 R'000	31 Dec 2019 R'000	30 June 2020 R'000
Net assets	1,713,600	1,807,953	1,711,750	1,863,441	1,945,864	1,856,208
	'000	'000	'000	'000	'000	'000
Number of shares in issue during the period/year	287,500	187,500	287,500	287,500	187,500	287,500
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	257,500	157,500	257,500	271,000	171,000	271,000
Basic net asset value per share (Rand)	6.65	11.48	6.65	6.88	11.38	6.85

## 15 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.

## 16 Financial risk factors and instruments

### 16.1 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

These risks are detailed in note 25 of the notes to the Annual Financial Statements as at 30 June 2020.

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. The analysis below sets out the carrying amounts of the financial assets and liabilities according to the categories as required by IFRS 7 Financial Instruments: Disclosures.

	Group		Company	
At 31 December 2020	Financial asset at FVTPL R'000	At amortised cost R'000	Financial asset at FVTPL R'000	At amortised cost R'000
<b>Financial assets:</b>				
Unlisted investments at fair value	1,804,283	-	1,804,283	-
Other assets and receivables	-	5,062	-	5,060
Money market investments at fair value	50,008	-	50,008	-
Cash and cash equivalents	-	12,116	-	11,617
<b>Financial liabilities:</b>				
Borrowings	-	150,341	-	-
Other liabilities and payables	-	7,528	-	7,527

**16 Financial risk factors and instruments** (continued)**16.1 Overview** (continued)

At 31 December 2019	Financial asset at FVTPL R'000	At amortised cost R'000	Financial asset at FVTPL R'000	At amortised cost R'000
<b>Financial assets:</b>				
Unlisted investments at fair value	1,679,995	-	1,679,995	-
Other assets and receivables	-	394	-	392
Money market investments at fair value	-	5,848	-	5,364
Cash and cash equivalents	278,296	-	278,296	-
<b>Financial liabilities:</b>				
Borrowings	-	138,397	-	-
Other liabilities and payables	-	18,183	-	18,183
At 30 June 2020	Financial asset at FVTPL R'000	At amortised cost R'000	Financial asset at FVTPL R'000	At amortised cost R'000
<b>Financial assets:</b>				
Unlisted investments at fair value	1,891,743	-	1,891,743	-
Other assets and receivables	-	5,339	-	5,337
Cash and cash equivalents	-	7,993	-	7,504
<b>Financial liabilities:</b>				
Borrowings	-	184,949	-	40,000
Other liabilities and payables	-	8,376	-	8,376

## 16 Financial risk factors and instruments (continued)

### 16.2 Valuation risk

#### *Risk, policies and procedures*

The Group's exposure to valuation risk arises from movements in its unquoted investments into the Funds, whose valuations in turn are derived from the valuations of the Portfolio Companies in which they invest. The Funds' NAV and Portfolio Companies are valued in accordance with the IPEV Valuation Guidelines and their valuations are largely derived from unobservable inputs. In addition, movements in the money market investments of the Group are valued by using observable inputs other than quoted prices, also provide valuation risk exposure.

As noted earlier, the General Partners of the 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. The financial year-end Directors' valuation at 30 June has been audited by the Group's auditor. As noted below, by being a limited partner in the Funds and where applicable, having a representative on the Advisory Committee of the Funds, the Board of Directors has access to summary information on the performance and valuations of the underlying Portfolio Companies to make an assessment of the Funds' fair value. Representatives of the Investment Advisor are also available to provide full and timely access to information and address any concerns the Board might have or provide any additional information requests. The Board will also regularly review and assess the appropriateness of its own valuation policy and the Investment Advisor's valuation policy and processes, as noted below and elsewhere in the report.

The Investment Advisor determines the individual fair value of each Fund's underlying Portfolio Companies at the end of each quarter. The individual valuations, as prepared by Ethos' investment executives, are independently reviewed by senior executives/partners of Ethos. These executives then submit and present the valuations to the Ethos Valuation Committee, which consists of a number of senior executives/partners of Ethos. Once the Committee has approved the valuations, the valuations are submitted to the General Partner, who will issue the quarterly NAV statements and summary information on the valuations to each Fund's Advisory Committee and its limited partners. In addition, the December valuations are reviewed and audited by the Funds' auditor, before being issued to the General Partner, and the June Funds' NAV valuations are audited by the Group's auditor.

### 16.3 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.

**16 Financial risk factors and instruments** (continued)**16.3 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
<b>Assets</b>				
Unlisted investments	502,188	-	1,302,095	1,804,283
Money market investments	-	50,008	-	50,008
<b>At 31 December 2020</b>	<b>502,188</b>	<b>50,008</b>	<b>1,302,095</b>	<b>1,854,291</b>
<b>Group and Company</b>	<b>Level 1 R'000</b>	<b>Level 2 R'000</b>	<b>Level 3 R'000</b>	<b>Total R'000</b>
<b>Assets</b>				
Unlisted investments	28,089	-	1,651,906	1,679,995
Money market investments	-	278,296	-	278,296
<b>At 31 December 2019</b>	<b>28,089</b>	<b>278,296</b>	<b>1,651,906</b>	<b>1,958,291</b>
<b>Group and Company</b>	<b>Level 1 R'000</b>	<b>Level 2 R'000</b>	<b>Level 3 R'000</b>	<b>Total R'000</b>
<b>Assets</b>				
Unlisted investments	452,744	-	1,438,999	1,891,743
<b>At 30 June 2020</b>	<b>452,744</b>	<b>-</b>	<b>1,438,999</b>	<b>1,891,743</b>

During the period, there were no 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:

Group and Company	Unlisted investments		
	31 Dec 2020 R'000	31 Dec 2019 R'000	30 June 2020 R'000
<b>Non-current assets</b>			
Opening balance	1,438,999	1,427,261	1,427,261
Transfer to level 1	-	(41,035)	(41,035)
Acquisitions	9,804	217,397	241,318
Realisations at 30 June 2020 carrying value	(105,151)	(99)	(15,047)
Net (losses)/gains included in the Summarised Statements of Comprehensive Income	(41,557)	48,382	(173,498)
	<b>1,302,095</b>	<b>1,651,906</b>	<b>1,438,999</b>

**16 Financial risk factors and instruments** (continued)**16.4 Sensitivity of the fair values to unobservable inputs****16.4.1 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 2020.

At 31 December 2020	Group and Company		Group	Company	Group and Company
	R'000	% change	NAVPS Rand	Rand	Fair value adjustment R'000
<b>Investments</b>					
<b>NAV</b>					
EF VII	688,802	±5%	±0.13	±0.13	±34,440
EMMF I	395,340	±5%	±0.08	±0.07	±19,767
EDI	332,081	±5%	±0.06	±0.06	±16,604
EHP	137,624	±5%	±0.03	±0.03	±6,881
EaIF I	92,472	±5%	±0.02	±0.02	±4,624
EF VI	51,683	±5%	±0.01	±0.01	±2,584
EMM Direct	30,529	±5%	±0.01	±0.01	±1,526
EMP 3	8,532	±5%	-	-	±427
<b>Earnings</b>					
Primedia (refer to note 16.4.2 on page 48)	67,220	n/a	n/a	n/a	n/a

**16 Financial risk factors and instruments** (continued)**16.4 Sensitivity of the fair values to unobservable inputs** (continued)**16.4.2 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 2020, are as follows:

Methodology	Category	Group and Company		
		31 Dec 2020 R'000	31 Dec 2019 R'000	30 June 2020 R'000
Non-earnings based				
Price of recent investment	Unlisted private equity – early stage growth	30,202	45,920	39,824
Other – fair value less any impairment	Unlisted mezzanine	8,532	40,358	22,794
Earnings based				
Earnings based	Unlisted private equity	1,263,361	1,549,817	1,376,381
		1,302,095	1,651,906	1,438,999

**Non-earnings based****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 2020, 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.

At 31 December 2020 Investment	Group and Company	Group	Company	Group and Company
	% change	Rand	NAVPS Rand	Fair value adjustment R'000
Attributable EBITDA or EBITDA valuation multiple	±5%	-	-	±742

## 16 Financial risk factors and instruments (continued)

### 16.4 Sensitivity of the fair values to unobservable inputs (continued)

#### 16.4.2 Underlying Portfolio Companies - valuation drivers (continued)

##### 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.

Assessing the level of maintainable EBITDA and net debt of each Portfolio Company, especially during these unprecedented times, requires a high degree of judgement by Ethos; therefore, the valuations of the unlisted portfolio are subject to a degree of uncertainty and the underlying assumptions may prove in time not to be entirely accurate.

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.

**16 Financial risk factors and instruments** (continued)**16.4 Sensitivity of the fair values to unobservable inputs** (continued)**16.4.2 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 2020, 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 4 on page 29), 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.

At 31 December 2020	Group and Company		Group	Company	Group and Company
Fund type	R'000	% change	Rand	NAVPS Rand	Fair value adjustment R'000
<b>EF VI and relevant Co-investments:</b>					
Attributable EBITDA	67,000	±10%	±0.18	±0.17	±47,420
Attributable Net debt	158,000	±10%	±0.05	±0.05	±12,600
Implied EBITDA valuation multiple	6.6x	±10%	±0.18	±0.17	±47,420
<b>EF VII and relevant Co-investments:</b>					
Attributable EBITDA	69,000	±10%	±0.21	±0.20	±54,010
Attributable Net cash	(26,000)	±10%	±0.01	±0.01	±2,100
Implied EBITDA valuation multiple	7.9x	±10%	±0.21	±0.20	±54,010
<b>EMMF I and relevant Co-investments:</b>					
Attributable EBITDA	111,000	±10%	±0.30	±0.28	±76,870
Attributable Net debt	341,000	±10%	±0.12	±0.12	±31,600
Implied EBITDA valuation multiple	6.7x	±10%	±0.30	±0.28	±76,870

## 16 Financial risk factors and instruments (continued)

### 16.4 Sensitivity of the fair values to unobservable inputs (continued)

#### 16.4.2 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 44, is the impact of the Group's Co-Investment in Primedia, representing the direct shareholdings in the equity of Primedia. 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 2020, if all other inputs remain unchanged, and absent any changes in any other subjective inputs.

At 31 December 2020	Group and Company		Group	Company	Group and Company
Investment	R'000	% change	Rand	NAVPS Rand	Fair value adjustment R'000
<b>Earnings based - unlisted investment in Primedia:</b>					
Attributable EBITDA	24,000	±10%	±0.06	±0.06	±16,622
Attributable Net debt	99,000	±10%	±0.04	±0.04	±9,900
Implied investment EBITDA valuation multiple range of public peers	3.8x - 16.4x	±10%	±0.06	±0.06	±16,622

## 17 Events after the reporting period

The Board has considered the ongoing impact of the COVID pandemic, the resultant lockdowns, and other operating and investing activities of the Company and is not aware of any material events or circumstances after the reporting date that would require disclosure or adjustment to the Summarised Interim Financial Statements for the period ended 31 December 2020.

## CORPORATE INFORMATION

### Directors

Yvonne Stillhart (Chairperson)  
Derek Prout-Jones  
Kevin Allagapen  
Michael Pfaff  
Yuvraj Juwaheer

### Senior Advisors (Officers)

Jean-Pierre van Onselen (CFO)  
Peter Hayward-Butt (CEO)

### Investment Advisor

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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)  
11 March 2021

### Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

### Listing

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JSE code: EPE  
Sector: Financials – Speciality Finance

### Transfer Secretary

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