



ARC
INVESTMENTS

**Summarised Annual
Financial Statements**
for the year ended 30 June 2022

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

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

For the year ended 30 June 2022

ABOUT THIS REPORT

These Summary Annual Financial statements have been approved by the board of directors. This document provides a summary of the information contained in the African Rainbow Capital Investments Limited (ARC Investments, the Company) 2022 Annual Financial Statements. It is not the Company's statutory accounts and does not contain sufficient information to allow for a complete understanding of the results and state of affairs of the Company as would be provided by the full Annual Financial Statements. For further information consult the full Annual Financial Statements, the unqualified auditor's report on those annual financial statements and the Directors' report.

REPORT OF THE AUDITOR

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

The Directors take full responsibility for the preparation of the provisional report and the financial information has been correctly extracted from the underlying Annual Financial Statements.

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

PREPARER AND SUPERVISOR OF ANNUAL FINANCIAL STATEMENTS

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

KEY HIGHLIGHTS & FINANCIAL COMMENTARY REVIEW

For the year ended 30 June 2022



INAV per share increase of 14.7%
(30 June 2021: decrease of 8.1%)

Intrinsic portfolio value increased by 11.3% to R13 659 million
(30 June 2021: R12 275 million)

The R1 384 million increase comprises R1 832 million net fair value gains and net investment disposals of R448 million.



Debt in the fund increased by 12.1% to R974 million
(30 June 2021: R869 million)

Significant international equity funding secured in TymeBank and Tyme Global

Disposal of 12.4 million Afrimat shares for R740 million

Cash in the ARC Fund of R669 million (30 June 2021: R239 million)



Management fee under review



Rain to benefit from spectrum acquisition



Kropz Elandsfontein navigating new challenges

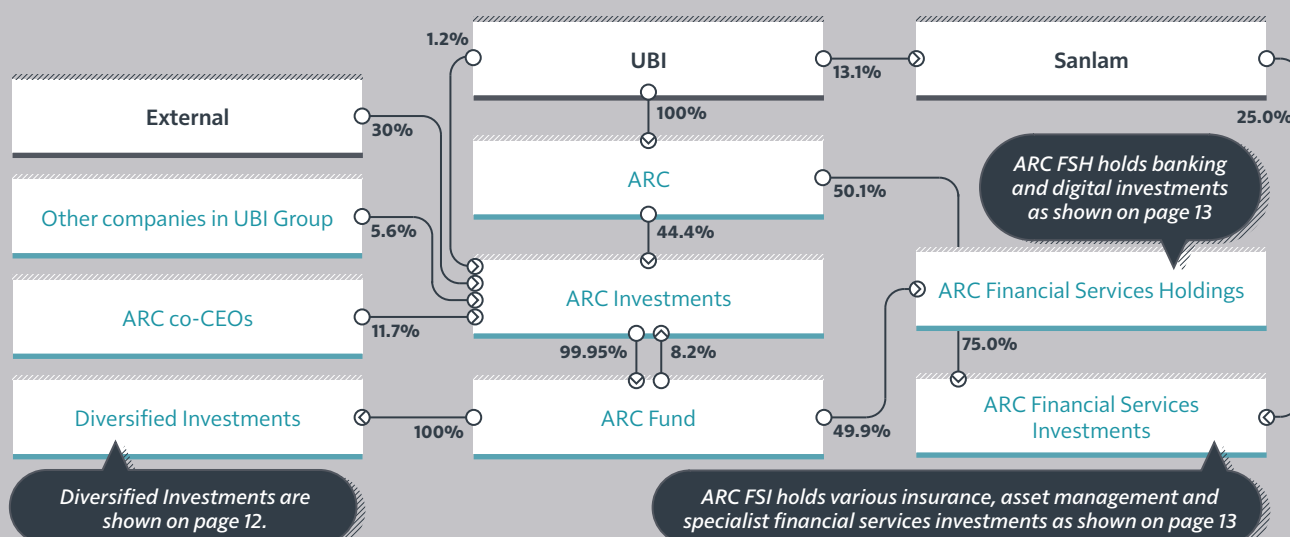
FINANCIAL PERFORMANCE COMMENTARY

NATURE OF BUSINESS

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

Group structure

ARC Investments is 44.4% owned by African Rainbow Capital Proprietary Limited (ARC), which in turn is 100% owned by Ubuntu-Botho Investments Proprietary Limited (UBI). UBI effectively owns 52.7% of ARC Investments. ARC Investments is an investment holding entity, which hold 99.95% in the ARC Fund, which in turn make use of ARC Fund to invest in various investee entities. These investments are managed by UBI GP as the General Partner of the ARC Fund and earns a management fee.



FINANCIAL PERFORMANCE COMMENTARY

The ARC Fund's investment strategy

The ARC Fund's investment strategy and the ARC Fund portfolio companies' strategies were reviewed in the current year under review. The ARC Fund's strategic focus continues to be the consolidation of capital in specific businesses and working with investment partners to deliver synergies from relevant portfolio companies that will create additional value in the underlying businesses. A strategic and financial review of the portfolio was completed to identify investments that are considered to no longer be a strategic fit within the portfolio. Investments which no longer reasonably align with the longer-term ARC Fund investment strategy will be disposed of in the short to medium term.

The ARC Fund's investment portfolio includes a combination of early-stage businesses as well as established businesses. Early-stage businesses contribute 48% of the ARC Fund's intrinsic portfolio value (IPV). These businesses include Rain, Kropz, TymeBank and Tyme Global. The ARC Fund takes a medium to long-term view on early-stage businesses it believes will make a significant impact, relative to incumbent market players.

Operating environment

The year under review has been characterised by strained trading conditions, mainly resulting from the contracting economy and associated impact on consumers. Economic recovery in some sectors is underway post the Covid-19 pandemic. Equity market performance has improved in some respects, although increased volatility levels impact investor sentiment.

Going concern

The financial statements were prepared on the going-concern basis. The assets of the Company, fairly valued, exceed its liabilities. The Directors are of the opinion that the Company will continue as a going concern based on forecasts and available resources, including cash and unutilised borrowing facilities.

Performance highlights

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

The collective efforts of management and investment partners resulted in progress in early-stage investments as well as

consolidating capital in specific businesses. Ongoing work with investment partners will deliver synergy benefits, which will create additional value in underlying businesses. This, combined with the reduced management and performance fee, should contribute towards closing the gap between the intrinsic and market values.

The Company's intrinsic investment value in the ARC Fund increased by 14.7% from R11 541 million at 30 June 2021 to R13 242 million at 30 June 2022. During the year under review, its effective share of the invested assets (or the IPV) increased by 11.3% from R12 275 million at 30 June 2021 to R13 659 million at 30 June 2022 mainly as a result of a net increase of R1 384 million in asset values.

The IFRS Net Asset Value (NAV) per share increased by 13.9 % from R8.85 at 30 June 2021 to R10.08 at 30 June 2022.

Performance participation hurdle achieved

The annual growth in the Company's share in the IPV of the ARC Fund, before the impact of acquisitions and disposals for the year, was 14.7%. The annual growth is above the 10% performance participation hurdle. Consequently, a provisional amount of R273 million has been recognised in terms of IFRS 2 for the issue of Performance Participation shares to UBI.

Management fee under review

When ARC Investments listed in 2017, the Company and the General Partner indicated that they would review the ARC Fund's fee structure after five years. The fee structure was reviewed during the current year. As an outcome of this review process, the General Partner has proposed changing the basis of the management fee calculation from the current fixed percentage of assets under management to an actual cost incurred, plus a 5% profit margin. It is expected that this change will result in a significant reduction in the management fee charged by the General Partner.

Furthermore, it is proposed that the current performance participation arrangement be simplified. The new performance participation only considers the growth in net asset value above the 10% performance hurdle, as opposed to the current arrangement whereby the fund manager participates in growth from the ground-up.

The proposed changes will be implemented with effect from 1 July 2022 subject to the shareholders' approval at the Annual General Meeting.

Performance analysis

For the year ended 30 June 2022

Investment in ARC Fund	Net Asset Value 30 June 21 R million	Net Investment R million	Net Increase/ (Decrease) in Net Asset Value R million	Net Asset Value 30 June 22 R million	Percentage change
Intrinsic portfolio value	12 275	(448)	1 832	13 659	11.3%
Cash in the ARC Fund	239	491	(61)	669	179.9%
Debt in the ARC Fund	(869)	(43)	(63)	(975)	12.2%
Other net assets/(liabilities) in the ARC Fund	(104)	-	(7)	(111)	6.7%
UBI GP fee payable	(100)	-	(10)	(110)	10.0%
Other assets (liabilities) in the ARC Fund	(4)	-	3	(1)	(75.0%)
Intrinsic Investment in the ARC Fund at FVTPL	11 541	-	1 701	13 242	14.7%

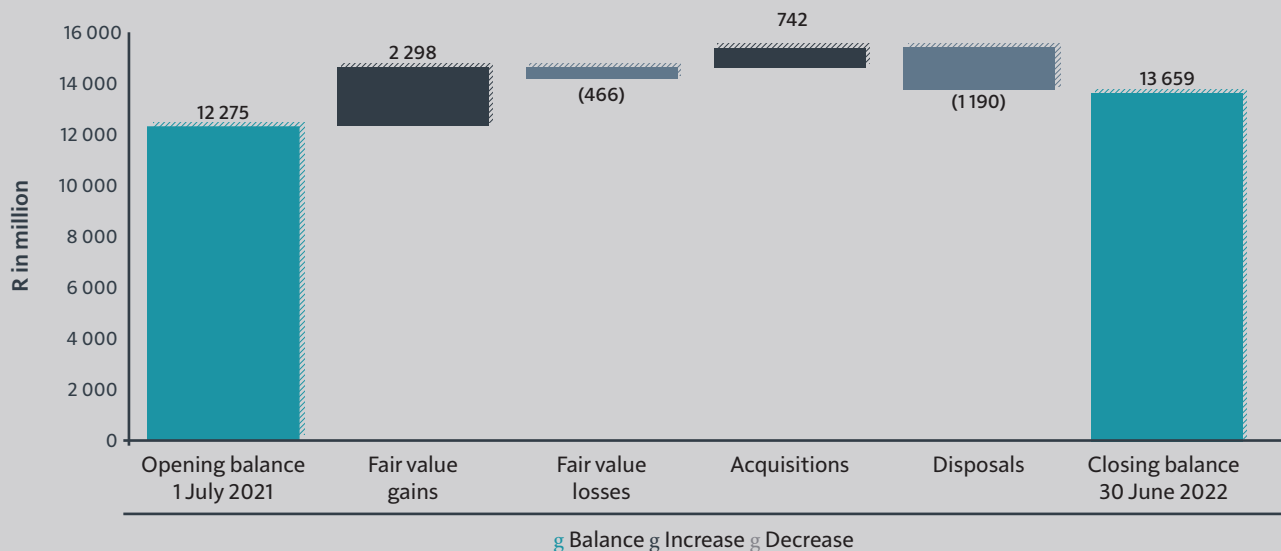
For the year ended 30 June 2021

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

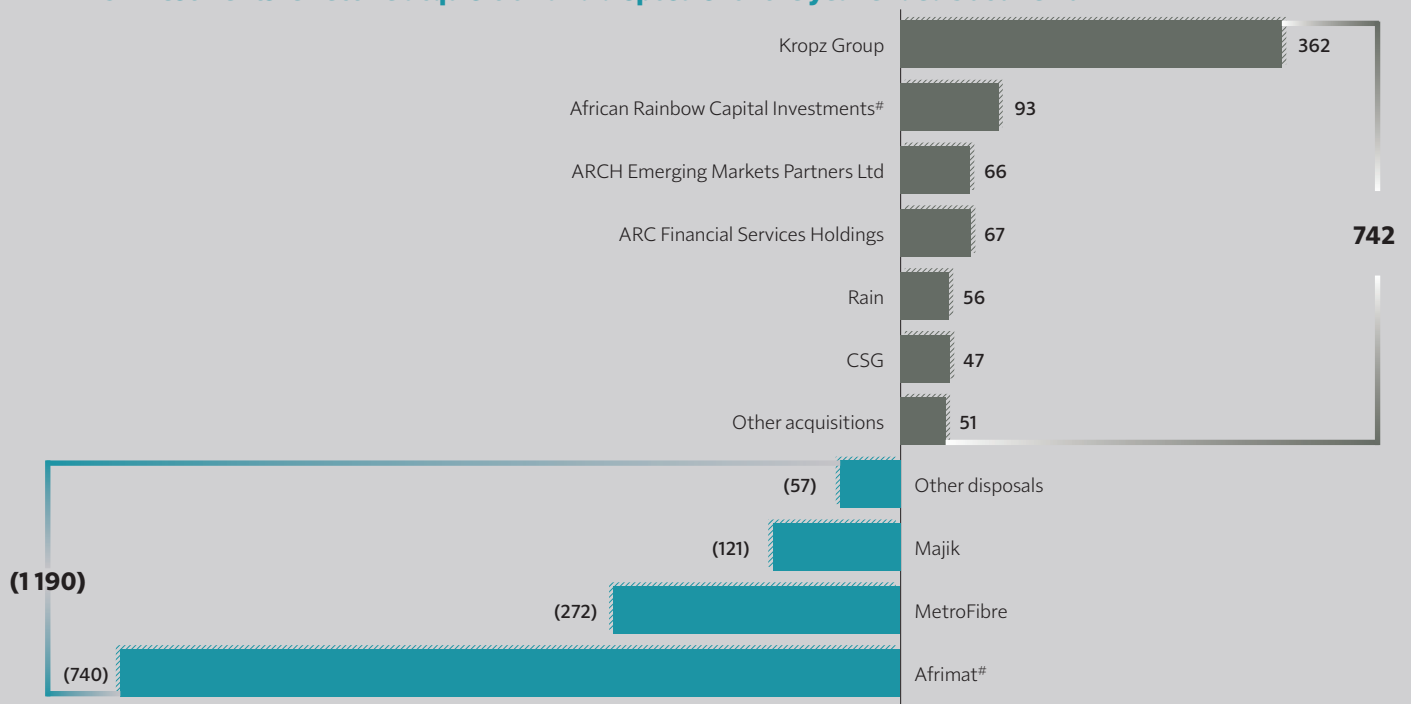
* FVTPL: Fair value through profit or loss

During the year under review, ARC Investments, through the ARC Fund, effectively made acquisitions and disposals amounting to

Intrinsic portfolio value movement from 1 July 2021 to 30 June 2022



ARC Investments' effective acquisition and disposals for the year ended 30 June 2022



Denotes a listed entity classified as level 1 fair value hierarchy

FINANCIAL PERFORMANCE COMMENTARY

R742 million and R1 190 million respectively. The following significant movements occurred:

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

Afrimat

The ARC Fund sold 12.4 million Afrimat shares for a consideration of R740 million during the year.

Kropz Plc

The ARC Fund invested an additional R362 million into Kropz Plc during the period. The capital was largely used to fund operational cash shortfall at Elandsfontein resulting from a delay in the ramp-up as well as to commission the updated feasibility study for Cominco.

The ARC Fund subscribed for additional shares in Kropz Plc to the value of R55 million in various tranches during the year under review in terms of the convertible loan facility entered into previously. The ARC Fund also advanced an additional R377 million convertible loan facility available to Kropz Plc to help fund operations at Elandsfontein. At 30 June 2022, R305.5 million of this total facility had been drawn.

ARCH Emerging Markets Partners Limited

During the year under review the ARC Fund invested R66 million in the ARCH Cold Chain Solutions East Africa Fund. ARCH Emerging Markets Partners Limited, which is a joint venture between JCH & Partners LLP and ARC, manages ARCH Cold Chain Solutions East Africa Fund and ARCH Renewable Power Fund.

Rain

An additional investment of R56 million was made during the year. Rain participated successfully in the government-initiated spectrum auction where it acquired 20MHz in the 700MHz band and 20MHz in the 2.6GHz band for a total price of R1.43 billion. The spectrum allocated to Rain is expected to significantly enhance its competitiveness.

Acquisitions in the Financial Services Portfolio

During the year ended 30 June 2022, the Company effectively made two significant indirect investments through the ARC Fund's 49.9% interest in ARC Financial Services Holdings (ARC FSH).

Crossfin

ARC FSH acquired 37.33% of Crossfin for R415 million resulting in the ARC Fund's indirect interest of 19% and R207 million respectively. Crossfin is one of Africa's leading independent fintech platforms, as measured by both the volume and value of transactions processed through its platforms.

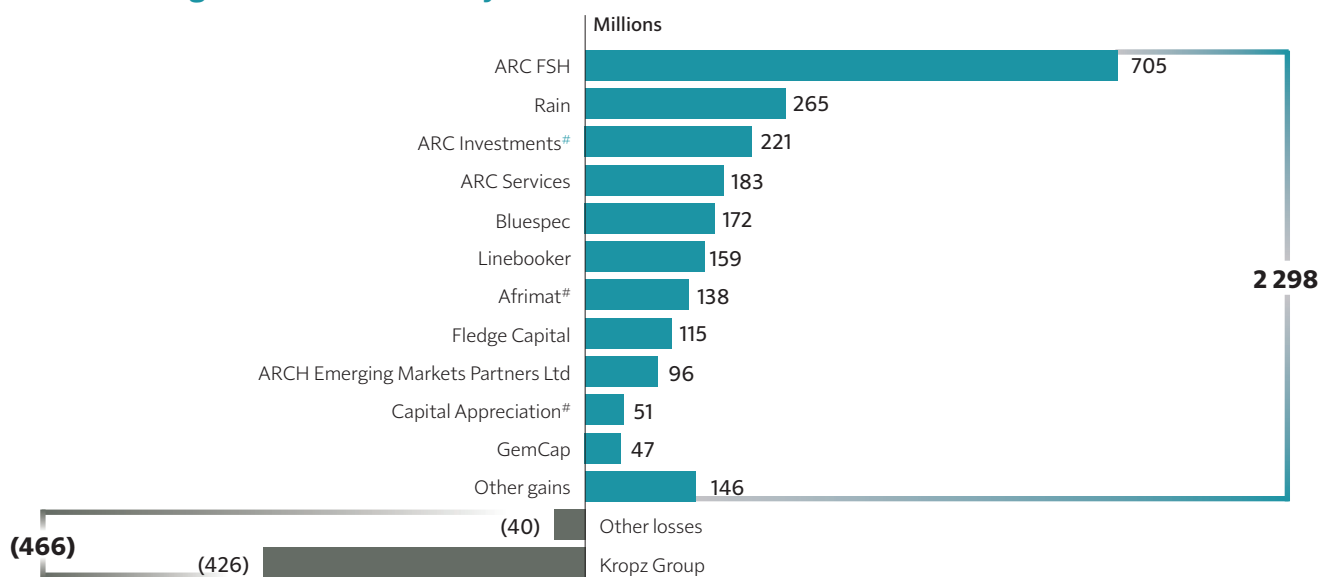
TymeBank and Tyme Global

ARC FSH invested an additional R303 million into TymeBank and Tyme Global during the year as part of the capital requirements for the bank. At 30 June 2022, the ARC Fund had an effective interest of 25% in TymeBank, in the form of 49.9% of the 50.1% interest held by ARC FSH in TymeBank.

Performance review for the year

The 11.3% increase in ARC Investments' share in the INAV of the ARC Fund at FVTPL was largely due to the Company's effective share in the net fair value gains of R1 832 million, which is graphically depicted below.

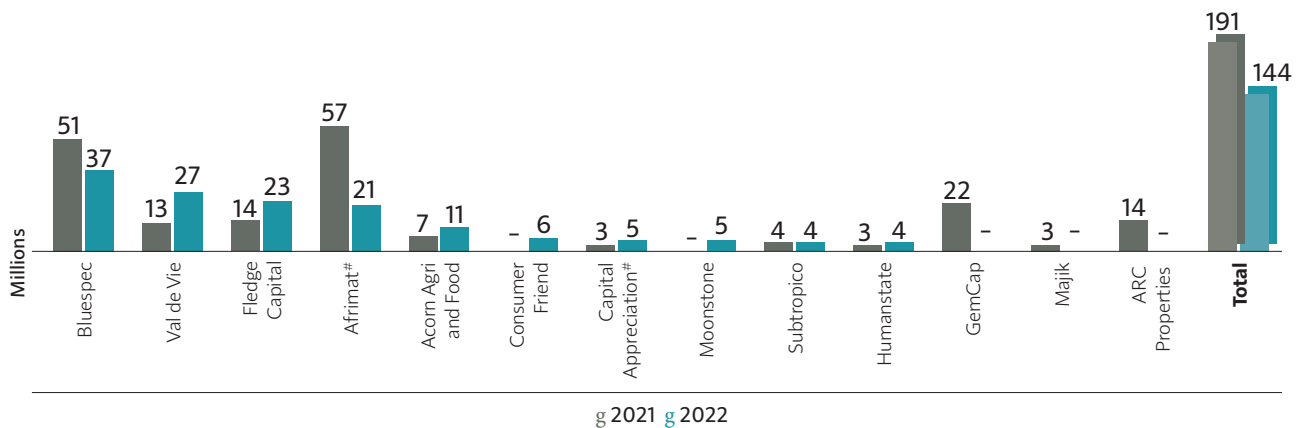
Fair value gains and losses for the year ended 30 June 2022



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

Dividend income

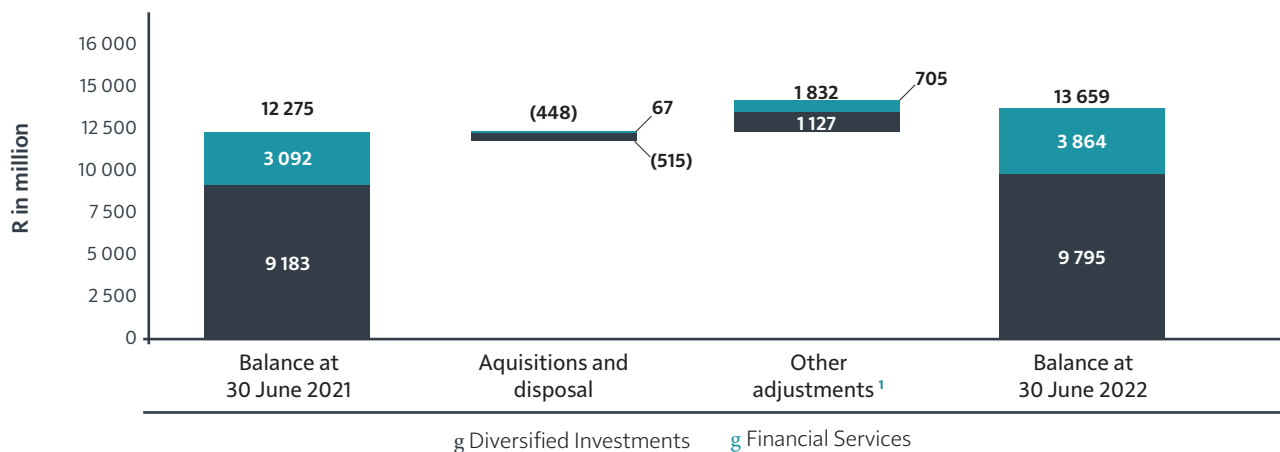
The Company's effective share in dividend income for the year under review decreased by 25 % to R144 million (30 June 2021: R191 million) consisting of dividends from:



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

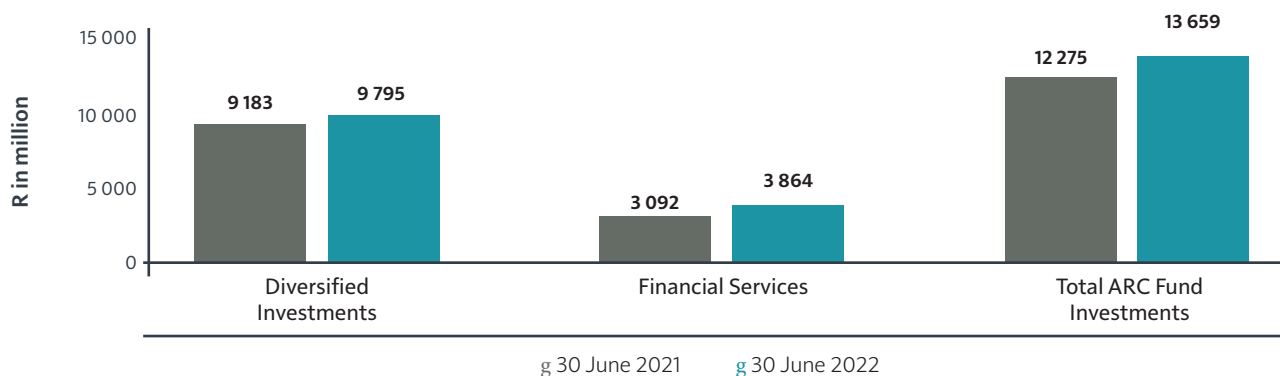
PORTFOLIO DESCRIPTION AND REVIEW

Portfolio movement per sector for the year ended 30 June 2022



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

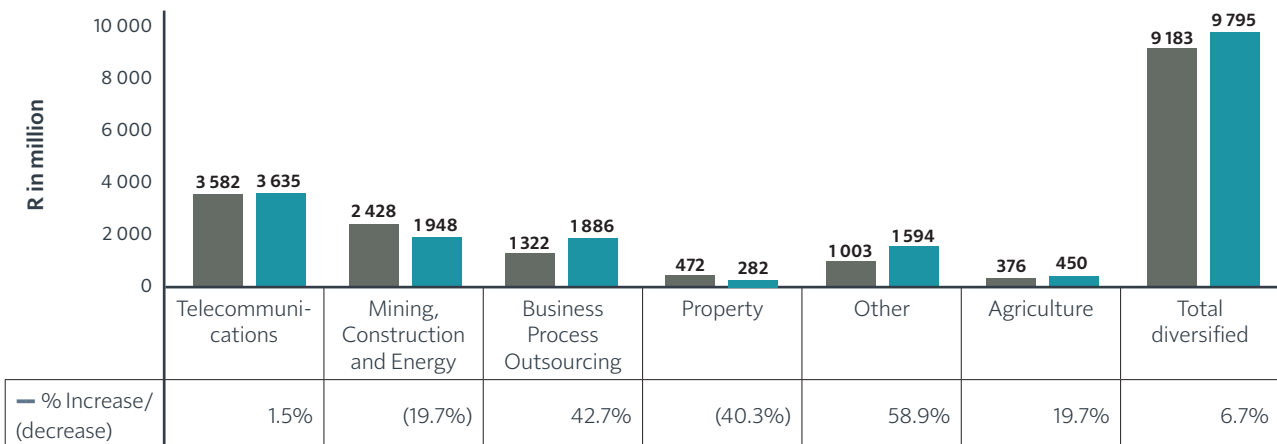
Investment per sector



FINANCIAL PERFORMANCE COMMENTARY

Diversified Investments Portfolio - 71.7 % of Fund Value (30 June 2021: 74.7%)

The Company's effective investment in the IPV of the Diversified Investments portfolio increased from R9 183 million at 30 June 2021 to R9 795 million at 30 June 2022, resulting in an 6.3% increase during the year as shown in the graph below.



g 30 June 21 g 30 June 22

Telecommunications - 26.6 % of Fund Value (30 June 2021: 29.2%)

The Company's effective interest in the IPV of the investments in Telecommunications increased by 1.5 % from R3 582 million at 30 June 2021 to R3 635 million at 30 June 2022.

Rain - 26.6 % of Fund Value (30 June 2021: 27.0%)

The value of the ARC Fund's interest in Rain has increased by 9.7% for the year under review. The reason for this increase is three-fold:

Firstly, Rain continues to deliver well on both 4G and 5G sales. Demand for these products has been sustained throughout and post the easing of Covid-19 restrictions, which has seen employees return to their offices for work.

Secondly, the increased valuation also considers Rain's business plan post the spectrum auction, which was completed in March and April 2022. The business participated successfully in the government-initiated spectrum auction that saw Rain acquire 2x10MHz in the 700MHz band and 20MHz in the 2.6GHz band for a total price of R1.43 billion. The utilisation of the additional spectrum is expected to positively impact Rain's cash-flow.

Thirdly, the increased valuation is also as a result of a R56 million additional investment.

Rain achieved its budgeted R1 billion EBITDA for its financial year ended February 2022. This is regarded as a significant achievement as it achieved break-even in the February 2021 financial year. The ARC Fund's share in the value of the investment in Rain increased from R3 314 million at 30 June 2021 to R3 635 million at 30 June 2022.

MetroFibre - 0% of Fund Value (30 June 2021: 2.2%)

The ARC Fund has disposed of its shareholding in MetroFibre for a consideration of R272 million. The Company's effective investment in MetroFibre decreased from R268 million at 30 June 2021 to RNil million at 30 June 2022 as a result of a fair value gain of R4 million and disposal proceeds of R272 million.

Mining, Construction and Energy - 14.2% of Fund Value (30 June 2021: 19.8%)

The Company's effective investment in the IPV in mining, construction and energy decreased by 19.7% from R2 428 million at 30 June 2021 to R1 948 million at 30 June 2022.

Afrimat - 4.6% of Fund Value (30 June 2021: 10.0%)

The ARC Fund disposed of 12.4 million Afrimat shares at a price of R59.62 per share for a total consideration of R740 million in the year under review. As a result, the ARC Fund's shareholding in Afrimat decreased from 16% at 30 June 2021 to 7% at 30 June 2022. The capital profit on this disposal amounts to R431 million, generating an IRR of 27.1%.

Kropz Plc - 7.5% of Fund Value (30 June 2021: 8.9%)

Kropz Plc is an emerging African phosphate developer that owns two phosphate assets, namely Elandsfontein on the west coast of South Africa and Cominco in the Republic of Congo. The value of Elandsfontein and Cominco at 30 June 2022 was determined using discounted cash flow models. Using the latest available phosphate price forecasts from CRU Group ("CRU") and updated production cost estimates

for Elandsfontein and Cominco (as provided by DRA Global Limited ("DRA") and Hatch Limited ("Hatch") respectively), the ARC Fund's investment value was estimated at R1 028 million at 30 June 2022. At 30 June 2022, the ARC Fund remaining undrawn committed capital amounted to R73.5 million.

Elandsfontein project update

The construction of the processing plant has been completed and the first ore was introduced in December 2021. Subsequent to the introduction of the ore into the plant, Elandsfontein suffered further delays in the ramp-up of its operations. The most recent delay was driven by unexpected ore variability in the current mining area. Mining rates and the associated delivery of ore to the plant have been compromised due to the presence of banks of hard material within the orebody that previous geological work failed to identify.

The hard bank material cannot be mined using free-digging methods, so new equipment has been brought to site to test the mechanical breakage of the material. Alternative mining methods are also being investigated. Based on a re-analysis of the historical geological cores drilled, it is clear that previous estimations of the ore body vastly underestimated the quantity of hard bank material.

In order to assess the impact on the future mine plan, further drilling has been actioned post year-end. A revised mineral resource estimate and mining plan will be produced once the results of this drilling have been interpreted.

Cominco project update

Kropz appointed Hatch, an international consulting firm, in February 2021 to complete the updated feasibility study for Cominco, a significant phosphate deposit in the Republic of Congo. The updated feasibility study was completed in December 2021 and provided improved insights as to the project's cost, capital requirements, estimated life of mine and project value. The updated feasibility study supported a substantially higher valuation of the Cominco asset. Historically, the ARC Fund valued Cominco at the cost incurred to develop the ore body to date by both Kropz Plc and the previous owners.

Other mining assets - 2.1% of Fund Value (30 June 2021: 0.9%)

Other mining assets comprise ARC Services (ARCS), which owns Mooiplaats Coal Holding Group (Mooiplaats). ARCS has other investments in the supply of bulk commodities in the mining, construction, infrastructure and engineering space that are being supported and incubated for future growth.

The Company's effective investment in ARCS increased from R105 million at 30 June 2021 to R291 million at 30 June 2022 resulting in a fair value gain of R183 million, a majority of which is supported by cash reserves. ARCS signed agreements to dispose of Mooiplaats following a restructuring of investments (Stahl Cranes and Hoists investment were also disposed of). Mooiplaats ceased its underground mining operations on 22 December 2021. The company disposed of the underground equipment and sold all its coal stockpiles. The remaining operations at Mooiplaats relate to the toll wash services for surrounding coal mines.

Business Process Outsourcing - 13.8 % of Fund Value (30 June 2021: 10.8%)

The Company's effective interest in the IPV of the Business Process Outsourcing investments increased from R1 322 million at 30 June 2021 to R1 886 million at 30 June 2022.

GemCap - 2.3% of Fund Value (30 June 2021: 5.3%)

During the year under review, the majority of the assets that were held by GemCap were sold to the ARC Fund as part of a group restructure, with the exception of Payprop SA. The Company's effective investment in GemCap decreased by R333 million from R651 million at 30 June 2021 to R318 million at 30 June 2022.

The ARC Fund is in the process of exiting its investment in Humanstate and Payprop SA. The transaction is at an advanced stage of negotiation. The ARC Fund's value of GemCap at 30 June 2022 is based on the transaction price.

Bluespec - 3.5% of Fund Value (30 June 2021: 2.5%)

The Company's effective investment in Bluespec increased by 56.8% from R304 million at 30 June 2021 to R476 million at 30 June 2022. The increase in value was driven by Bluespec's improved financial performance and the impact of the reduction in the long-term interest-bearing debt exposure. Cash reserves improved significantly, which has enabled Bluespec to continue declaring dividends and to fund its future growth pipeline.

Bluespec is focused on investing in new technology platforms across its businesses. This is to better respond to customer demands, improve its service offering and drive new routes to market to bolster market share, while optimising cost structure and overall efficiencies.

Other Business Process Outsourcing (BPO) - 8.0% of Fund Value (30 June 2021: 3.0%)

The Company's effective interest in the IPV of the BPO investments increased from R367 million at 30 June 2021 to R1 092 million at 30 June 2022 as a result of a net fair value gain of R294 million for the year under review and the GemCap unbundling. The biggest contributors to the gains in other BPO businesses are Linebooker with R159 million fair value gain and Capital Appreciation with R51 million fair value gain.

Other BPO major investments include, Humanstate, Linebooker, Moonstone, Capital Appreciation, CSG, Consumer Friend and Autoboy.

FINANCIAL PERFORMANCE COMMENTARY

Agriculture - 3.3% of Fund Value (30 June 2021: 3.1%)

The Company's effective interest in the IPV of the agricultural investments increased from R376 million at 30 June 2021 to R450 million at 30 June 2022 as a result of a net fair value gain of R50 million and additional investment of R24 million for the year under review.

Acorn Agri and Food - 1.2% of Fund Value (30 June 2021: 1.2%)

The Company's effective investment in Acorn Agri and Food (AAF) increased in value from R153 million at 30 June 2021 to R166 million at 30 June 2022 as a result of a fair value gain of R4 million and a relatively small additional investment of R9 million.

AAF concluded the successful acquisition of the Kyron Group, Bachmus Oil & Fuel Supplies and Matrix Software, laying the foundation for stronger future growth.

AAF's over-the-counter (OTC) share price remains muted and trading at a significant discount to its net asset value per share. The ARC Fund values its investment in AAF using the 30-day volume weighted average price (VWAP) OTC price.

Subtropico - 1.2% of Fund Value (30 June 2021: 1.1%)

Subtropico operates in the secondary market of the agriculture sector and has interests in entities mainly in the fresh-produce market agents, game and livestock auctions and a food packaging business.

The Company's effective investment in Subtropico is valued at R161 million, which includes a fair value gain of R26 million during the year under review.

The value increase was driven by fresh produce markets and livestock auctions stabilising post Covid-19. Despite significant uncertainty regarding demand, operational ability, and increased pressure on margins due to a combination of product prices and volumes coming under pressure, Subtropico has experienced a year-on-year recovery in both revenue and profits for the financial year ended December 2021.

RSA - 0.9% of Fund Value (30 June 2021: 0.7%)

The Company's effective investment in RSA increased by 39% from R88 million at 30 June 2021 to R123 million at 30 June 2022 as a result of a fair value gain of R20 million and additional investment of R15 million. The valuation increase is mainly as a result of operational efficiencies post Covid-19. RSA has implemented cost-cutting initiatives and other internal measures to improve earnings quality and export volumes.

Significant growth over the short to medium term is expected following recent strategic bolt-on acquisitions to improve RSA's market footprint. Management intends to strengthen the balance sheet and preserve cash reserves to enable the business to absorb any unforeseen financial shocks and capitalise on investment opportunities that may arise.

Property - 2.1 % of Fund Value (30 June 2021: 3.8%)

The Company's effective share of the IPV of the Property investments decreased from R472 million at 30 June 2021 to R282 million at 30 June 2022, largely due to disposals of R158 million.

Val de Vie - 1.0 % of Fund Value (30 June 2021: 1.2%)

Val de Vie has enjoyed an extended period of high sales volumes coupled with high property prices. This has allowed Val de Vie to declare R26.6 million of dividends during the period under review to the ARC Fund.

As Val de Vie successfully markets residential stands for development, which enables dividends declarations to shareholders. The value of the ARC Fund's investment in Val de Vie will be realised and decrease over time.

The Company's effective investment in Val de Vie decreased from R164 million at 30 June 2021 to R130 million at 30 June 2022, mainly due to Val de Vie's dividend declarations coupled with the increase in South African risk-free rate.

Other Property - 1.1% of Fund Value (30 June 2021: 2.6%)

The portfolio investments include Majik, ARC Real Estate and ARC Property Development. Barlopark was sold during the year for a consideration of R25 million.

Other Diversified Investments - 11.7% of Fund Value (30 June 2021: 8.1%)

The Company's effective interest in the IPV of Other Diversified Investments increased from R1 003 million at 30 June 2021 to R1 594 million at 30 June 2022. The increase is attributable to an additional investment of R159 million and fair value gains of R432 million.

Fledge Capital Investments - 3.6 % of Fund Value (30 June 2021: 3.0%)

The Company's effective investment in Fledge Capital Investments increased by R115 million from R371 million at 30 June 2021 to R486 million at 30 June 2022. The growth in value was largely driven by the finalisation of the disposal of Fledge Capital's interest in We-Buy-Cars to Transaction Capital. The IRR achieved on this disposal was 78% (excluding the potential, agterskot, payment receivable). Fledge Capital Investments also disposed of its investment in ITNA & Munsoft (ITNA) as part of a management buyout transaction, which realised an IRR of 88%.

ARC Investments - 5.1% of Fund Value (30 June 2021: 3.1%)

During the year under review, the ARC Fund increased its effective investment in ARC Investments from R386 million at 30 June 2021 to R700 million at 30 June 2022. The increase is due to a fair value gain of R221 million and an additional investment of R93 million at an average cost of R6.49 per share.

ARCH Emerging Markets Fund of Funds Ltd (ARCH EM) - 3.0% of Fund Value (30 June 2021: 2.0%)

The Company's effective investment in ARCH EM increased by R162 million from R246 million at 30 June 2021 to R408 million at 30 June 2022. The investment in the ARCH funds was valued at the respective fund NAV valuations in USD terms. The valuation change was largely driven by a combination of exchange rate movements and the revaluation of ARCH funds' underlying assets.

The ARC Fund has committed in total USD51 million towards the ARCH funds, USD4.3 million (R66 million) of which was contributed during the current year. A further USD25 million of the total commitment remains undrawn at 30 June 2022.

Cold Chain Solutions East Africa Fund (CCSEAF)

The relaxation of travel restrictions towards the end of 2021 enabled good progress to be made on fundraising for the CCSEAF. This fund managed to raise a further USD25 million, which brings the total to USD81 million. The fund has a target of USD100 million.

The first 17 100 square meter facility (15 000 pallets) is under construction in Nairobi and is targeted for completion by February 2023. Land acquisition for the Mombasa facility was finalised, and planning has started for the construction of an 8 000 square meter facility.

Africa Renewable Power Fund (ARPF)

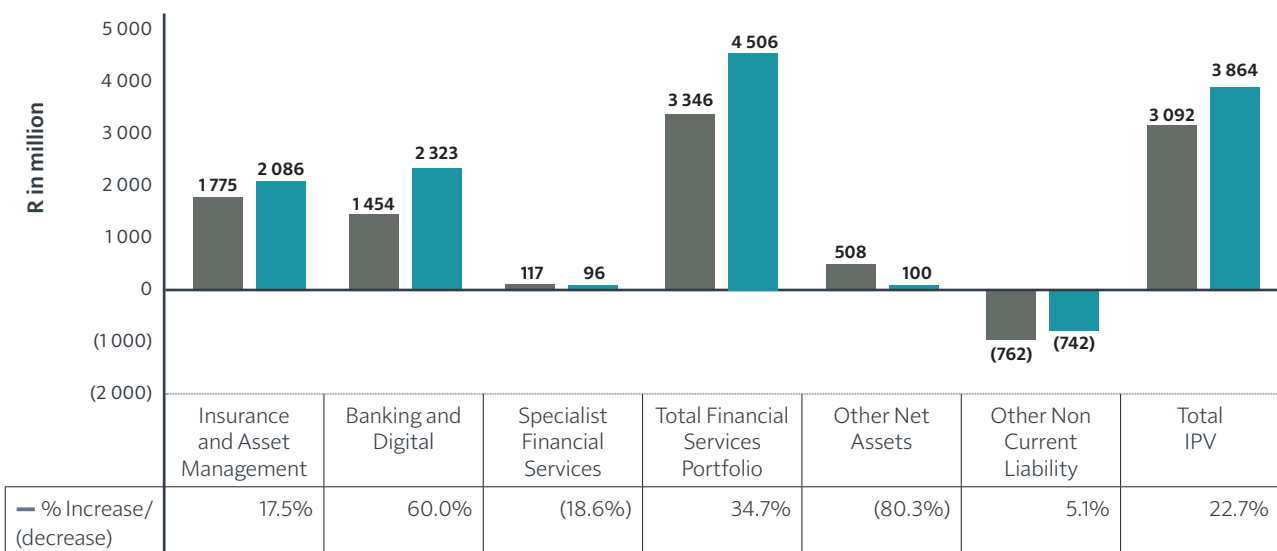
The ARPF achieved a final close in July 2021 at USD133 million, with 80% of capital to be deployed by Q4 2022. This will allow the team to start fundraising for ARPF-2. Anchor investors have indicated their intention to invest in the second fund.

ARCH Sustainable Resources Fund (SRF)

The SRF was launched in October 2021 with anchor investors providing the first USD25 million commitments. This is a new kind of fund created to capitalise on the new metals super cycle catalysed by the global transition to a greener economy. The fund made its first investment into a vertically-integrated manufacturer of high-value graphite products in Tanzania. The targeted fund size is between USD400 million and USD700 million.

Financial Services portfolio - 28.3% of Fund Value (30 June 2021: 27.3%)

The Company's effective interest in the gross IPV of the Financial Services portfolio increased from R3 346 million at 30 June 2021 to R4 506 million at 30 June 2022, which is a 34.7% increase during the year under review as detailed in the table below. The net IPV of the Financial Services portfolio, taking into account ARC Investments' indirect share of the debt funding and other assets and liabilities in the structure, increased by 24.9% from R3 092 million at 30 June 2021 to R3 864 million at 30 June 2022. The increase in the net IPV resulted mainly from ARC Investments' share of the fair value gains in the Financial Services portfolio.



g 30 June 21 g 30 June 22

FINANCIAL PERFORMANCE COMMENTARY

Insurance and Asset Management - 15.3 % of Fund Value (30 June 2021: 14.5%)

The Company's effective interest in the gross IPV of the Insurance and Asset Management investments increased from R1 775 million at 30 June 2021 to R2 086 million at 30 June 2022. This was attributable to investments and fair value gains relating to Alexforbes. ARC Fund owns 49.9% of ARC FSH, which in turn owns 75% of ARC FSI's investments. ARC FSI holds the assets in the insurance and asset management portfolio.

Alexforbes - 7.1% of Fund Value (30 June 2021: 6.2%)

ARC FSI owns 41.47% in the listed company Alexforbes. The Company's effective investment in Alexforbes increased from R767 million at 30 June 2021 to R963 million at 30 June 2022, as a result of the investment of R121 million and fair value gain of R75 million. Alexforbes' share price performed well during the period under review. ARC FSI acquired an additional R322.4 million worth of Alexforbes shares over the reporting period, at an average consideration of R4.59 per share.

Sanlam Third-Party Asset Management Business - 2.3% of Fund Value (30 June 2021: 2.5%)

ARC FSI holds a 25.0% interest in Sanlam Third-Party Asset Management (Sanlam 3rd PAM).

The Company's effective investment in the Sanlam 3rd PAM increased from R306 million at 30 June 2021 to R309 million at 30 June 2022. The driver of the value increase was the improved results in the first six months of its financial year to 30 June 2022.

The Sanlam / ABSA transaction that was announced in the markets is expected to be implemented within the next twelve months. The consolidation of the two operations will significantly boost assets under management (AUM) and increase economies of scale of their respective operations.

Rand Mutual Holdings (RMH) - 1.9% of Fund Value (30 June 2021: 2.0%)

The value of the Company's effective investment in RMH amounted to R259 million at 30 June 2022, which reflects a 6% increase from the 30 June 2021 valuation. The value increase was driven by RMH's improvements in its ability to write profitable new business within the metals class with large employer groups.

RMH administers worker's compensation for mining industry employees injured in the course and scope of their employment (COID). RMH traditionally markets its products and services to mining employer groups, yet the company has demonstrated its ability to sell non-COID products to the metals employer groups. The opportunity remains to offer these into the other classes administered by the Compensation Fund. RMH has bolstered its executive team with a focus on business development, partnerships and financial reporting.

Capital Legacy - 2.1% of Fund Value (30 June 2021: 1.1%)

Capital Legacy is one of the largest estate administrators in South Africa. Its key differentiator is the insurance product it offers relating to estate administration. Capital Legacy was founded on the belief that there must be a better, efficient and more cost-effective way to get wills drafted and estates wound-up.

The Company's effective investment in Capital Legacy increased from R141 million at 30 June 2021 to R288 million at 30 June 2022. The growth in the investment value was largely driven by the subscription of additional shares for a total amount of R94 million as part of the IRR warranty settlement, which brings the current shareholding to 29.4%.

Capital Legacy has continued to achieve growth since the initial investment was made, both in terms of the number of policies and profitability.

Other Insurance and Asset Management - 1.9% of Fund Value (30 June 2021: 2.6%)

The other portfolio investments include Afrocentric, Colourfield, Smart Health Investments, QED, Khumo Capital, LifeCheq, Infund Solutions, Lima Mbeu and National Health Solutions. Indwe Risk Services and EBS International were sold during the year.

Specialist Financial Services - 0.7% of Fund Value (30 June 2021: 1.0%)

The Company's effective interest in the IPV of the Specialist Financial Services investments decreased by R21 million from R117 million at 30 June 2021 to R96 million at 30 June 2022. The investments in this portfolio include Sinayo, Bravura, A2X, Constellation Capital, Edge Growth and Alternative Prosperity.

Banking and Digital - 17.0 % of Fund Value (30 June 2021: 11.8%)

The Company's effective interest in the gross IPV of ARC FSH's investments in Banking and Digital increased by 60% from R1 454 million to R2 324 million at 30 June 2022, with TymeBank as the key asset valued at R1 417 million.

TymeBank - 10.4% of Fund Value (30 June 2021: 9.6%)

TymeBank is considered a leading digital bank, measured against international peers in terms of its sustained growth in onboarding customers. TymeBank has acquired 5 million customers as at 30 June 2022, which is about 36 months after the bank officially launched.

While progress continues to be made on customer acquisitions, the bank is placing increased focus on tracking customer activity and ensuring new product rollouts. The bank is continuously adapting its product set to reflect the changing needs of customers, which includes diversifying the customer base.

The fair value of the TymeBank investment was adjusted to reflect the post-money value following a successful capital raise during which Tencent and the CDC invested into TymeBank and Tyme Global. TymeBank received USD142.5 million as part of the capital raise. The value of ARC FSH's investment in TymeBank increased to R2 831 million net of deferred tax as a result, representing a 20% valuation uplift.

The progress on strategy implementation to date, combined with the additional capital invested up to 30 June 2022, resulted in an increase in the fair value. The Company's effective interest increased from R1 173 million at 30 June 2021 to R1 417 million at 30 June 2022.

Tyme Global - 3.7% of Fund Value (30 June 2021: 0.7%)

Tyme Global is headquartered in Singapore and represents the holding company through which the multi-country digital banking proposition will be launched. The first bank is TymeBank in South Africa. Tyme Global is preparing to launch GoTyme in the Philippines in partnership with JG Summit, in the fourth quarter of 2022.

During the period, the fair value of Tyme Global was increased to reflect the post-money value of the recently closed capital raise during which Tencent and the CDC invested into TymeBank and Tyme Global. Tyme Global received USD37.5 million as part of the capital raise. The value of ARC FSH's investment in Tyme Global increased to R1 003 million net of deferred tax as a result, representing a 457% valuation uplift.

The Company's effective investment in Tyme Global increased from R90 million at 30 June 2021 to R500 million at 30 June 2022.

Crossfin - 1.6% of Fund Value (30 June 2021: n/a)

ARC FSH invested in Crossfin during the year. The transaction was valued at R1.5 billion, which includes a combination of acquisition cost and growth capital. ARC FSH has committed R600 million to the investment, and R184 million remained undrawn at 30 June 2022. Management has identified a pipeline of lucrative investment opportunities (new and existing within the group) to make use of the remaining capital in the short to medium term.

ARC FSH works closely with the management teams across the various Crossfin business to assess opportunities for growth, including synergies within the existing ARC Fund portfolio.

In line with ARC FSH's valuation policy, the investment in Crossfin is valued at the acquisition price. However, Crossfin disposed of one of its investments, Retail Capital, to TymeBank at a higher value than the ARC FSH acquisition date value – representing some valuation uplift.

The Company's effective investment in Crossfin is valued at R213 million at 30 June 2022.

Other Banking and Digital - 1.3% of Fund Value (30 June 2021: 1.5%)

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

Governance and Leadership

ARC Investments is managed and controlled in Mauritius by an experienced, multi-national Board of Directors (the Board), of which the majority are independent. The Board has final oversight and responsibility in respect of ARC Investments' business, strategy and key policies, including the investment in the ARC Fund. There are no executive directors on the Board of ARC Investments.

ARC Investments is the only Limited Partner in the ARC Fund. It plays no role in the management or investment decisions of the ARC Fund.

The Board of Directors of the Company as at the reporting date comprised:

Name (age)	Nationality	Function
Mark Cyril Olivier (53)	British	Independent Non-executive Director (Chairperson)
Clive Msipha (40)	Zimbabwean	Independent Non-executive Director (Chairperson of Audit and Risk Committee)
Anil Currimjee (60)	Mauritian	Independent Non-executive Director
Renosi Mokate (64)	South African	Independent Non-executive Director
Mmamodiane Refiloe Nkademeng (41)	South African	Non-executive Director
Smitha Algoo-Bissonauth (38)	Mauritian	Independent Non-executive Director

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

The General Partner Board is responsible for general investment decisions, strategic and financial reviews of the ARC Fund and management of the pipeline and liquidity of the ARC Fund. It will provide representation on the boards of portfolio companies (where appropriate), prepare valuation reports to ARC Investments and provide general feedback to ARC Investments on matters relating to the ARC Fund.

FINANCIAL PERFORMANCE COMMENTARY

The Board of Directors of the General Partner as at the reporting date comprised:

Name (age)	Function	Name (age)	Function
Patrice Motsepe (60)	Non-executive Director (Chairperson)	Boipelo Lekubo (39)	Non-executive Director
Alexander Maditsi (59)	Non-executive Director	Tsundzukani Mhlanga (40)	Non-executive Director
Michael Arnold (64)	Non-executive Director	Johan van der Merwe (57)	Executive Director
		Johan van Zyl (66)	Non-executive Director

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

Events after the reporting period

Kropz Group

The ARC Fund advanced an additional R180.3 million loan to help fund operations at Elandsfontein.

TymeBank

TymeBank announced its intention to acquire Retail Capital, a leading fintech funder of small and medium enterprises ("SMEs"), subsequent to year-end. The deal is still subject to regulatory approvals. This acquisition will support TymeBank's offering to its business banking clients. It will also see Retail Capital's lending expertise being combined with TymeBank's deposit base and operations to serve a broader customer base.

Management fee under review

The fee structure was reviewed during the current year. As an outcome of this review process, the General Partner has proposed changing the basis of the management fee calculation from the current fixed percentage of assets under management to an actual cost incurred, plus a 5% profit margin. It is expected that this change will result in a significant reduction in the management fee charged by the General Partner.

Furthermore, it is proposed that the current performance participation arrangement be simplified. The new performance participation only considers the growth in net asset value above the 10% performance hurdle, as opposed to the current arrangement whereby the fund manager participates in growth from the ground-up.

The proposed changes will be implemented with effect from 1 July 2022 subject to the shareholders' approval at the Annual General Meeting.

BASIS OF PREPARATION

Statement of compliance

The Summarised Annual Financial Statements have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, and the requirements of the Mauritian Companies Act 2001, insofar as applicable to a Global Business Licensed Company under the Mauritian Financial Services Act, 2007 which is regulated by the Mauritian Financial Services Commission. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the financial statements from which the summary financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous Annual Financial Statements. These Annual Financial Statements have been prepared solely for the purpose of complying with the JSE Listings Requirements. Furthermore, these financial statements are prepared in addition to the statutory financial statements, which are prepared to comply with the filing requirements in Mauritius, where the Company is legally domiciled.

The statutory financial statements are available for inspection at Level 3 - Alexander House, 35 Cybercity, Ebené, 72201

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

APPROVAL

The Summarised Annual Financial Statements for the year ended 30 June 2022 were approved in Mauritius by the Board of Directors of the Company on 12 September 2022.



Mark Cyril Olivier

Chairman of the Board



Clive Msipha

Chairman of the Audit and Risk Committee



Karen Bodenstein

Chief Financial Officer

STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 R million	30 June 2021 R million
ASSETS			
Non-current assets			
Investment in the ARC Fund at FVTPL*	5	13 269	11 650
Current assets			
Trade and other receivables		-	-
Cash and cash equivalents		9	15
Total assets		13 278	11 665
EQUITY			
Stated capital	7.1	9 653	9 653
Accumulated loss		(385)	(105)
Performance Participation reserve	9	273	-
Fair value reserve		3 735	2 116
Total equity		13 276	11 664
LIABILITIES			
Current liabilities			
Trade and other payables		2	1
Total equity and liabilities		13 278	11 665

* FVTPL: Fair value through profit or loss

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Notes	30 June 2022 R million	30 June 2021 R million
Fair value movements on the investment in the ARC Fund at FVTPL*	4.2	1 619	920
Other income		-	1
Other expenses	6	(7)	(8)
Performance Participation expense	9	(273)	-
Profit before taxation		1 339	913
Taxation	10	-	-
Profit for the year		1 339	913
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1 339	913
Earnings per share:			
Basic earnings per ordinary share (cents)	7.2	102	73
Diluted earnings per ordinary share (cents)	7.2	100	73

* FVTPL: Fair value through profit or loss

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

Notes	Stated Capital R million	Accumulated Loss R million	Performance Participation Reserve R million	Fair Value Reserve R million	Total Equity R million
Balance at 30 June 2020	8 903	(98)	-	1 196	10 001
Total comprehensive income for the year	-	913	-	-	913
Transfer to fair value reserve *	-	(920)	-	920	-
Shares issued	750	-	-	-	750
Performance Participation	-	-	-	-	-
Balance at 30 June 2021	9 653	(105)	-	2 116	11 664
Total comprehensive income for the year	-	1 339	-	-	1 339
Transfer to fair value reserve *	-	(1 619)	-	1 619	-
Shares issued 7.1	-	-	-	-	-
Performance Participation 9	-	-	273	-	273
Balance at 30 June 2022	9 653	(385)	273	3 735	13 276

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Notes	30 June 2022 R million	30 June 2021 R million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations before investment activities	11	(6)	(7)
Net cash outflows from operating activities		(6)	(7)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash capital contribution to the investment in ARC Fund at FVTPL*	5	-	(747)
Net cash outflows from investing activities		-	(747)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares	7.1	-	750
Net cash inflows from financing activities		-	750
Net decrease in cash and cash equivalents		(6)	(4)
Cash and cash equivalents at the beginning of the year		15	19
Total cash and cash equivalents		9	15

* FVTPL: Fair value through profit or loss

ACCOUNTING POLICIES

For the year ended 30 June 2022

1. DEFINITIONS

The following definitions are key to the understanding of the Company's Annual Financial Statements:

- 1.1 **International Financial Reporting Standards (IFRS) portfolio value**
Investments in the ARC Fund are reported using IFRS fair value principles.
- 1.2 **Intrinsic portfolio value (IPV)**
The intrinsic portfolio value is determined by the Directors at every reporting period. The IPV is the IFRS portfolio value adjusted for non-IFRS measures as set out in the Segmental Report. The significant non-IFRS measurement differences comprise:
 - valuing underlying listed investments on a 30-day volume weighted average price (VWAP) basis (compared to closing spot price), net after expected taxation cash flows; and
 - valuing underlying listed investments after recognising B-BBEE discounts on a 30-day VWAP basis (compared to closing spot price), net after expected taxation cash flows.
- 1.3 **Intrinsic Net Asset Value (INAV)**
Intrinsic portfolio value of ARC Investments plus cash and other net assets, less debt.
- 1.4 **NAV**
IFRS portfolio value of ARC Investments plus cash and other net assets, less debt. NAV per share is reported in note 4.3.

2. BASIS OF PREPARATION

- 2.1 **Statement of compliance**
The Summarised Annual Financial Statements have been prepared in accordance the requirements of the JSE Limited Listings Requirements for provisional reports, and the requirements of the Mauritian Companies Act 2001, insofar as applicable to a Global Business Licensed Company under the Mauritian Financial Services Act, 2007 which is regulated by the Mauritian Financial Services Commission. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the financial statements from which the summary financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous Annual Financial Statements. These Annual Financial Statements have been prepared solely for the purpose of complying with the JSE Listings Requirements. Furthermore, these financial statements are prepared in addition to the statutory financial statements, which are prepared to comply with the filing requirements in Mauritius, where the Company is legally domiciled.

The statutory financial statements are available for inspection at Level 3 - Alexander House, 35 Cybercity, Ebene, 72201

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

- 2.2 **Functional currency and presentation currency**
These Summarised Annual Financial Statements are presented in South African Rand (Rand), which is the Company's functional and presentation currency. All financial information presented in Rand has been rounded to the nearest million (R million).
- 2.3 **Basis of measurement**
The Annual Financial Statements have been prepared on the historical-cost basis, except for the measurement of financial instruments at fair value.

The going-concern basis has been used in preparing the Summarised Annual Financial Statements as the Directors have a reasonable expectation that the Company will continue as a going concern for the foreseeable future.

3. KEY AREAS OF JUDGEMENT

- 3.1 **Fair value measurement of the investment in the ARC Fund**
The basis of valuation of the Investment is dependent on the valuation of all investments in the ARC Fund portfolio. The basis of valuation of all investments in the ARC Fund portfolio and consequently the investment at fair value through

ACCOUNTING POLICIES

For the year ended 30 June 2022

profit or loss (FVTPL), is fair value. Fair value is determined half-yearly. All investments are valued in accordance with the valuation policy outlined below.

The sum of the individual instruments plus the cash and net assets in the ARC Fund make up the investment in the ARC Fund. The valuation of the individual assets is in line with IFRS 13, therefore the sum of these represents the IFRS 13 fair value of the investment in the ARC Fund. A minority discount was considered as a result of the Company not controlling the ARC Fund; however, this did not impact the value as a result of the strength of the protective rights in the respective shareholder and other agreements.

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

3.1.1 Basis of valuation and approach

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

For *listed investments* that are suitably liquid investments, the available market prices (calculated at the spot rate at the measurement date) will be the basis for the measurement of the IFRS portfolio value for identical instruments.

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

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

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

If multiple valuation techniques or approaches are used to measure fair value, the results of the various valuation methods are evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

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

The valuations of the investments are presented to the Board of the Company.

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

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

Restriction on trading/lack of marketability: To the extent that the ARC Fund is restricted or prevented from disposing of the investment for a period of time, this restriction would be considered in the IFRS portfolio value of the investment in arriving at an appropriate discount adjustment for lack of marketability. This will include and consider any lock-ins agreed as part of an investment.

3.1.2 Income approach methodology

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

3.1.3 Discounted cash-flow methodology

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

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

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

3.1.4 Market approach methodology

Multiple approach

If a multiple approach is used, where appropriate, the General Partner would apply an Enterprise Value (EV)/earnings before interest, taxation, depreciation and amortisation (EBITDA) or price/earnings (P/E) multiple that is appropriate and reasonable, based on comparable companies and taking account of the size, risk profile, country risk and earnings prospects of the underlying company. In other cases, where appropriate, EV/EBITDA and price/book value may also be considered.

Comparable transaction approach

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

The General Partner as the fund manager of the portfolio assets is contractually bound to perform half-yearly valuations of the investment portfolio and to report half-yearly to the partners of the ARC Fund. The half-yearly valuation reports are approved by the Audit and Risk Committee of the General Partner with the support and guidance of the Investment Committee. While due professional judgement is exercised in determining the fair value of these investments, there are inherent limitations in any valuation technique involving securities of the type in which the ARC Fund invests. Therefore, the fair values presented herein may not be indicative of the amount the ARC Fund could realise in a current transaction.

3.2 Control over the ARC Fund

The General Partner directs all the relevant activities of the ARC Fund and is therefore considered to have power over the Fund. The Company does not have a currently exercisable right to remove the General Partner other than for a reasonable cause. Therefore, the Company does not control the ARC Fund. ARC Investments does not have the power to participate in the financial and operating policy decisions of the ARC Fund. Therefore, ARC Investments does not have significant influence over the ARC Fund.

SEGMENTAL INFORMATION

For the year ended 30 June 2022

4. SEGMENTAL INFORMATION

Accounting policy

The Company has determined its operating segments based on investments held. Since the Company held one investment at the end of the reporting year (the investment in the ARC Fund), only one operating segment is defined in terms of IFRS 8, Operating Segments. The chief operating decision makers (CODMs), being the Board of Directors, evaluate the investment in the ARC Fund based on intrinsic portfolio value. The fair value movement, as evaluated by the CODMs, represents the measure of the segment performance. The IFRS values and intrinsic values are reconciled in the tables below.

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

Company context in application of accounting policy

Diversified Investments

These are the non-financial services investments acquired by the ARC Fund for purposes of demonstrated growth potential and the ability to deliver returns above the target return of 16%. They are a combination of growth assets and businesses about to reach steady state. The key factor with regard to the Diversified Investments' strategy is that the ARC Fund partners with industry leaders to ensure the right level of monitoring and oversight is achieved with individuals with the requisite knowledge and experience of the relevant industry. The Diversified Investments' portfolio is further categorised as follows:

- Telecommunications;
- Mining, Construction and Energy;
- Business Process Outsourcing;
- Agriculture;
- Property; and
- Other Diversified Investments.

Financial Services

This is the core industry experience of the executive team within the ARC Fund. The investment strategy is to assemble a portfolio of assets that lends itself to synergistical benefits within its ecosystem. To this end, the portfolio is organised into the following categories:

- Insurance and Asset Management;
- Specialist Financial Services; and
- Banking and Digital.

4.1 SEGMENTAL PORTFOLIO VALUE MOVEMENTS

Investment	INTRINSIC				
	Net Balance at 30 June 2021 R million	Acquisition or (Disposal) R million	Fair Value, Interest, Forex & Disposal Gain/ Loss R million	Net Balance at 30 June 2022 R million	Percentage of Fund R million
Diversified Investments					
Telecommunications	3 582	(216)	269	3 635	26.6%
Rain	3 314	56	265	3 635	26.6%
MetroFibre	268	(272)	4	-	0.0%
Mining Construction and Energy	2 428	(375)	(105)	1 948	14.2%
Afrimat#	1 231	(740)	138	629	4.6%
Kropz Group	1 092	362	(426)	1 028	7.5%
Other Mining, Construction and Energy	105	3	183	291	2.1%
Business Process Outsourcing	1 322	51	513	1 886	13.8%
GemCap	651	(380)	47	318	2.3%
Bluespec	304	-	172	476	3.5%
Other Business Process Outsourcing	367	431	294	1 092	8.0%
Property	472	(158)	(32)	282	2.1%
Agriculture	376	24	50	450	3.3%
Other	1 003	159	432	1 594	11.7%
Fledge Capital	371	-	115	486	3.6%
African Rainbow Capital Investments#	386	93	221	700	5.1%
ARCH Emerging Markets	246	66	96	408	3.0%
Total Company share of Fund's Diversified Investments	9 183	(515)	1 127	9 795	71.7%
Financial Services*	3 092	67	705	3 864	28.3%
ARC Financial Services Holdings	3 092	67	705	3 864	28.3%
Total Company's share of Fund's IPV	12 275	(448)	1 832	13 659	100.0%

Denotes a listed entity classified as level 1 fair value hierarchy

* Refer to note 4.1.1 for further detailed investments disclosure

SEGMENTAL INFORMATION

For the year ended 30 June 2022

4.1 SEGMENTAL PORTFOLIO VALUE MOVEMENTS*

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

Denotes a listed entity classified as level 1 fair value hierarchy

* Refer to note 4.1.1 for further detailed investments disclosure

4.1 SEGMENTAL PORTFOLIO VALUE MOVEMENTS

Reconciliation					30 June 2022
	Share of ARC Fund's INTRINSIC net asset value to IFRS Value				
	Intrinsic Value 30 June 2022	Spot vs 30-day VWAP	Control Premium	IFRS Value 30 June 2022	
Listed	1 418	(27)	–	1 391	
Unlisted	12 241	129	(75)	12 295	
Total Fund IPV	13 659	102	(75)	13 686	
UBI GP fee payable*	(110)	–	–	(110)	
Other non-current liability*	(975)	–	–	(975)	
Total portfolio net of liabilities	12 574	102	(75)	12 601	
Cash*	669	–	–	669	
Other assets/(liabilities) *	(1)	–	–	(1)	
Total investment in ARC Fund at FVTPL	13 242	102	(75)	13 269	

* Measured at fair value. Where an instrument is not short-term in nature, a discounted cash flow method with a market related interest rate was used to value the instruments.

Reconciliation					30 June 2021
	Share of ARC Fund's INTRINSIC net asset value to IFRS Value				
	Intrinsic Value 30 June 2021	Spot vs 30-day VWAP	Control Premium	IFRS Value 30 June 2021	
Listed	1 676	122	–	1 798	
Unlisted	10 599	45	(58)	10 586	
Total Fund IPV	12 275	167	(58)	12 384	
UBI GP fee payable*	(100)	–	–	(100)	
Other non-current liability*	(869)	–	–	(869)	
Total portfolio net of liabilities	11 306	167	(58)	11 415	
Cash*	239	–	–	239	
Other assets/(liabilities) *	(4)	–	–	(4)	
Total investment in ARC Fund at FVTPL	11 541	167	(58)	11 650	

* Measured at fair value. Where an instrument is not short-term in nature, a discounted cash flow method with a market related interest rate was used to value the instruments.

SEGMENTAL INFORMATION

For the year ended 30 June 2022

4.1 SEGMENTAL PORTFOLIO VALUE MOVEMENTS

4.1.1. THE COMPANY'S EFFECTIVE INTEREST IN ARC FINANCIAL SERVICES HOLDINGS

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

Investment	INTRINSIC				
	Net Balance at 30 June 2021 R million	Acquisition or (Disposal) R million	Fair Value Net of Expected Tax Cash Flows, Interest, Forex & Disposal Gain/ Loss R million	Net Balance at 30 June 2022 R million	Dividend Income
Financial Services					
Insurance and Asset Management	1 775	182	129	2 086	110
Alexander Forbes Group Holdings #	767	121	75	963	41
Sanlam Third Party Asset Management	306	–	3	309	31
Capital Legacy	141	107	40	288	–
Rand Mutual Holdings	245	–	14	259	19
Other Insurance and Asset Management	316	(46)	(3)	267	19
Banking & Digital	1 454	364	506	2 324	14
TymeBank	1 173	126	118	1 417	–
Tyme Global	90	25	385	500	–
Crossfin	–	207	6	213	–
Other Banking	191	6	(3)	194	14
Specialist Financial Services	117	(6)	(15)	96	19
Total Company share of Financial Services portfolio value	3 346	540	620	4 506	143

Denotes a listed entity classified as level 1 fair value hierarchy

Investment	Net Asset Value 30 June 2021 R million	Net Investment R million	Net increase in Net Asset Value R million	Net Asset Value 30 June 2022 R million
IPV	3 346	540	620	4 506
Deferred consideration*	(28)	26	–	(2)
Other non-current liability*	(734)	–	–	(734)
Total liabilities	(762)	26	–	(736)
Total portfolio net of liabilities	2 584	566	620	3 770
Cash*	443	100	(443)	100
Other net assets /(liabilities)*	65	–	(71)	(6)
Total Company share of investment in ARC Financial Services Portfolio	3 092	666	106	3 864

* Measured at fair value. Where an instrument is not short-term in nature, a discounted cash flow method with a market related interest rate was used to value the instruments.

4.1 SEGMENTAL PORTFOLIO VALUE MOVEMENTS

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

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

Investment	INTRINSIC				
	Net Balance at 30 June 2020 R million	Acquisition or (Disposal) R million	Fair Value Net of Expected Tax Cash Flows, Interest, Forex & Disposal Gain/ Loss R million	Net Balance at 30 June 2021 R million	Dividend Income R million
Financial Services					
Insurance and Asset Management	2 121	(211)	(135)	1 775	280
Alexander Forbes Group Holdings #	1 218	(312)	(139)	767	184
Sanlam Third-Party Asset Management	–	306	–	306	30
Rand Mutual Holdings	311	(66)	–	245	45
Other Insurance and Asset Management	592	(139)	4	457	21
Banking & Digital	1 128	245	81	1 454	16
TymeBank	927	232	14	1 173	–
Tyme Global	35	21	34	90	–
Ooba	122	–	22	144	15
Other Banking and Digital	44	(8)	11	47	1
Specialist Financial Services	162	(45)	–	117	2
Total Company share of Financial Services Portfolio value	3 411	(11)	(54)	3 346	298

Denotes a listed entity classified as level 1 fair value hierarchy

Investment	Net Asset Value 30 June 2020 R million	Net Investment R million	Net increase in Net Asset Value R million	Net Asset Value 30 June 2021 R million
IPV	3 411	(11)	(54)	3 346
Deferred consideration*	(28)	–	–	(28)
Other non-current liability*	(597)	(139)	2	(734)
Total liabilities	(625)	(139)	2	(762)
Total portfolio net of liabilities	2 786	(150)	(52)	2 584
Cash*	26	4	413	443
Other assets*	16	–	49	65
Total Company share of investment in ARC Financial Services Portfolio	2 828	(146)	410	3 092

* Measured at fair value. Where an instrument is not short-term in nature, a discounted cash flow method with a market related interest rate was used to value the instruments.

SEGMENTAL INFORMATION

For the year ended 30 June 2022

4.2 SEGMENTAL PORTFOLIO RETURNS

Investment (R million)	30 June 2022			
	Dividend Income ¹	Fair Value Adjustment	Other Income ²	Total Intrinsic Income
Diversified Investments				
Telecommunications	-	269	-	269
Rain	-	265	-	265
MetroFibre	-	4	-	4
Mining, Construction and Energy	21	(117)	12	(84)
Afrimat #	21	138	-	159
Kropz Group	-	(438)	12	(426)
Other Mining, Construction and Energy	-	183	-	183
Business Process Outsourcing	58	522	(9)	571
GemCap	-	59	(12)	47
Bluespec	37	172	-	209
Other Business Process Outsourcing	21	291	3	315
Property	27	(50)	18	(5)
Agriculture	15	50	-	65
Other	23	432	-	455
Fledge Capital	23	115	-	138
African Rainbow Capital Investments #	-	221	-	221
ARCH Emerging Markets	-	96	-	96
Total Company share of Fund's Diversified Investments Portfolio returns	144	1 106	21	1 271
Financial Services				
ARC Financial Services Holdings	-	705	-	705
Total Company share of Fund's Portfolio returns	144	1 811	21	1 976

Denotes a listed entity classified as level 1 fair value hierarchy

¹ Dividend income represents cash dividend receipts

² Other income includes Directors' fees, interest income on loans and foreign exchange gains and losses on portfolio entities

	30 June 2022			
	Total Intrinsic Income 30 June 2022	Change resulting from Spot vs 30 day VWAP	Change resulting from Control Premium	Total IFRS Income 30 June 2022
Total Company share of Fund's Invested Portfolio returns	1 976	(65)	(17)	1 894
Fund management fee				(225)
Interest income on cash and cash equivalents				22
Other net expenses in the Fund				(72)
IFRS fair value movements on the investment in the ARC Fund at FVTPL				1 619

4.2 SEGMENTAL PORTFOLIO RETURNS

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

Denotes a listed entity classified as level 1 fair value hierarchy

¹ Dividend income represents cash dividend receipts² Other income includes Directors' fees, interest income on loans and foreign exchange gains and losses on portfolio entities

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

SEGMENTAL INFORMATION

For the year ended 30 June 2022

4.3 SEGMENTAL PORTFOLIO NET ASSET VALUE MOVEMENTS - OTHER DISCLOSURE

Investment (R million)	30 June 2022				
	INTRINSIC				
	Net Balance 30 June 2021 R million	Acquisition or (Disposal) R million	Net Interest Capitalised R million	Fair Value, Forex & Disposal Gain/ Loss R million	Net Balance 30 June 2022 R million
Nature classification of investments					
Listed	1 676	(667)	-	409	1 418
Unlisted	10 599	219	19	1 404	12 241
Total Nature classification	12 275	(448)	19	1 813	13 659
Geographic classification of investments					
South Africa	10 773	(768)	(3)	1 989	11 991
Rest of Africa	2 467	66	-	95	408
International	1 255	254	22	(271)	1 260
Total Geographic Classification	12 275	(448)	19	1 813	13 659
Investment instrument type					
Equity	11 681	(619)	(12)	2 241	13 291
Loans	401	285	29	(347)	368
Preference Shares	193	(114)	2	(81)	-
Total Instrument Type Classification	12 275	(448)	19	1 813	13 659

	30 June 2022			
	Net Asset Value per share			
Net Asset Value - IFRS	30 June 2022	30 June 2021	Per share change	% change
Net Asset Value per shares (cents) - IFRS	1 008	885	123	13.9%
Diluted Net Asset Value per share (cents) - IFRS	988	885	103	11.6%

	Net Asset Value per share			
	30 June 2022	30 June 2021	Per share change	% change
Net Asset Value - INTRINSIC				
Net Asset Value per shares (cents) - Intrinsic	1 006	877	129	14.7%
Diluted Net Asset Value per share (cents) - Intrinsic	986	877	109	12.4%

4.3 SEGMENTAL PORTFOLIO NET ASSET VALUE MOVEMENTS - OTHER DISCLOSURE

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

	30 June 2021			
	Net Asset Value per share			
Net Asset Value – IFRS	30 June 2021	30 June 2020	Per share change	% change
Net Asset Value per shares (cents) - IFRS	885	957	(72)	(7.5%)
Diluted Net Asset Value per share (cents) - IFRS	885	957	(72)	(7.5%)

	Net Asset Value per share			
	30 June 2021	30 June 2020	Per share change	% change
Net Asset Value - INTRINSIC				
Net Asset Value per shares (cents) - Intrinsic	877	954	(77)	(8.1%)
Diluted Net Asset Value per share (cents) - Intrinsic	877	954	(77)	(8.1%)

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

For the year ended 30 June 2022

5. INVESTMENT IN THE ARC FUND AT FVTPL

Accounting policy

The business model applied by the Board of Directors of the Company in its management of the investment in the ARC Fund is the Intrinsic Fair Value of the Fund Portfolio as it is held primarily for capital appreciation. The investment in the ARC Fund is managed and performance evaluated on a fair value basis and is therefore a financial asset measured at fair value through profit or loss (default). The investment in the ARC Fund is thus a financial instrument mandatory at fair value through profit or loss as recognised and measured in accordance with the principles in IFRS 9, Financial Instruments, with associated disclosures presented in accordance with IFRS 7, Financial Instruments Disclosure, and IFRS 13, Fair Value Measurements.

Key judgements relate to the fair value measurement as well as control over the ARC Fund. These are discussed in more detail under Accounting Policies in note 3 above.

The investment in the ARC Fund at FVTPL and the underlying portfolio (which is compiled on a look-through basis in the ARC Fund), need to be classified at the appropriate level of hierarchy on which their fair values are based. Fair Value classification within these Annual Financial Statements is as follows:

Level 1 fair value hierarchy – Investments that trade in active markets and derive their fair value from quoted market prices of identical assets are classified within level 1. The quoted market prices provide the most reliable fair value classification and the Company does not need to adjust the quoted prices to measure the fair value of investments. The quoted market price used for investments held by the Company is the current bid price.

Level 2 fair value hierarchy – Investments that trade in markets not considered to be active and derive their fair value from observable inputs other than quoted prices included within level 1 above. These inputs need to be directly or indirectly observable for the investment and can include quoted market prices for similar assets in active or non-active markets; observable inputs other than quoted prices; and inputs derived from or corroborated by observable market data.

Level 3 fair value hierarchy – Investments where observable inputs are not available for the asset to determine its fair value. Unobservable inputs are used to measure fair value where relevant observable inputs are not available. The unlisted investments, shareholder loans and derivatives in the ARC Fund are typically classified as level 3.

Company context in application of accounting policy choices

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

5. INVESTMENT IN THE ARC FUND AT FVTPL

	Notes	30 June 2022 R million	30 June 2021 R million
The movement of the investment in the ARC Fund at FVTPL are as follows:			
Opening balance		11 650	9 983
Cash capital contribution		-	747
Fair value movements on the investment in the ARC Fund at FVTPL	4.2	1 619	920
Total		13 269	11 650
Valuation information:			
IFRS 13 fair value hierarchy		Level 3	Level 3
Valuation methodology		Sum of the parts	Sum of the parts

* FVTPL: Fair value through profit or loss

REALISATION AND DERECOGNITION

Accounting policies

The Company applies the derecognition principles in IFRS 9, Financial Instruments, and derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and also recognises a secured borrowing for the proceeds received.

Company context in application of accounting policies

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

The Company's partnership profit share in the ARC Fund for the financial period is not as a result of a return of capital but rather the fair value movements of the Portfolio Companies in the ARC Fund and is thus unrealised. The Company has therefore adopted a policy whereby unrealised profits of this nature are transferred to the fair value reserve. In the event of a return of capital by the ARC Fund, these would be realised and accordingly transferred from the fair value reserve to retained earnings.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

For the year ended 30 June 2022

6. OTHER EXPENSES

	Notes	30 June 2022 R million	30 June 2021 R million
Details of other expenses are as follows:			
Listing costs		1	3
Audit fees		2	1
Directors fees	13	1	1
Other expenses		3	3
		7	8

7. CAPITAL

7.1 Stated capital

Accounting Policy			
Ordinary shares are classified as equity Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.			
	Notes	30 June 2022 R million	30 June 2021 R million
ARC Investments has the following categories of share capital:			
Category	Rights		
Ordinary shares	Participating share with voting rights.		
B shares	Non-participating non-voting share except if as at any ordinary shareholder record date an appointed B-BBEE Rating Agent determines that ownership of ordinary shares by Black People as defined in the B-BBEE Codes, as determined using the flow-through principle in accordance with the B-BBEE Codes, is less than 51%; and that ARC as the holder of the B share holds at least 26.1% of the ordinary shares of the Company and, since the issue of these shares, the holding percentage has never dropped below 26.1%.		
C shares	Non-participating, non-voting shares with automatic conversion based on the terms of the Performance Participation (refer note 9 below).		
In terms of the Mauritius Companies Act 2001, as amended, the Company is not required to have authorised share capital. All the Company's classes of shares are of no par value and, accordingly, the Company does not have a share premium account.			

7. CAPITAL *continued*

7.1 Stated capital *continued*

	Notes	30 June 2022 R million	30 June 2021 R million
Issued share capital			
Ordinary shares			
- 100 Ordinary shares of no-par value issued at incorporation at USD1 per share (translated at R12.91) ¹ .		-	-
- 526 588 235 shares issued to ARC Proprietary Limited under an asset-for-share sale transaction.		4 563	4 563
- 505 882 353 shares issued at listing date at R8.50 per share.		4 300	4 300
- Share issue costs.		(31)	(31)
- Conversion of 12 577 126 C shares for financial period ended 2018 Performance Participation	9	71	71
- 272 727 273 shares issued at R2.75		750	750
Total issued share capital at the end of the year		9 653	9 653
B share			
1 share issued to ARC Proprietary Limited at a nominal value of R1. B shares are not listed.		-	-
C shares			
5 billion shares were issued to UBI Proprietary Limited at listing at a nominal value of R1 for the Performance Participation. On 11 December 2018, 12 577 126 were converted into ordinary shares, thus 4 987 422 874 C shares were outstanding at 30 June 2022. C shares are not listed.		-	-

¹ The amount is less than R1 million and is rounded to Rnil.

7.2 Earnings per share

	Notes	30 June 2022 R million	30 June 2021 R million
Basic earnings per ordinary share (cents)		102	73
Diluted earnings per ordinary share (cents)		100	73
Headline earnings per ordinary share (cents)		102	73
Diluted headline earnings per ordinary share (cents)		100	73
7.2.1 Reconciliation of reported earnings to headline earnings			
Earnings/Headline earnings of the Company (R million)		1 339	913
There were no items that require adjustment from the reported earnings in terms of SAICA Circular 1/2021, Headline Earnings.			
7.2.2 Number of ordinary shares			
Number of ordinary shares (million):			
Number of shares in issue at the end of the year (million)		1 318	1 318
Weighted average number of shares in issue during the year (million)		1 318	1 245
Diluted weighted average number of shares in issue during the year (million)		1 318	1 245
Diluted number of shares at the end of the year (million)		1 345	1 318
Shares issued at listing 1 032 470 588 Additional shares issued on 11 December 2018: 12 577 126			
Additional shares issued in October 2020: 272 727 273			
27 million Performance Participation shares will be issued to UBI after the current year-end (refer to note 9)			

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

For the year ended 30 June 2022

8. DIVIDENDS AND DIVIDEND POLICY

Accounting Policy

Company strategic objective

The Company is a capital-pooling and investment holding company structured to offer its shareholders long-term capital appreciation through the growth in the NAV of its underlying investment in the ARC Fund. As such, ARC Investments does not currently intend to pay dividends on the ordinary shares but may choose to pay dividends, including special dividends, at some point in the future when it is appropriate to do so.

Dividends

The Company's ability to pay dividends is a function of the return of capital by the ARC Fund, which is not anticipated in the short term and over which the Company has no control. Furthermore, the current intention of the General Partner is that cash raised by the ARC Fund through realisations and distributions received from Portfolio Companies will generally be utilised for new investment opportunities.

If the Company receives the proceeds of realisations or distributions by underlying Portfolio Companies from the ARC Fund and chooses to pay dividends, the Board anticipates declaring and paying a final dividend only. The Board may, however, resolve to declare and pay interim dividends on the ordinary shares. The payment of a dividend will be subject to the Company's constitutional documents and applicable laws and regulations and the reasonably foreseeable obligations of the Company and will require the approval of the Board. The dividends that are envisaged would primarily be paid from distributions received by the ARC Fund from the Portfolio Companies and proceeds arising from the disposal of underlying investments by the ARC Fund, which are distributed to the Company as returns of capital by the ARC Fund.

9. PERFORMANCE PARTICIPATION EXPENSE

Accounting Policy

The Performance Participation is an equity-settled share-based payment accounted for in accordance with the provisions of IFRS 2, Share-based Payments. The share-based payment expense is recognised in profit or loss and the reserve in the statement of changes in equity as a separate reserve.

Company Context in Application of Accounting Policy

As detailed in Note 7.1, the Company has issued 5 billion C shares to UBI through a subscription agreement signed on 14 August 2017 for purposes of the Performance Participation, which in accordance with their rights and terms, are convertible into ordinary shares at no consideration.

Grant date: 14 August 2017

Grant price: R1 for the full 5 billion shares

Performance hurdle: 10% hurdle return on intrinsic portfolio value

Participation percentage: 16% of the growth of the IPV, provided the IPV NAV at the beginning of the measurement year is not less than the previous highest IPV NAV

Performance period: Each annual financial year of the Company commencing 1 July and ending 30 June

Conversion date: No more than 10 business days (excluding weekends) from the date the Board approves the calculation of the Performance Participation, which will normally be the date of approval of the Audited Annual Financial Statements of the Company.

C shares conversion formula: The number of C shares that will automatically be converted to ordinary shares is determined by dividing the Performance Participation for the relevant annual measurement period by the INAV per ordinary share at the end of that measurement period. The conversion is calculated based on the growth in the IPV plus cash returns (of interest and dividends) on the IPV for the performance period percentage exceeding the performance hurdle rate of 10% per annum compounded annually at each financial year end during each performance period.

	30 June 2022 R million	30 June 2021 R million
The Performance Participation relates to the investment services rendered by UBI GP, a wholly owned subsidiary of UBI, to the ARC Fund which drives the IPV. The growth in IPV for the year ended 30 June 2022 before taking into account acquisitions and disposals amounted to 14.7%, which is above the 10% Performance Participation hurdle. Consequently, an amount of R273 million has been recognised for the issue of 27 million Performance Participation shares. Five billion shares were issued to UBI at listing at a nominal value of R1 for the Performance Participation. On 11 December 2018, 12 577 126 were converted into A ordinary shares, thus 4 987 422 874 C shares were outstanding at 30 June 2022.	273	–
The Performance participation is based on non-market conditions		
Total Performance Participation expense	273	–

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For the year ended 30 June 2022

10. TAXATION

Accounting Policy

Normal income taxation and deferred taxation are recognised using the taxation rates and taxation laws that have been enacted or substantively enacted by the end of the year in accordance with the recognition and measurement principles in *IAS 12, Taxes*.

Company Context in Application of Accounting Policies

The Company holds a Global Business Licence for the purpose of the Mauritian Financial Services Act 2007. It was registered in Mauritius as a private Company limited by shares on 30 June 2017 and converted to a public Company on 2 August 2017. The Company received its Global Business Licence ("GBL1") before 16 October 2017 and is grandfathered up to 30 June 2021. As from 1 July 2021 the Company's GBL1 Licence was automatically converted to a Global Business Licence.

During the grandfathered period, it was liable for income taxation at a rate of 15%. However, the Company was entitled to a taxation credit equivalent to the higher of the actual foreign taxation incurred and 80% of the Mauritian taxation on its foreign source income. The maximum effective tax rate was 3%.

On 1 July 2021, under the new regime, the Company is now able to claim an 80% exemption on specified income (including foreign dividends and interest), subject to meeting predefined substance conditions. Other types of income not falling within the categories of income benefiting from the exemption are taxed at 15%.

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

	30 June 2022 R million	30 June 2021 R million
Losses carried forward amounting to R203 million at 30 June 2022 (30 June 2021: R100 million). Mauritian taxation regulations permit the carry-forward of unused taxation losses for a maximum period of 5 years from the date they arose. The accumulated taxation losses are available for set-off against future taxable income as follows:		
Arising in financial year 2020, carry forward up to 2025 financial year	58	43
Arising in year ended 30 June 2021, carry forward up to 2026 financial year	28	57
Arising in year ended 30 June 2022, carry forward up to 2027 financial year.	117	-
The taxation is reflected at a statutory rate of 15%.		
Profit before taxation	1 339	913
Taxation at a statutory effective rate of 15% before foreign taxation credit	201	137
Tax reconciled	(201)	(137)
Income not subject to tax	(220)	(145)
Withholding tax gross up	1	2
Tax losses for which no deferred tax asset was recognised	18	6
No deferred tax asset has been recognised as at 30 June 2022 and 30 June 2021 in respect of tax losses carried forward as the Directors have determined that it is not probable that the Company will generate sufficient taxable profits in the foreseeable future against which the unused tax losses can be utilised.		

11. RECONCILIATION OF CASH UTILISED IN OPERATIONS BEFORE INVESTMENTS MADE

	Notes	30 June 2022 R million	30 June 2021 R million
Profit before taxation		1 339	913
Adjustment for non-cash items		(1 346)	(920)
Fair value movements on the investment in the ARC Fund at FVTPL*	4.2	(1 619)	(920)
Performance Participation expense		273	-
Working capital movements		1	-
Increase/(decrease) in trade and other payables		1	-
Cash utilised in operations before investment activities		(6)	(7)

* FVTPL: Fair value through profit or loss

12. COMMITMENTS

As at the year ended 30 June 2022, the Company did not have any commitments.

ARC Fund commitments:

ARC Real Estate:

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

ARCH Emerging Markets Partners

The ARC Fund has committed USD51 million in emerging markets focused themes, including renewable energy power and cold chain storage solutions. At 30 June 2022, the ARC Fund had contributed USD26 million with a remaining commitment balance of USD25 million.

13. SUBSEQUENT EVENTS

Kropz Group

The ARC Fund advanced an additional R180.3 million loan to help fund operations at Elandsfontein.

TymeBank

TymeBank announced its intention to acquire Retail Capital, a leading fintech funder of small and medium enterprises ("SMEs"), subsequent to year-end. The deal is still subject to regulatory approvals. This acquisition will support TymeBank's offering to its business banking clients. It will also see Retail Capital's lending expertise being combined with TymeBank's deposit base and operations to serve a broader customer base.

Management fee under review

The fee structure was reviewed during the current year. As an outcome of this review process, the General Partner has proposed changing the basis of the management fee calculation from the current fixed percentage of assets under management to an actual cost incurred, plus a 5% profit margin. It is expected that this change will result in a significant reduction in the management fee charged by the General Partner.

Furthermore, it is proposed that the current performance participation arrangement be simplified. The new performance participation only considers the growth in net asset value above the 10% performance hurdle, as opposed to the current arrangement whereby the fund manager participates in growth from the ground-up.

The proposed changes will be implemented with effect from 1 July 2022 subject to the shareholders' approval at the Annual General Meeting.

14. GOING CONCERN

The financial statements were prepared on the going-concern basis. The assets of the Company, fairly valued, exceed its liabilities. The Directors are of the opinion that the Company will continue as a going concern based on forecasts and available resources, including cash and unutilised borrowing facilities.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

For the year ended 30 June 2022

I - OTHER INFORMATION

GOVERNANCE & LEADERSHIP

The 5th Annual General Meeting (AGM) of the shareholders of ARC Investments will be held (subject to any adjournment, postponement or cancellation) at the Intercontinental Trust Limited, New York boardroom, Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius, at 15H00 (UTC/GMT+4 hours) on 15 November 2022.

A report on the Group's corporate governance is recorded in the Integrated Annual Report 2022.

AVAILABILITY OF INTEGRATED ANNUAL REPORT

Shareholders are advised that the Integrated Annual Report 2022 will be available on the Company's website at <https://arci.mu/investor-relations/#integrated-reports> from 6 October 2022 and is due to be posted to shareholders on 6 October 2022

II - CORPORATE INFORMATION

Contact Information	African Rainbow Capital Investments Limited (A Company registered and domiciled in the Republic of Mauritius) www.arci.mu	Sponsor	Rand Merchant Bank, a division of FirstRand Bank Limited Registration number 1929/001225/06 1 Merchant Place Cnr Fredman Drive and Rivonia Road Sandton, Johannesburg, 2196 (PO Box 786273, Sandton, 2146) South Africa
Registration number	C148430	Transfer Secretaries	Computershare Investor Services Proprietary Limited Registration number 2004/003647/07 Rosebank Towers, 15 Biermann Avenue Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) South Africa
JSE share code	AIL		
A2X share code	AILJ		
ISIN code	MU0553S00000		
Directors	Mark Cyril Olivier (Chairman) Clive Msipha Renosi Mokate Anil Currimjee Mmamodiane Refiloe Nkadameng Smitha Algoo-Bissonauth	Independent Auditors	PricewaterhouseCoopers PwC Centre, Avenue de Telfair, 80829, Moka, Republic of Mauritius PricewaterhouseCoopers Inc. Waterfall City, 4 Lisbon Lane, Jukskei View, Midrand, 2090, South Africa
Executive Management	Karen Bodenstein (Chief Financial Officer)		
Registered Address	Level 3, Alexander House, 35 Cybercity Ebène, 72201 (Level 3, Alexander House, 35 Cybercity, Ebene, 72201) Mauritius Registered and incorporated as a private Company in Mauritius on 30 June 2017 and converted to a public Company on 2 August 2017.		
Company Secretary	Intercontinental Trust Limited (Company number: C23546) Level 3, Alexander House, 35 Cybercity, Ebene, 72201 (Level 3, Alexander House, 35 Cybercity, Ebene, 72201) Mauritius	Investor Relations	investors@arci.mu +230 (403) 0800 +27 (21) 180 0100 +27 (10) 900 0200



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