



ETHOS
CAPITAL

INTERIM REPORT
FOR THE SIX MONTHS
ENDED 31 DECEMBER 2017

CONTENTS

2	Financial highlights
3	Introduction
4	Performance review
8	Portfolio Companies
9	Financial statements
24	Corporate information

“With economic prospects likely to improve in the medium term, we believe that the value-accretive strategies implemented at Portfolio Companies should start to deliver accelerated growth.”

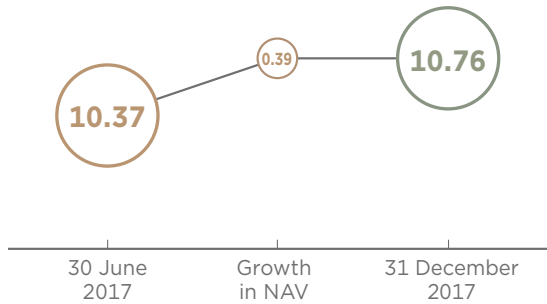
FINANCIAL HIGHLIGHTS

AS AT 31 DECEMBER 2017

Net asset value ("NAV") per share ("NAVPS")



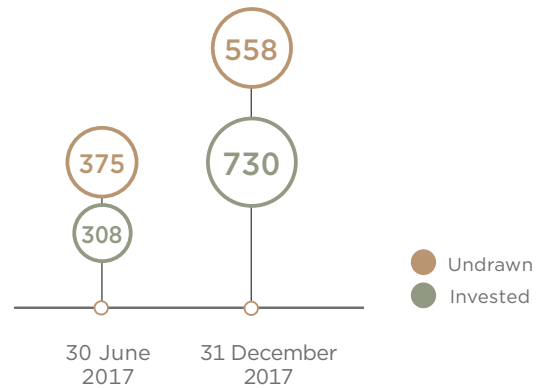
NAVPS - Rand



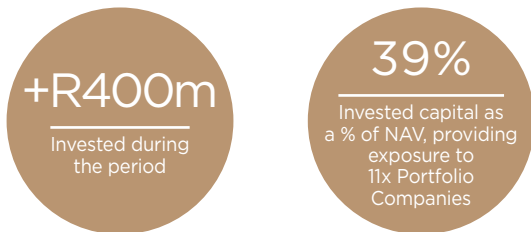
Commitment to Ethos Funds



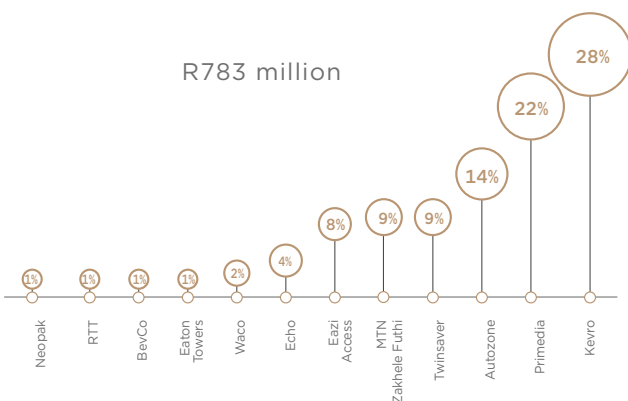
Commitments - R'million



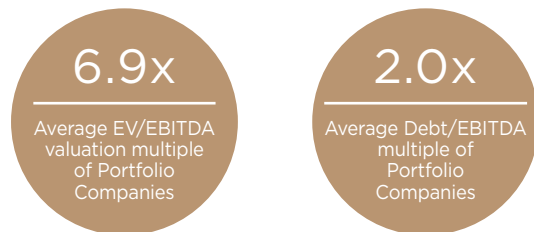
Invested capital



Invested capital contribution - updated for post-period-end transactions



Valuation multiples



Debt and EBITDA multiples



INTRODUCTION

EPE Capital Partners Ltd (“Ethos Capital” or “the Company”) is an investment holding company, registered and incorporated in Mauritius and listed on the JSE Limited (“JSE”). It invests directly into Funds or Direct Investments, managed by Ethos Private Equity (Pty) Limited (“Ethos”), which give the Company indirect exposure to a diversified portfolio of unlisted private equity-type investments (“Portfolio Companies”). By nature, private equity is a long-term investment, requiring long-term thinking and a patient strategy.

Ethos Capital’s investment objective is to be achieved through the following strategies:

1 | Primary Investments

Commitments to various Ethos Funds during their respective fundraising processes.

2 | Secondary Investments

Acquisitions of existing Limited Partner interests in established Ethos Funds.

3 | Direct Investments

Direct acquisitions of interests in underlying Portfolio Companies alongside Ethos Funds to the extent that the Ethos Funds require co-investors.

4 | Temporary Investments

Temporary Investments in a portfolio of low-risk, liquid debt instruments (including, inter alia, South African government bonds, NCDs and other similar, low-risk, liquid instruments) for cash management purposes, as appropriate.

INVESTMENT ADVISOR – AN ALTERNATIVE ADVANTAGE

The investment advisor, Ethos, was founded in 1984, and has an established track record of investing in private equity transactions in South Africa and other sub-Saharan African countries. Ethos targets control buyouts and selected expansion capital investments in companies with strong growth potential.

Ethos employs over 65 members of staff, including 18 partners, which makes it the largest private equity firm in sub-Saharan Africa. An institutionalised approach to investing, world-class governance, extensive origination networks and an experienced investment team provide Ethos with a competitive advantage in the sub-Saharan Africa private equity market.

It manages over R11 billion on behalf of public and corporate retirement funds, sovereign wealth funds, fund-of-funds, development financial institutions and, most recently, Ethos Capital. Investors are based in South Africa, Europe, North and South America and the Middle East and Asia.

Ethos has an unparalleled 33-year record of successful, sustainable investing across economic and political cycles. To date, it has invested in 106 transactions, delivering 96 realised investments at a 36.3% gross Internal Rate of Return (“IRR”) and a 2.7x multiple of cost.

FORWARD-LOOKING STATEMENTS

This interim report may contain statements regarding the future expected financial condition and results of the Company, which involve risk and uncertainty. These forward-looking statements have not been reviewed or reported on by the Company’s auditor.

PERFORMANCE REVIEW

OVERVIEW

The 2017 year was economically and politically challenging for South Africa. GDP growth remained subdued, consumer confidence was soft, and policy and political uncertainty severely impacted companies' strategic deployment of capital and investor confidence.

South Africa's longer-term outlook has, however, improved significantly of late. Political changes – both within the ANC and also at national government with Mr Cyril Ramaphosa taking over as South Africa's new president in February 2018 – are likely to result in a significant uplift in both consumer and business confidence. The subsequent changes to key government ministerial leadership will hopefully drive the implementation of clear policies in crucial sectors of the economy. Enhanced governance at key state-owned enterprises will also provide for growth in many dependent sectors across the economy. While it will take time for revised government mandates and structural changes to take full effect, we are confident that South Africa's long-term growth prospects are greatly improved.

Private equity is a long-term investment strategy which requires patient capital and an activist mindset to outperform. Given the difficult economic conditions, growth in the private sector has been constrained, and many of Ethos's Portfolio Companies have not been immune to the downturn. The underlying attributable EBITDA growth across the various Funds' portfolios over the past 12 months has been relatively modest. Importantly, the Ethos Fund teams, together with the in-house Value Add capability, have spent significant time and effort to ensure that each Portfolio Company is optimally positioned, both strategically and operationally, to benefit from the turnaround in the economic cycle. With economic prospects likely to improve in the medium term, we believe that the value-accretive strategies implemented at Portfolio Companies should start delivering accelerated growth.

The Board's medium-term objective remains to fully invest Ethos Capital's NAV, while managing liquidity and commitment strategies in a disciplined way. In support thereof, Ethos is continuing to review opportunities to develop and grow its product offerings, with the launch of Ethos Healthcare Investments being the most recent initiative. The strategies that Ethos Capital is invested in are detailed alongside:

Ethos Mid Market Fund I

The Ethos Mid Market Fund I ("EMMF I") had its first close in November 2016, and is expected to have its final close by the end of May 2018, with commitments of over R2 billion.

To date, the Fund has invested in six Portfolio Companies, representing 44% of the total commitments to the Fund. The Fund has a strong pipeline of potential investments in the mid-market space and its broad-based black economic empowerment ("B-BBEE") credentials are providing a competitive advantage in sourcing such opportunities.

Ethos Fund VI

Ethos Capital completed a secondary transaction of a stake in Ethos Fund VI ("EF VI") in November 2016. The stake is relatively small (a US\$10 million commitment) at 3% of the NAV, but currently provides exposure to nine Portfolio Companies.

Since June 2017, the Fund has successfully exited one investment at a Fund return of 2.7x cost invested. A further two exits are expected to be completed in Q2 2018.

Ethos Fund VII

Fund raising for Ethos Fund VII ("EF VII") was launched in August 2017, with a target size of R8 billion to R10 billion. Ethos Capital has made a first close commitment to this Fund of R1.25 billion with an intended final commitment of up to R2.3 billion; this will provide investors with exposure to large buyout Portfolio Companies based in South Africa and other select sub-Saharan countries. The first close for this Fund is likely to occur in Q2 2018.

Ethos Mezzanine Partners Fund 3

Ethos Mezzanine Partners Fund 3 ("EMP 3") is likely to have its first close in March/April 2018, with strong demand from international investors, especially development finance institutions.

The pipeline of opportunities for this Fund is strong, with particular application of the mezzanine product to growth opportunities in sub-Saharan Africa. The Fund has signed two term sheets for transactions which are likely to close in Q2 2018. Aligned with this strategy, Ethos recently opened a satellite office in Nairobi, Kenya, and believes this footprint will further enhance deal origination and investment management into the future. The Fund operates in a relatively uncontested niche, which has resulted in strong demand both from potential investors and also companies looking to access growth capital.

Ethos Capital has made a first close commitment of R250 million to this Fund with an intended final commitment of R320 million.

Ethos Healthcare Investments

Ethos Healthcare Investments (“EHI”) is a platform that has been established to invest in hospitals and other healthcare-related industries in South Africa and in other sub-Saharan African countries. The two key principals in this Fund are Michael Flemming and Jonathan Lowick, who were instrumental in establishing, operating and growing Life Healthcare, one of South Africa’s largest hospital groups. The pipeline of opportunities remains strong, and the first investment has been signed and is subject to regulatory approval. Ethos Capital has made a commitment of R250 million to EHI.

Direct Investments

During the period, a Direct Investment of R100 million was made in Kevro Holdings (Pty) Ltd (“Kevro”), alongside EMMF I. In addition, a further Direct Investment of R171 million was made in Primedia Holdings (Pty) Ltd (“Primedia”), alongside EF VI. The Company continues to assess a number of interesting additional co-investment opportunities alongside the various Ethos Funds.

OUTLOOK

The pipeline of opportunities across all of the Funds remains very strong. While there is improvement in the macroeconomic environment, it is important that the Funds continue to invest selectively in assets that have a robust and defensible business case.

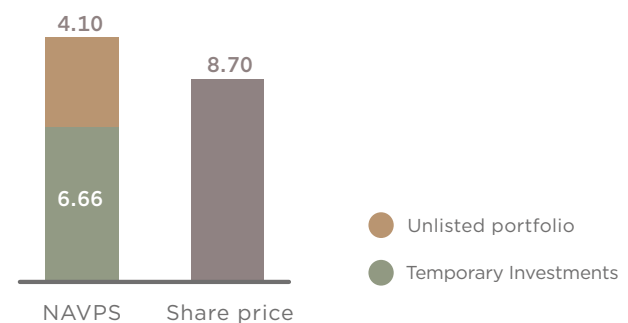
Across the various Funds, Ethos is in exclusive discussions on seven investments. Two have been signed and are subject only to regulatory approval. A further two investments are well progressed and have signed term sheets. While there can be no guarantee that all of these transactions will close, Ethos remains confident that it will be able to close on the majority of these investments.

The amount of capital required by Ethos Capital into these transactions, should the Funds be successful in closing all of them, would be approximately R400 million.

NAV

During the six months ended 31 December 2017, the NAV increased to R1.9 billion, equivalent to R10.76 per share.

NAVPS and share price at 31 December 2017 – Rand



At 31 December 2017, Ethos Capital’s unlisted invested capital (including guarantees) was 39% of the NAV, with the balance largely invested in Temporary Investments.

An analysis of the movements in the NAV and NAVPS is detailed below:

	NAV R'000	NAVPS Cents
At 30 June 2017	1 867 079	10.37
Net return on Temporary Investments	52 427	0.29
Return on investment portfolio	28 511	0.16
Share buybacks	(17 344)	0.03
Expenses and tax	(10 457)	(0.06)
Fees paid to Ethos	(6 207)	(0.03)
At 31 December 2017	1 914 009	10.76

The net return on Temporary Investments during the period was R52.4 million, representing a net annualised return of 7.6%. The net return on the unlisted investment portfolio was R28.5 million, implying a cumulative IRR of the investment portfolio of 12.2%.

Operating expenses and tax for the Company totalled R10.5 million, constituting 0.5% of NAV, of which R4.2 million relates to transaction-related fees in respect of completed and aborted transactions.

The fees payable to Ethos include advisory fees on Primary and Direct Investments, charged at 1.5% per year on the average invested capital over the period, and management fees on Temporary Investments, charged at 0.25% per year less any fees payable to Ashburton Fund Managers Proprietary Limited (“Ashburton”) for managing the portfolio of Temporary Investments. Further details on expenses are provided in note 9 of the Notes to the Interim Financial Statements.

SHARE PRICE ANALYSIS

Ethos Capital's share price as at 31 December 2017 was R8.70, which represented a 19.1% discount to the NAVPS at 31 December 2017.

As noted previously, the Ethos Capital Board is committed to a policy of enhancing long-term shareholder value. The Company has continued to repurchase shares to enhance shareholder value and the shares acquired by the Company are held in treasury. During the six months to 31 December 2017, the Company repurchased an additional 2 034 038 shares representing 1.1% of the unencumbered issued A Ordinary Share capital.

Since the period-end, the Company has continued to repurchase shares and the Board will continue to

monitor the Company's share price performance and the discount to NAV.

COMMITMENTS

Ethos Capital's Investment Strategy is to make investment commitments into Funds managed by Ethos, through a combination of Primary, Direct and Secondary Investments, or making commitments to Direct Investments. As at 31 December 2017, Ethos Capital had liquid resources of R1.2 billion to meet any outstanding commitments. In addition, the Company has agreed a four-year revolving credit facility with Rand Merchant Bank ("RMB") that, once activated, will provide access to c. R0.6 billion of additional resources for the Company.

As at 31 December 2017, the Company's closed and approved - subject to legal Fund closings - commitments to Ethos Funds were as follows:

	Type	Vintage	Original R'000	Undrawn R'000
Closed				
EMMF I	Primary	2016	900 000	532 085
Primedia	Direct	2017	171 105	8 199
EF VI	Secondary	2011	123 050	17 670
EMMF ID*	Direct	2017	100 000	-
			1 294 155	557 954
Approved				
EF VII			1 250 000	1 250 000
EMP 3			320 000	320 000
EHI			250 000	250 000
			3 114 155	2 377 954

* Investment in Kevro via the Ethos Mid Market Fund I Direct Partnership ("EMMF ID").

INVESTMENT PORTFOLIO

At 31 December 2017, the investment portfolio and invested capital consisted of the following:

	Cost R'000	Valuation R'000	% of NAV
Investments			
EMMF I	362 265	403 957	21.1
Primedia	160 275	160 275	8.4
EMMF ID*	100 000	100 000	5.2
EF VI	65 402	65 458	3.4
Total investments	687 942	729 690	38.1
Unfunded guarantees			
EF VI**	-	20 064	1.1
Total invested capital	688 088	749 754	39.2

* Investment in Kevro via the Ethos Mid Market Fund I Direct Partnership ("EMMF ID").

** Guarantees provided by the Fund to raise financing that was used to invest in Portfolio Companies.

During the period, the investments in two Portfolio Companies (Kevro and Primedia) were completed as well as the EMMF I investment into MTN Zakhele Futhi (the BEE shareholder of the MTN Group). This increased Ethos Capital's underlying exposure to 11 Portfolio Companies across a number of sectors which provide a diversified portfolio exposure.

Post-December, EMMF I completed the acquisition of Echotel Proprietary Limited ("Echo"), of which Ethos Capital's contribution was R34.0 million. Echo is a South African corporate Internet Service Provider and primarily services domestic high-end SME and enterprise clients.

The above increased Ethos Capital's invested capital to 41% of NAV and its underlying exposure to 12 Portfolio Companies.

REALISATIONS

During October 2017, Ethos Capital received R11.9 million as its share of the sale of Kevro by EF VI which generated a Fund return of 2.7x cost invested. A further two exits are expected to be completed in Q2 2018.

UNDERLYING PORTFOLIO COMPANIES

The Ethos Funds - making up Ethos Capital's investment portfolio - invest in a diversified pool of unquoted investments (Portfolio Companies) and provide the Company with indirect exposure to the Funds' underlying investments. At 31 December 2017, the investments (excluding guarantees) constituting 38.1% of total NAV, consisted of the following 11 companies and other surplus cash and current assets at the Fund level:

Name	Fund	Business description	Year*	% of NAV
Kevro	EMMF I/ EMMF ID	Corporate clothing and promotional	2017	11.3
Primedia	EF VI/Direct	Media	2017	8.9
Autozone	EF VI/EMMF I	Retailer and wholesaler of automotive parts	2014	5.5
MTN Zakhele Futhi	EMMF I	Telecommunications	2017	3.7
Twinsaver	EF VI/EMMF I	Industrials (FMCG)	2015	3.5
Eazi Access	EF VI/EMMF I	Industrial support services	2016	3.2
Eaton Towers	EF VI	Shared telecoms towers	2015	0.6
Waco International	EF VI	Industrial support services	2012	0.6
The Beverage Company	EF VI	Carbonated drinks	2017	0.3
RTT	EF VI	Logistics	2014	0.2
Neopak	EF VI	Paper and packaging	2015	0.2
Other	EF VI/EMMF I	Cash and current assets		0.1
				38.1

* Initial acquisition date by Ethos Fund

PORTFOLIO COMPANY PERFORMANCE

Ethos Capital's investment portfolio at 31 December 2017 provides exposure to 11 Portfolio Companies that, in aggregate (excluding the results of the MTN Group), have sales of over R24 billion and EBITDA of more than R4 billion. The companies span a number of sectors providing diversified portfolio exposure.

The economic environment in South Africa and sub-Saharan Africa has remained subdued in the past 12 months, with some prevalent macroeconomic headwinds. However, the Portfolio Companies' performance held up relatively well and the Funds benefited from sectoral diversity in the portfolio and some of the initiatives undertaken to optimise operations. The growth in the aggregate sales of the Portfolio Companies (excluding the results of the MTN Group) over the last 12 months ("LTM") to 31 December 2017 was 6.1% while the portfolio grew its LTM aggregate EBITDA by 4.6%.

PORTFOLIO COMPANY VALUATION ANALYSIS

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

As at 31 December 2017, the Ethos Capital portfolio of investments was valued at an average EV/EBITDA multiple of 6.9x. The IPEV Guidelines require the Manager to ascribe a series of adjustments to the Portfolio Company valuation multiples to reflect their unlisted nature and company-specific factors. As at 31 December 2017, the average EV/EBITDA multiple represents an average discount of 41% compared to the equivalent multiple of the Portfolio Companies' peer groups.

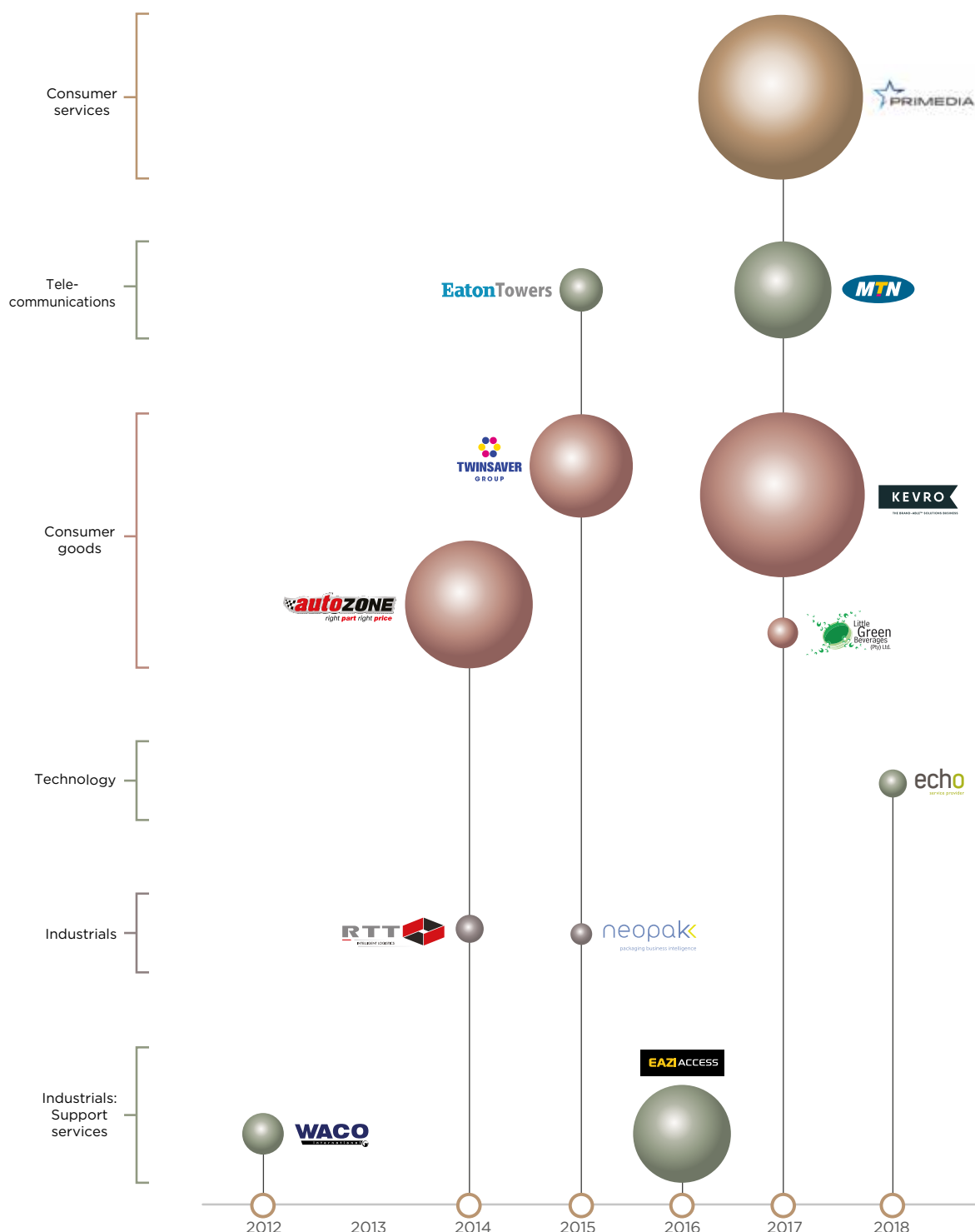
The value-weighted average Net Debt/EBITDA of the portfolio was 2.0x.

PORTFOLIO COMPANIES

The Company makes commitments into Ethos Funds, enabling it to invest alongside Ethos' institutional investors and providing its shareholders with unique access and exposure to a diversified portfolio of private equity investments. The 12 portfolio investments (updated for post-period-end transactions) have representation across a

diverse set of industries and sectors, having been acquired in different vintage years, which provides exposure to different economic cycles.

An analysis of the Company's exposure to the relevant sectors and vintage years, by Portfolio Company and relative to its other investments, is set out below:





SUMMARISED
INTERIM
FINANCIAL
STATEMENTS

UNAUDITED SUMMARISED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	Unaudited		
		31 Dec 2017 R'000	31 Dec 2016 R'000	30 June 2017 R'000
ASSETS				
Non-current assets				
Unlisted investments at fair value	4	729 690	340 175	307 939
Total non-current assets		729 690	340 175	307 939
Current assets				
Other assets and receivables		21 621	24 156	26 758
Money market investments at fair value	5	1 141 236	1 421 383	1 529 281
Cash and cash equivalents		25 782	10 756	10 044
Total current assets		1 188 639	1 456 295	1 566 083
TOTAL ASSETS		1 918 329	1 796 470	1 874 022
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital	6	1 747 668	1 765 359	1 765 012
Retained earnings		166 341	28 871	102 067
Total equity		1 914 009	1 794 230	1 867 079
Current liabilities				
Other liabilities and payables		3 657	889	3 775
Current tax liabilities		663	1 351	3 168
Total current liabilities		4 320	2 240	6 943
TOTAL EQUITY AND LIABILITIES		1 918 329	1 796 470	1 874 022
NET ASSET VALUE		1 914 009	1 794 230	1 867 079
Net asset value per share (Rand)	11.2	10.76	9.97	10.37
Attributable shares in issue at end of period/year ('000)	11.1	177 926	180 000	179 960

UNAUDITED SUMMARISED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Notes	Unaudited		
		Six months ended 31 Dec 2017 R'000	Six months ended 31 Dec 2016 R'000	Year ended 30 Jun 2017 R'000
Income				
Investment income	7	60 121	50 627	123 901
Net fair value gains/(losses)	8	21 850	(8 971)	2 683
Total income		81 971	41 656	126 584
Expenses				
Management and administration fees	9.1	(7 240)	(1 693)	(4 820)
Legal and consultancy fees	9.2	(4 641)	(5 938)	(8 917)
Other operating expenses	9.3	(4 361)	(3 803)	(7 612)
Total expenses		(16 242)	(11 434)	(21 349)
Profit before tax		65 729	30 222	105 235
Income tax expense		(1 455)	(1 351)	(3 168)
Profit for the period/year		64 274	28 871	102 067
Other comprehensive income for the period/year		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/ YEAR		64 274	28 871	102 067
Earnings per share				
Basic and diluted earnings per share (Rand)	11.1	0.36	0.16	0.57

The above relate to continuing operations as no operations were acquired or discontinued during the year.

UNAUDITED SUMMARISED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Notes	Unaudited		
		Share capital R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2017		1 765 012	102 067	1 867 079
Buy-back of ordinary shares	6	(17 344)	-	(17 344)
Income for the period	11.1	-	64 274	64 274
Balance at 31 December 2017		1 747 668	166 341	1 914 009

	Notes	Unaudited		
		Share capital R'000	Retained earnings R'000	Total equity R'000
Issue of ordinary shares	6	1 800 075	-	1 800 075
Share issue costs	6	(34 716)	-	(34 716)
Income for the period	11.1	-	28 871	28 871
Balance at 31 December 2016		1 765 359	28 871	1 794 230

	Notes	Year ended 30 Jun 2017		
		Share capital R'000	Retained earnings R'000	Total equity R'000
Issue of ordinary shares	6	1 800 075	-	1 800 075
Share issue costs	6	(34 716)	-	(34 716)
Buy-back of ordinary shares	6	(347)	-	(347)
Income for the year	11.1	-	102 067	102 067
Balance at 30 June 2017		1 765 012	102 067	1 867 079

No comparative financial information as at 1 July 2016 has been presented as no Statement of Changes in Equity was presented in the 30 June 2016 financial statements.

UNAUDITED SUMMARISED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Unaudited		
	Six months ended 31 Dec 2017 R'000	Six months ended 31 Dec 2016 R'000	Year ended 30 Jun 2017 R'000
Net cash (used in)/generated by operating activities before investment activities	(21 843)	6 067	(16 769)
Net cash generated by/(used in) investing activities	55 019	(1 755 168)	(1 732 697)
Cash generated by/(used in) operating and investing activities	33 176	(1 749 101)	(1 749 466)
Net cash (used in)/generated by financing activities	(17 344)	1 765 359	1 765 012
Net increase in cash and cash equivalents	15 832	16 258	15 546
Cash and cash equivalents at the beginning of the period/year	10 044	-	-
Effects of exchange rate changes on the balance of cash held in foreign currencies	(94)	(5 502)	(5 502)
Total cash and cash equivalents at the end of the period/year	25 782	10 756	10 044

NOTES TO THE SUMMARISED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

1 GENERAL INFORMATION

EPE Capital Partners Ltd (“Ethos Capital”, or “the Company”) was registered and incorporated in Mauritius as a private company on 26 May 2016 under the Mauritius Companies Act, Act No. 15 of 2001, and was converted to a public company on 15 July 2016. The Company is licensed as a Category One Global Business Licence company by the Financial Services Commission of Mauritius and is designed to offer shareholders long-term capital appreciation by investing into Funds or Direct Investments that provide the Company exposure to a diversified portfolio of unlisted private equity-type investments.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

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

Standard	Description/name of standard	Effective date
IAS 7	<i>Statement of Cash Flows</i>	1 January 2017
IFRS 2	<i>Share-Based Payments</i>	1 January 2017
IFRS 17	<i>Insurance Contracts</i>	1 January 2017
IAS 12	<i>Income Taxes</i>	1 January 2017
IFRS 12	<i>Disclosure of Interest in Other Entities</i>	1 January 2017

The standards issued but not yet effective for the financial year ending on 30 June 2018 that are relevant to the Company and not implemented early, are the following:

Standard	Description/name of standard	Effective date
IFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 9	<i>Financial Instruments</i>	1 January 2018
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IFRS 16	<i>Leases</i>	1 January 2019

The Directors anticipate that these amendments will be applied in the Summarised Interim and Annual Financial Statements for the annual periods beginning on or after the respective dates as indicated above. The Directors have not yet assessed the potential impact of the adoption of these amendments.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These Summarised Interim Financial Statements have been prepared in accordance with: IFRS as issued by the International Accounting Standards Board; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; as a minimum, the information required by IAS 34; the Listings Requirements of the JSE; and the requirements of the Mauritius Companies Act, Act No. 15 of 2001, in so far as applicable to Category One Global Business Licence companies.

The accounting policies applied in the preparation of these Summarised Interim Financial Statements are, where applicable to the prior financial year, consistent in all material respects with those used in the prior financial year and with IFRS.

NOTES TO THE SUMMARISED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation (continued)

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

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

These Summarised Interim Financial Statements were compiled under the supervision of the Chief Financial Officer, Mr Jean-Pierre van Onselen, CA(SA), and were approved by the Board on 13 March 2018.

3.2 Segmental reporting

Since the Company has only one business segment, and all its investments are managed as one segment investing in private equity-type investments, segmental reporting is not applicable.

4 UNLISTED INVESTMENTS AT FAIR VALUE

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

In November 2016, the Company made a R550 million commitment to the Ethos Mid Market Fund I Partnership ("EMMF I"), which was increased to R900 million in July 2017. The Company also acquired a US\$10 million (R123 million) commitment in Ethos Fund VI (Jersey) LP ("EF VI") in November 2016, through a secondary transaction. During the current period, a commitment of R100 million was made to the Ethos Mid Market Fund I Direct Partnership ("EMMF I Direct"), to facilitate the Company's first Direct Investment, which was followed by a R171 million commitment to invest directly in Primedia Holdings (Pty) Ltd.

	31 Dec 2017 R'000	31 Dec 2016 R'000	30 Jun 2017 R'000
Investments held at fair value through profit and loss:			
Unlisted investment in EMMF I	403 957	292 142	247 412
Unlisted investment in EF VI	64 458	48 033	60 527
Unlisted investment in EMMF I Direct	100 000	-	-
Unlisted investment in Primedia Holdings (Pty) Ltd	160 275	-	-
	729 690	340 175	307 939
Consisting of:			
Cost	687 942	344 272	288 505
Unrealised capital appreciation/(depreciation) at end of period/year	27 340	(4 294)	7 515
Accrued income	14 408	197	11 919
	729 690	340 175	307 939

NOTES TO THE SUMMARISED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

4 UNLISTED INVESTMENTS AT FAIR VALUE (CONTINUED)

At 31 December 2017, the underlying investments of the above Funds (Portfolio Companies), constituting 38.1% of the Company's net asset value ("NAV"), consisted of the following 11 unlisted companies and other surplus cash and current assets held at the Fund level:

Name	Fund/type	Business description/sector	% of NAV 31 Dec 2017
Kevro	EMMF I/EMMF I Direct	Corporate clothing and promotional	11.3
Primedia	EF VI/Direct	Media	8.9
Autozone	EF VI/EMMF I	Retailer and wholesaler of automotive parts	5.5
MTN Zakhele Futhi	EMMF I	Telecommunications	3.7
Twinsaver	EF VI/EMMF I	Industrials (FMCG)	3.5
Eazi Access	EF VI/EMMF I	Industrial support services	3.2
Eaton Towers	EF VI	Shared telecoms towers	0.6
Waco International	EF VI	Industrial support services	0.6
The Beverage Company	EF VI	Carbonated drinks	0.3
RTT	EF VI	Logistics	0.2
Neopak	EF VI	Paper and packaging	0.2
Other	EF VI/EMMF I	Cash and current assets	0.1
			38.1

	Cost R'000	Capital appreciation/ (depreciation) R'000	Accrued income R'000	Total R'000
Reconciliation of movements:				
Balance at 1 July 2017	288 505	7 515	11 919	307 939
Acquisitions	408 396	-	-	408 396
Realisations	(8 959)	(1 360)	(801)	(11 120)
Revaluation increase at end of period	-	21 185	3 290	24 475
Balance at 31 December 2017	687 942	27 340	14 408	729 690
Balance at 1 July 2016	-	-	-	-
Acquisitions	349 160	-	-	349 160
Realisations	(4 888)	-	-	(4 888)
Revaluation (decrease)/increase at end of period	-	(4 294)	197	(4 097)
Balance at 31 December 2016	344 272	(4 294)	197	340 175
Balance at 1 July 2016	-	-	-	-
Acquisitions	293 393	-	-	293 393
Realisations	(4 888)	-	-	(4 888)
Revaluation increase at end of year	-	7 515	11 919	19 434
Balance at 30 June 2017	288 505	7 515	11 919	307 939

NOTES TO THE SUMMARISED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

5 MONEY MARKET INVESTMENTS AT FAIR VALUE

	31 Dec 2017 R'000	31 Dec 2016 R'000	30 Jun 2017 R'000
Investments held at fair value through profit and loss:			
Floating rate notes	502 001	552 433	637 091
Negotiable certificates of deposit	567 475	383 368	577 473
Treasury bills	69 241	426 858	179 185
Cash and call accounts	2 519	58 724	135 532
	1 141 236	1 421 383	1 529 281
Consisting of:			
Cost	1 140 684	1 420 851	1 528 622
Unrealised appreciation at end of period/year	552	532	659
	1 141 236	1 421 383	1 529 281

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

At 31 December 2017, the following range of interest rates was applicable to the respective categories of money market instruments, from which the accrued income at 31 December 2017 was derived:

	31 Dec 2017	
	Low %	High %
Floating rate notes	7.8500	8.0750
NCD	7.1000	8.2750
Treasury bills	7.6538	7.6538

6 ISSUED CAPITAL

	31 Dec 2017 Number	31 Dec 2016 Number	30 Jun 2017 Number
Issued:			
A Ordinary Shares issued at R10.00 per share	180 000 000	180 000 000	180 000 000
A Ordinary Shares issued at R0.01 per share	7 500 000	7 500 000	7 500 000
B Ordinary Shares issued at R0.01 per share	10 000	10 000	10 000
Total issued at time of listing	187 510 000	187 510 000	187 510 000
A Ordinary Shares purchased	(2 074 140)	-	(40 102)
Total issued share capital	185 435 860	187 510 000	187 469 898

NOTES TO THE SUMMARISED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

6 ISSUED CAPITAL (CONTINUED)

	31 Dec 2017 R'000	31 Dec 2016 R'000	30 Jun 2017 R'000
Issued:			
A Ordinary Shares issued at R10.00 per share	1 800 000	1 800 000	1 800 000
A Ordinary Shares issued at R0.01 per share	75	75	75
B Ordinary Shares issued at R0.01 per share	-	-	-
Less: Share issue costs	(34 716)	(34 716)	(34 716)
Total issued at time of listing	1 765 359	1 765 359	1 765 359
A Ordinary Shares purchased	(17 691)	-	(347)
Total issued share capital	1 747 668	1 765 359	1 765 012

During the period, the Company purchased 2 034 038 of its A Ordinary Shares at an average price of R8.53 per share. These shares are currently held in treasury.

7 INVESTMENT INCOME

	Six months ended 31 Dec 2017 R'000	Six months ended 31 Dec 2016 R'000	Year ended 30 Jun 2017 R'000
Interest from unlisted investments	6 359	50	15 854
Dividends from unlisted investments	101	761	1 314
Interest from money market investments	47 988	33 656	80 251
Interest from bank and call deposits	382	1 330	1 486
	54 830	35 797	98 905
Amortisation of net discount	5 291	14 830	24 996
	5 291	14 830	24 996
	60 121	50 627	123 901

8 NET FAIR VALUE GAINS/(LOSSES)

	Six months ended 31 Dec 2017 R'000	Six months ended 31 Dec 2016 R'000	Year ended 30 Jun 2017 R'000
Unrealised:			
Net gains/(losses) arising on changes in the fair value of unlisted investments	19 825	(4 294)	7 515
Net (losses)/gains arising on changes in the fair value of money market instruments	(107)	532	659
Net foreign exchange losses on conversion of cash and cash equivalents	(94)	-	(282)
	19 624	(3 762)	7 892
Realised:			
Gains on realisation of unlisted investments	2 226	-	-
Gains on realisation of money market instruments	-	11	11
Net foreign exchange losses on conversion of cash and cash equivalents	-	(5 220)	(5 220)
	2 226	(5 209)	(5 209)
Net fair value gains/(losses)	21 850	(8 971)	2 683

NOTES TO THE SUMMARISED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

9 PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 31 Dec 2017 R'000	Six months ended 31 Dec 2016 R'000	Year ended 30 Jun 2017 R'000
9.1 Management and administration fees			
Management fees – Ethos	2 513	-	1 286
Advisory fees – Ethos*	2 821	-	-
Administration fee – Ethos	873	736	1 482
Administration fee – Ashburton	1 033	957	2 052
	7 240	1 693	4 820
* Payable from 1 July 2017.			
9.2 Legal and consultancy fees			
Legal and consultancy fees	73	4 409	5 154
Fund formation fees	255	1 431	1 809
Expenses relating to the acquisition of investments	4 313	98	1 954
	4 641	5 938	8 917
9.3 Other operating expenses			
Company secretarial, accounting and other administration fees	758	800	1 517
Directors' emoluments	1 960	1 526	3 353
Auditors' remuneration	419	473	852
Insurance costs	321	191	431
Sponsor and listing-related fees	377	112	408
Other expenses	526	701	1 051
	4 361	3 803	7 612

10 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	Original 31 Dec 2017 R'000	Outstanding 31 Dec 2017 R'000	Outstanding 31 Dec 2016 R'000	Outstanding 30 Jun 2017 R'000
Capital commitments:				
Unlisted investment in EMMF I	900 000	532 085	255 442	319 205
Unlisted investment in EF VI	123 050	17 670	81 815	55 874
Unlisted investment in EMMF I Direct	100 000	-	-	-
Unlisted investment in Primedia Holdings (Pty) Ltd	171 105	8 199	-	-
	1 294 155	557 954	337 257	375 079
Contingent liabilities:				
Rand Merchant Bank ("RMB")	105 000	118 143	106 369	113 424
	105 000	118 143	106 369	113 424
Total commitments and contingent liabilities	1 399 155	676 097	443 626	488 503

Refer to note 4 for further details on the capital commitments.

NOTES TO THE SUMMARISED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

10 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

The Company has provided a guarantee against a R105 million five-year non-recourse loan facility (plus any outstanding interest thereon) issued by RMB to Black Hawk Private Equity Proprietary Limited (“Black Hawk”), expiring on 29 July 2021. The proceeds of the facility, signed on 28 July 2016, were used by Black Hawk to subscribe to R105 million of A Ordinary Shares on behalf of the two non-executive Directors, who are members of the Company’s Investment Committee. The above amount represents the current outstanding balance on the facility, including any accrued interest charges to 31 December 2017. Interest currently accrues at a rate that is based on JIBAR plus a 1% margin, and the interest is intended to be rolled-up and settled with the capital amount outstanding upon the maturity of the loan or an earlier repayment event.

11 EARNINGS AND NET ASSET VALUE PER SHARE

As detailed in note 6, the Company issued 187 500 000 A Ordinary Shares, 7 500 000 of which were issued to the EPE Allocation Trust and are currently notionally encumbered. Until these shares are released from their encumbrance (through the notional performance participation), the Company has an irrevocable right and option to acquire the notionally encumbered A Ordinary Shares at a repurchase price of R0.01 per share, being each share’s fair value, and then to apply for the delisting of such shares acquired. The holders of these shares are therefore restricted from selling the shares to any party other than the Company and obtaining or sharing in any economic benefit derived from the shares, until they are released from their encumbrance.

Given the restrictions the encumbered shares place on the holder and the probability of the shares being delisted unless certain contingent conditions are met, they are excluded from the calculations to determine the earnings, headline earnings and net asset value per share (“NAVPS”) respectively. The calculations below therefore reflect the earnings, headline earnings and NAV attributable to the unrestricted A Ordinary shareholders.

11.1 Earnings and headline earnings per share

	Six months ended 31 Dec 2017 R'000	Six months ended 31 Dec 2016 R'000	Year ended 30 Jun 2017 R'000
Total comprehensive profit attributable to ordinary shareholders	64 274	28 871	102 067
Reconciliation of basic earnings to headline earnings:			
Total comprehensive profit attributable to ordinary shareholders	64 274	28 871	102 067
Items attributable to headline earnings	-	-	-
Headline earnings for the period/year	64 274	28 871	102 067
	'000	'000	'000
Attributable shares:			
Number of shares in issue during the period/year	187 500	187 500	187 500
Less: Treasury shares	(2 074)	-	(40)
Less: Notionally encumbered shares	(7 500)	(7 500)	(7 500)
Number of attributable shares in issue at the end of the period/year	177 926	180 000	179 960
Weighted average number of ordinary shares for the purpose of earnings per share	178 631	180 000	180 000
Basic and diluted earnings per share (Rand)	0.36	0.16	0.57
Basic and diluted headline earnings per share (Rand)	0.36	0.16	0.57

NOTES TO THE SUMMARISED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

11 EARNINGS AND NET ASSET VALUE PER SHARE (CONTINUED)

11.2 Net asset value per share

	31 Dec 2017 R'000	31 Dec 2016 R'000	30 Jun 2017 R'000
Net assets	1 914 009	1 794 230	1 867 079
Net asset value per share (Rand)	10.76	9.97	10.37

12 FINANCIAL RISK FACTORS AND INSTRUMENTS

12.1 Overview

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

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

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

These risks are detailed in note 23 of the Notes to the Annual Financial Statements as at 30 June 2017.

12.2 Fair value classification of investments

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

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

Investments trading in markets not considered to be active and deriving their fair value from observable inputs other than quoted prices included within level 1 are classified within level 2. These inputs need to be directly or indirectly observable for the investment and can include: quoted market prices for similar assets in active or non-active markets; observable inputs other than quoted prices; and inputs derived or corroborated by observable market data. The Company's money market investments will typically be classified within level 2.

Level 3 classification applies to investments where observable inputs are not available for the asset to determine its fair value. Unobservable inputs are used to measure fair value where relevant observable inputs are not available. The unlisted investments in Fund Limited Partnerships are within this level.

NOTES TO THE SUMMARISED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

12 FINANCIAL RISK FACTORS AND INSTRUMENTS (CONTINUED)

12.2 Fair value classification of investments (continued)

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets:				
Unlisted investments	-	-	729 690	729 690
Money market investments	-	1 141 236	-	1 141 236
Accrued income on money market investments	-	19 035	-	19 035
	-	1 160 271	729 690	1 889 961

During the period, there were no transfers of assets from level 1 to level 2 or 3, level 2 to level 1 or 3 or level 3 to level 1 or 2.

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

	Unlisted investments 31 Dec 2017 R'000
Non-current assets:	
Opening balance	307 939
Acquisitions	408 396
Realisations and equalisations at carrying value of acquisitions	(11 120)
Net gains included in the Statement of Comprehensive Income	24 475
	729 690

The Board of Directors has approved the valuation method for level 3 investments as set out in the accounting policies. The valuation techniques used and the inputs available to determine the fair value of each investment, are detailed in note 4 of the Notes to the Annual Financial Statements as at 30 June 2017. The inputs available to the Investment Advisor to determine the valuation of the underlying Portfolio Companies, from which the NAV of the Funds is derived, are mainly the maintainable earnings of the relevant companies and valuation multiples that are derived from the public markets.

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

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

NOTES TO THE SUMMARISED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

12 FINANCIAL RISK FACTORS AND INSTRUMENTS (CONTINUED)

12.2 Fair value classification of investments (continued)

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

All these numerical and subjective inputs are recorded and maintained, for each Portfolio Company, in a valuation model designed and updated by the Investment Advisor. The Board of Directors has no direct access or input to these valuation models or the subjective assessments that were considered in deriving the fair value and are not reasonably available to the Board. All these inputs and considerations are largely interdependent and subjective, and the models are highly complex for an outside party to manage. Therefore, it is not reasonable, and potentially misleading, for the Board to determine and present to the shareholders of the Company a sensitivity analysis of the potential impact of changes to one or more of the underlying inputs to fair value.

12.3 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate based on changes in market interest rates. The Company has exposure to interest rate risk through its Temporary Investments (money market investments) that are largely invested in fixed rate instruments and floating rate notes with a relatively short re-pricing period. The fair value of the money market instruments is largely dependent on the market interest rates and could fluctuate with changes in the latter.

The performance, maturity profile and sensitivity analysis of Temporary Investments are reviewed regularly and Ashburton aims to match the liquidity profile with the Company's liquidity requirements to optimise the returns. The Temporary Investments are managed by Ashburton under an investment management agreement that sets certain permitted securities and limits within which they have to manage the portfolio to provide a balance of risk and returns that the Board is comfortable with.

The table below demonstrates the sensitivity in the fair value of the Temporary Investments held at 31 December 2017 based on assumed changes to the market interest rates (measured in basis points ("bps")) at different intervals and taking into account the maturity dates of the securities.

	Fair value adjustment 31 Dec 2017 R'000
Change in market interest rates assumed:	
-75 bps	1 959
-50 bps	1 306
-25 bps	653
+25 bps	(653)
+50 bps	(1 306)
+75 bps	(1 959)

13 EVENTS AFTER THE REPORTING PERIOD

There have been no material events after the reporting date that would require disclosure or adjustment to the Summarised Interim Financial Statements for the six months ended 31 December 2017.

CORPORATE INFORMATION

Directors

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

Senior Advisors

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

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Listing

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JSE code: EPE
Sector: Financials – Speciality Finance

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