ETHOS
CAPITAL

# INTEGRATED ANNUAL REPORT

*for the year ended 30 June 2018*

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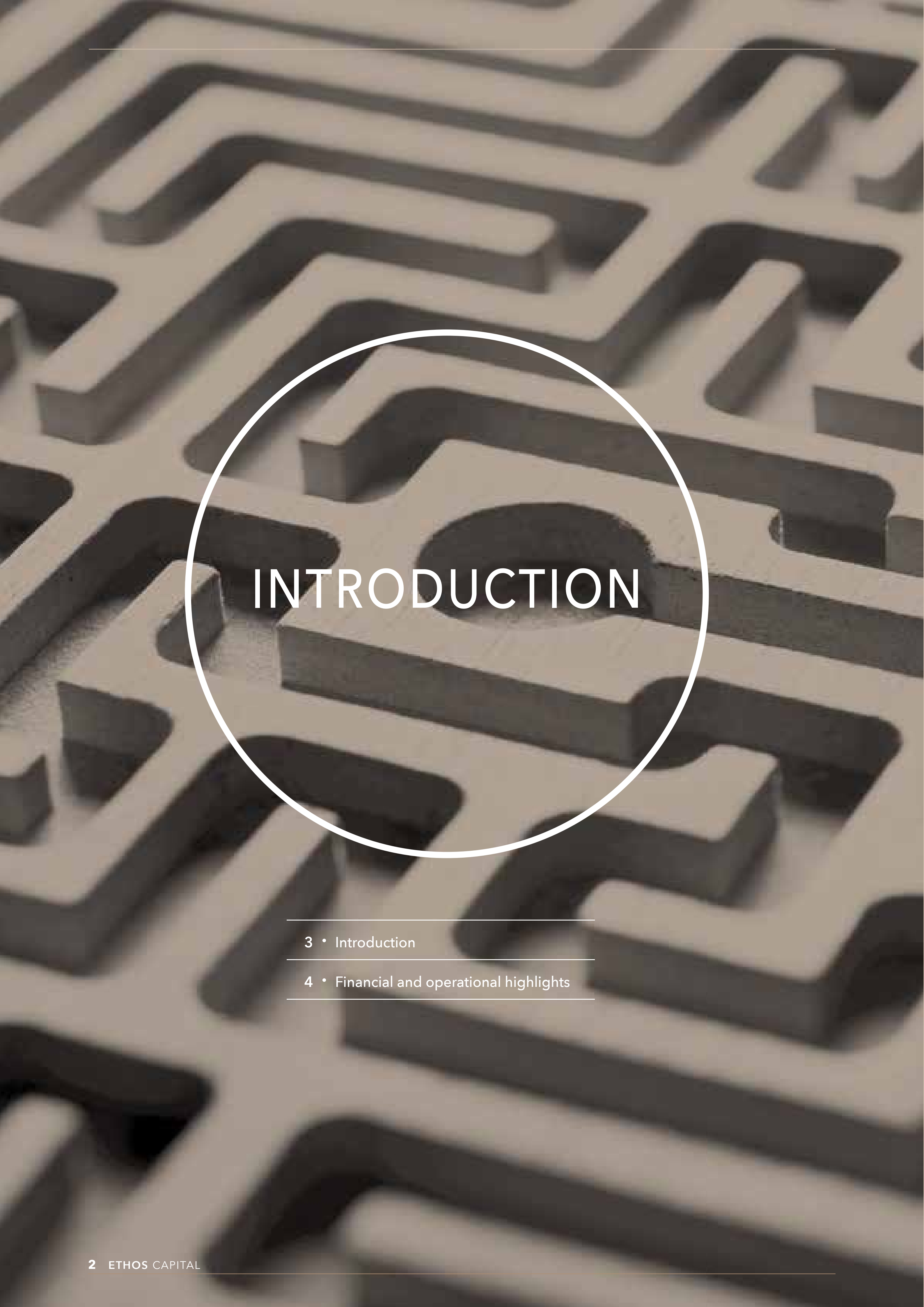

# INTRODUCTION

# 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 largely indirect exposure to a diversified portfolio of unlisted private equity-type investments ("Portfolio Companies"). "The Group" refers to the consolidated results of the Company and its deemed subsidiary.

## Scope of the Integrated Annual Report

This Integrated Annual Report combines the financial and non-financial information of Ethos Capital for the financial year ended 30 June 2018. The Integrated Annual Report adheres to the requirements of the Mauritius Companies Act 2001 ("the Mauritius Companies Act") and the JSE Listings Requirements ("Listings Requirements") and uses the recommendations of the King IV Report on Corporate Governance™ for South Africa 2016 ("King IV")[A].

## External assurance

The Ethos Capital Board of Directors has drawn assurance on the Integrated Annual Report from the external auditor, Deloitte (South Africa), through its audit of the Annual Financial Statements and its report to shareholders on page 64 of the Annual Financial Statements.

The Integrated Annual Report has been reviewed by the Audit and Risk Committee and approved by the Board of Directors, and signed by Yvonne Stillhart and Kevin Allagapen on behalf of the Board.

The Board does not consider it necessary to seek any further external assurance on the Integrated Annual Report.

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## Materiality

The Board is responsible for the process of determining how best to disclose the performance of the Company in a transparent manner. The performance is largely measured by the growth in the net asset value ("NAV") and NAV per share ("NAVPS") of the Group. The Board has considered all material aspects it is aware of and that are material in the context of the performance of the Group. These material items are included in the Integrated Annual Report.

## Reported currency

Unless otherwise stated, all amounts presented in the Integrated Annual Report are presented in South African Rand ("ZAR" or "R").

## Forward-looking statements

The Integrated Annual Report may contain statements regarding the future expected financial position 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.

# FINANCIAL AND OPERATIONAL HIGHLIGHTS

Total assets and NAVPS at 30 June 2018:

**R1.9bn**
total assets

**R11.00**
Group NAVPS

**+5.7%**
growth in NAVPS

At 30 June 2018:

| | Investment activity: | Invested capital: | Commitments: | Portfolio Companies: |
|---|---|---|---|---|
| | R0.4bn invested during the year | 37% of total assets | R1.7bn | 13 |
| Adjusted for post-year-end transactions: | R0.7bn additional transactions | 74% of total assets | R3.2bn | 16 |

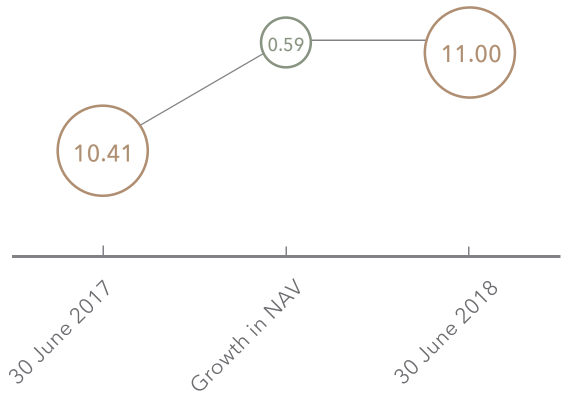
Valuation multiples at 30 June 2018:

**7.2x**
EV/EBITDA*

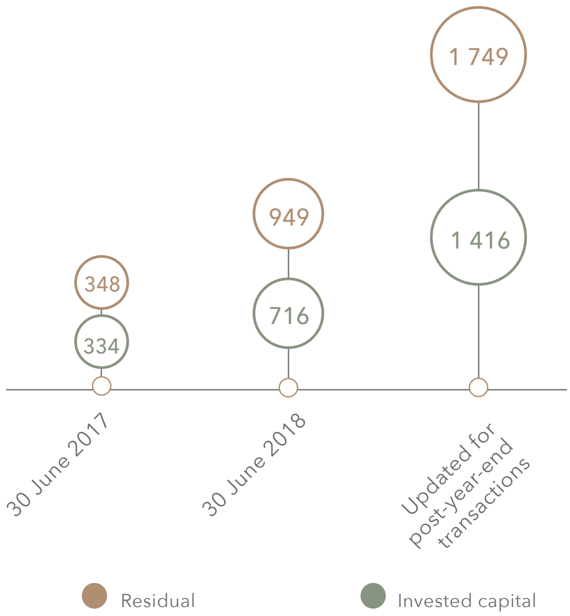
**2.0x**
Debt/EBITDA*

** On a value-weighted average basis.*

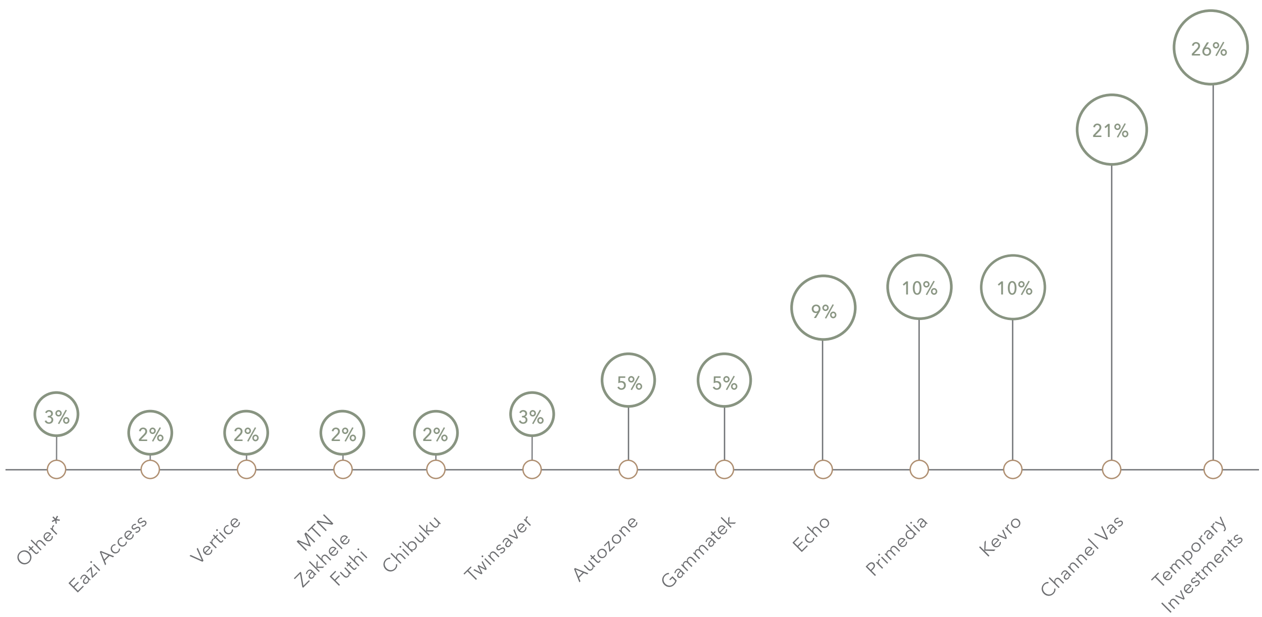
Group NAVPS – Rand




Commitments – R'million




Total assets contribution – **R1.9 billion**
Updated for post-year-end transactions



# LEADERSHIP REPORTS

# CHAIRPERSON'S REPORT

"Pleasingly, the pipeline of opportunities for the coming financial year across all of the Ethos Funds looks promising, despite the somewhat uncertain macroeconomic outlook."

**Yvonne Stillhart**
Chairperson

## Overview

2018 has been a very active year for Ethos Capital as the Board further evaluated several Fund and Direct Investment opportunities and subsequently executed on a number of new commitments to Ethos Managed Funds and Direct Investments, providing the opportunity to participate in exciting underlying investments. As a result of this, our invested capital will reach c.74% of the Group's total assets. In terms of invested capital, we are on track to deliver to our shareholders on what we set out at the time of listing.

The Board also focused over the past year on continuing to enhance and maintain strong operations, which adhere to best practice standards and regulatory requirements, including effective investment, risk management and governance processes. The various Ethos Funds, to which the Company made early commitments, made significant progress in investing capital during the year with five new acquisitions completed, followed after year-end, with six additional transactions that have been completed, signed or agreed.

## Financial performance and investment activities

The Group ended the year with an NAVPS of R11.00, representing a c.6% uplift in the NAVPS over the year. Invested capital at 30 June 2018 reached c.37% of total assets, and assuming that the transactions that were signed or agreed post-year-end complete, the invested capital base will increase to R1.4 billion. Pleasingly, the pipeline of opportunities for the coming financial year across all of the Ethos Funds looks promising, despite the somewhat uncertain macroeconomic outlook.

## Corporate governance and operations

Together with the Senior Advisors, the Board has continued to refine its investment, risk management, and liquidity management processes. The Board believes that the consideration of social, environmental and governance topics makes good business sense, supports alignment of interests and helps to create long-term sustainable value to the wider community. We are committed to our responsibility to the shareholders of Ethos Capital and ensuring that the Company conducts its business in the best interests of its shareholders with integrity and the highest principles of governance and ethical standards. The Directors endorse King IV, where appropriate.

## Share price performance

The Company's share price ended the financial year at R7.90, a discount of 28% to the Group NAVPS as at 30 June 2018. Whilst the various Ethos Funds continue to invest their committed capital responsibly and cautiously, it is expected that, based on the pipeline of deal opportunities, Ethos Capital will continue to grow its invested capital strongly during the course of the 2019 financial year. We believe that the increased investment activity and more supportive macroeconomic drivers of the portfolio valuations should provide a positive catalyst to the share price; however, public market perceptions are difficult to predict.

As part of its strategy of maximising shareholder value the Board continued its share buyback programme during the year and post-year-end, and in total, the Company has to date acquired c.4% of its share capital; these shares are currently held as treasury shares. At the forthcoming Annual General Meeting ("AGM"), shareholders will be requested to approve the authority for the Company to issue the treasury shares.

## South African private equity market

The current global political and macroenvironment is growing increasingly uncertain with the adverse impact of a global trade war and other country-specific factors impacting emerging market investor sentiment.

The macroeconomic outlook for South Africa has improved year-on-year; however, time will tell how long the required structural reforms will take to make a meaningful impact on the South African economy. Other sub-Saharan African markets have continued to grow strongly at rates significantly above the global average. It is pleasing in that context to see an increased component of Ethos' deal flow opportunities outside of South Africa in line with Ethos' geographic expansion strategy.

## Medium-term priorities

The Board's medium-term objective is to fully invest Ethos Capital's remaining capital and to focus on the full spectrum of options to enhance and generate long-term shareholder value, whilst managing the Company's liquidity and commitment strategies in a disciplined way.

## AGM

The AGM of shareholders of Ethos Capital will be held on 13 November 2018 in Cape Town, South Africa.

## Appreciation

On behalf of all of us at Ethos Capital, I would like to extend my appreciation to all stakeholders for their continued support. I specifically would like to thank the Ethos management and its staff for their accomplishments and dedication during the year, to our shareholders for their confidence in Ethos Capital, and my fellow Directors for their ongoing insight and support.

**Yvonne Stillhart**
*Chairperson of the Board*

# CHIEF EXECUTIVE OFFICER'S REPORT

"We remain confident that this represents a good window of opportunity to deploy capital in market-leading businesses which Ethos has the ability to develop and optimise over its investment horizon."

**Peter Hayward-Butt**
Chief Executive Officer

The past year has been one of mixed and rollercoaster emotions for South African consumers, companies and investors.

The latter part of 2017 – in the lead up to the ANC Conference in December – saw political and economic uncertainty adversely impact consumer sentiment with a corresponding negative impact on key drivers in the South African economy.

The election of Cyril Ramaphosa as ANC President and then early in 2018 as President of South Africa,had a significantly positive impact on consumer sentiment and confidence. The hope of policy certainty, stability in the country's state-owned enterprises, an eradication of corruption, upliftment in economic growth and employment creation, led to a very rapid improvement in both consumer confidence and the general economic outlook. However, whilst significant strides have been made by the Ramaphosa regime, there is a growing recognition that the requisite structural change will take time to positively impact economic growth. While producer and consumer confidence have improved in 2018, both remain fragile and have had little meaningful impact on the economic growth outlook.

Volatility and uncertainty have provided opportunity for new investments in high-quality assets at reasonable valuations. Ethos has focused much of its efforts on improving the fundamentals of, and outlook for, its Portfolio Companies; positioning these businesses to benefit from the anticipated macroeconomic improvements. This involved capital investments behind value-enhancing strategic projects and infill acquisitions, repositioning some Portfolio Companies' strategies and a heightened focus on cost reduction and operational efficiencies.

With gross domestic product ("GDP") growth rates remaining at multi-year lows, and consumer confidence remaining soft, revenue and earnings before interest, tax, depreciation and depreciation and amortisation ("EBITDA") growth has been challenging during the year. The Company's attributable share of the underlying Portfolio Companies' sales grew by 2.7% on a value-weighted basis over the last 12 months and the attributable EBITDA remained largely flat.

2018 has been an extremely busy year for Ethos from an investment perspective. The Funds managed by Ethos have either closed or signed or substantially agreed terms for binding agreements on eight new transactions since January 2018. Pleasingly, the investments have been across all platforms, namely the large Buyout Funds, the Mid Market Fund, the Mezzanine Fund, the Healthcare Platform and the recently launched Ai Fund.

Upon completion, these will result in Ethos Capital's invested capital increasing to 74% of the Company's total assets, which is in line with the expectations at the time of the Company's listing in August 2016.

In addition, Ethos successfully raised capital during the year for the Ethos Mid Market Fund and the Ethos Mezzanine Fund.

## Ethos Mid Market Fund I

Ethos Mid Market Fund I ("EMMF I") exceeded its fundraising target by raising R2.5 billion in commitments, including R950 million from Ethos Capital. This impressive fundraising performance demonstrated the unique positioning of the Fund and, by 30 June 2018, the Fund had invested in six Portfolio Companies.

During the year to 30 June 2018, the Fund managed to convert a significant proportion of its investment pipeline and invested more than R400 million in three transactions. Valuations in the mid-market space have remained reasonable and the Fund's black economic empowerment credentials have provided a competitive advantage in sourcing such opportunities.

The performance of the Fund's portfolio was reasonable in the context of the macroeconomic headwinds. More detail on the Portfolio Companies is provided in the Overview of the Portfolio Companies of the Integrated Annual Report.

Since 30 June 2018, EMMF I signed an agreement to acquire Gammatek, the largest distributor of mobile device accessories and low technology consumer products, and signed a conditional agreement for a sizeable bolt-on acquisition for Echo. These investments will result in the Fund being c.50% invested and well positioned to generate good returns.

## Ethos Mezzanine Partners Fund 3

Ethos Mezzanine Partners Fund 3 ("EMP 3") achieved a first close of over US$100 million with strong demand from international investors, especially development finance institutions. The Fund is likely to achieve its fundraising target of US$150 million during the next financial year.

The pipeline of opportunities for this Fund remains very strong, with particular application of the mezzanine product to growth opportunities in sub-Saharan Africa for investee companies looking to access capital. In August 2018, the Fund made its first investment into Chibuku Products, a fast-moving consumer goods ("FMCG") company in Malawi, previously owned by SAB Miller. The Fund has a number of potential transactions at an advanced stage of due diligence.

## Ethos Fund VI

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

Whilst Ethos Capital's commitment to EF VI is relatively small (US$10 million), during the year the Company made a number of Direct Investments alongside the Fund, including Primedia and Vertice.

## Ethos Healthcare Platform

The Ethos Healthcare Platform ("EHP") made its first investment into a medical technology ("MedTech") business called Vertice in May 2018. The strategy involves a roll-up of a number of complementary MedTech businesses with one bolt-on acquisition signed and a number of other acquisition opportunities already in advanced stages of negotiation. Ethos Capital has made its first commitment of R30 million to the platform alongside EF VI.

## Ethos Fund VII

Ethos Fund VII ("EF VII") is the successor buyout Fund for EF VI (which is now fully invested). The Fund is expected to have its first close by early October 2018. Ethos Capital has committed R1.25 billion as a first close investor to EF VII. The Fund has substantially agreed terms to acquire its first investment, Channel Vas, an airtime credit service provider with operations and contracts with mobile network operators in 25 countries across Africa, Asia and Europe.

There are a number of investment opportunities that EF VII is pursuing that are at various stages of due diligence. EF VII has a target Fund size of c.R8.0 billion. As such, it is likely that Ethos Capital will be diluted through equalisation payments as new investors commit to the Fund. Ethos Capital intends to increase its commitment to R2.15 billion at final close, subject to its liquidity and the total Fund size at final close.

## Ethos Ai Fund I

The Ethos Ai Fund I ("EAiF I") has been established as a co-investment vehicle. It will invest alongside other Ethos Funds in businesses which will benefit from the adoption and implementation of algorithmic decision making. Ethos has partnered with two principals (Nic Kohler and Roger Grobler) who have significant domain experience and expertise in this space. The Fund is also expected to have its first close by early October 2018 and will invest alongside EF VII in Channel Vas. Ethos Capital has committed R150 million as a first close investor to EAiF I.

## Invested NAV

As at 30 June, 2018, Ethos Capital had invested c.37% of its total assets.

Post-year-end, two additional transactions were concluded which has resulted in c.40% of the total assets having been invested. In addition, binding conditional agreements have either been entered into or agreed for a further four transactions which, once completed, will result in c.74% of the total assets being invested.

Post the completion of these transactions, Ethos Capital will have invested in excess of R1.4 billion across a portfolio of 16 private companies with a combined EBITDA of more than R5 billion (excluding MTN Zakhele Futhi).

## Underlying NAV performance and prospects

At a Group level, the NAVPS increased from R10.41 to R11.00 as at 30 June 2018, an increase of 5.7%.

The NAVPS of the Company was R10.93 at 30 June 2018. Further details on the composition and calculation of the Group and Company NAVPS are provided on pages 13 and 14 of the Integrated Annual Report.

The pipeline of opportunities across the Funds remains strong, yet the difficult macroeconomic environment and a lack of investor confidence could adversely impact deal execution. However, based on the pipeline of opportunities across the various Funds, we remain confident that this represents a good window of opportunity to deploy capital in market-leading businesses which Ethos has the ability to develop and optimise over its investment horizon. Pleasingly, the number of sub-Saharan African investment opportunities has increased significantly, which provides diversification and access to Portfolio Companies with different growth and value drivers.

## Maximising long-term shareholder returns

The objective of the Board of Ethos Capital is to maximise long-term, sustainable returns for investors. As part of that strategy, the Company has continued with its share repurchase programme during the year and post-year-end. The Company has cumulatively repurchased over 7 400 000 shares, representing c.4% of the Company's issued A Ordinary Shares. The Board will continue to monitor the share price and assess opportunities to maximise value for shareholders.

I would like to express my sincere appreciation for the guidance and input that the Board has provided over the past year. We also greatly appreciate the support from all our stakeholders and look forward to creating sustainable value for all of our partners.

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

**Peter Hayward-Butt**
*Chief Executive Officer*

# INVESTMENTS, PERFORMANCE AND INVESTMENT ADVISOR

# REVIEW OF THE INVESTMENT PORTFOLIO AND RETURNS

## Group NAV

As at 30 June 2018, the Group had a NAV of R1.8 billion (net of R181 million of treasury shares) and a NAVPS of R11.00, an increase of 5.7% over the year.

At 30 June 2018, the Company's unlisted investment portfolio (including guarantees) was c.37% of the Company's total assets, with the balance largely invested in Temporary Investments. The various Ethos Funds concluded, signed or substantially agreed terms for six transactions after the year-end, potentially increasing Ethos Capital's post-year-end adjusted invested capital to over R1.4 billion or 74% of the Company's total assets.

Since listing, the growth in invested capital has been 7% as capital has been invested by the various Funds into underlying Portfolio Companies. Many of the investments are in the early stages of their investment holding period and it is anticipated that the growth in invested capital should increase as the underlying Portfolio Companies start to benefit from the strategic and operational interventions that the management teams are implementing into this relatively "young" portfolio. The value-weighted average hold period of the Group's underlying Portfolio Companies is only 1.4 years.

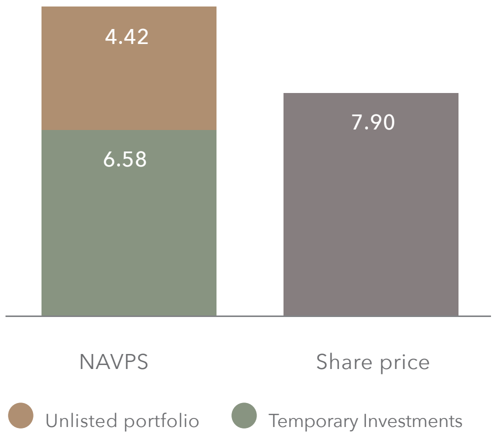
Temporary Investments (largely a portfolio of government bonds and liquid negotiable certificates of deposit ("NCDs")) delivered a net return of 7.6%.

Legal and professional fees of R6.2 million were incurred during the year. These predominantly relate to direct transaction-related fees and some Fund establishment fees. Other expenses totalled R8.3 million which included Directors' emoluments (R3.9 million) and other operating expenses such as audit, listing and administrative costs.

The fees payable to Ethos totalled R14.7 million, which equates to 0.8% of the Group NAV. These include investment service and management fees on Primary and Direct Investments (R13.3 million), and management fees on Temporary Investments (R1.4 million), which are largely payable to Ashburton Fund Managers Proprietary Limited ("Ashburton") for managing the portfolio of Temporary Investments.

Further details on expenses are provided in note 18 of the Notes to the Annual Financial Statements.

Group NAVPS and share price at 30 June 2018 – Rand



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

| | NAV R'000 | NAVPS Cents |
|---|---|---|
| At 30 June 2017 | 1 732 079 | 10.41 |
| Net return on Temporary Investments | 94 823 | 0.57 |
| Return on investment portfolio | 24 568 | 0.15 |
| Share buybacks | (45 981) | 0.07 |
| Operating expenses | (8 313) | (0.05) |
| Legal and professional fees | (6 220) | (0.04) |
| Fees paid to Ethos | (14 747) | (0.09) |
| Taxation | (3 458) | (0.02) |
| **At 30 June 2018** | **1 772 751** | **11.00** |

## Company NAV

At the Company level, NAV was R1.9 billion as at 30 June 2018, net after recognising R46 million of treasury shares, representing a NAVPS of R10.93 per share.

As disclosed at the time of listing and in note 21 of the Notes to the Annual Financial Statements, the Company provided a guarantee to Rand Merchant Bank, to provide a facility ("the RMB Facility") to Black Hawk Private Equity (Proprietary) Limited ("Black Hawk") for the purchase of 10.5 million Ethos Capital shares by Black Hawk, the vehicle through which the independent non-executive Investment Committee members (Derek Prout-Jones and Michael Pfaff) acquired a total of 13.5 million Ethos Capital shares. All of the shares acquired by Black Hawk are provided as collateral to the Company for the guarantee provided on the RMB Facility. The Company's auditors have assessed that Black Hawk is, in accordance with IFRS10, under the "control of the Company" and thus should be treated as a subsidiary of the Company. It should be noted that the Board and the Directors of Black Hawk considered the commercial and legal arrangements and came to a different conclusion that the Company has no power, control or influence over the decisions of Black Hawk.

Given the requirement to consolidate Black Hawk (whose only assets are its shares in Ethos Capital and some cash), the Group Annual Financial Statements and resultant NAV and NAVPS may not reflect the true commercial arrangements and contingent exposure of the Company under the RMB Facility. As is envisaged by the legal arrangements between the Company and Black Hawk, upon a mandatory repayment event or the maturity of the facility on 29 July 2021, the secured shares will be sold and the proceeds used to repay the RMB Facility. Any shortfall between the value of the Black Hawk's Ethos Capital shares and the RMB Facility will have to be funded by the Company, which will result in a corresponding reduction in the Company's NAVPS. Further details are provided in the Notes to the Annual Financial Statements.

## Investment portfolio

At 30 June 2018, the investment portfolio and invested capital of the Company consisted of the following Fund and Direct Investments:

| | Cost R'000 | Valuation R'000 | % of Total assets |
|---|---|---|---|
| **Investments** | | | |
| EMMF I | 315 171 | 320 114 | 16.7 |
| Primedia | 160 275 | 175 800 | 9.2 |
| EMMF Direct* | 100 000 | 105 300 | 5.5 |
| EF VI | 82 455 | 82 225 | 4.3 |
| EHP | 28 486 | 28 486 | 1.5 |
| **Total investments** | **686 387** | **711 925** | **37.2** |
| **Unfunded guarantees** | | | |
| EF VI | – | 4 078 | 0.2 |
| **Total invested capital** | **686 387** | **716 003** | **37.4** |

** Ethos Mid Market Fund Direct Investment Partnership representing the investment in Kevro.*

In total, the Company invested over R0.5 billion during the year (R0.4 billion net of the EMMF I equalisation proceeds), participating in further capital calls in EF VI and EMMF I, as well as investing in a number of Direct Investments.

Ethos Capital invested a gross amount of R175 million into EMMF I which, in addition to follow-on capital investments in existing businesses, completed three new investments: MTN Zakhele Futhi, Kevro and Echo. As part of the final close of the Fund, Ethos Capital received R89 million in equalisation proceeds as new investors committed capital to the Fund. The total equalisation profit realised by Ethos Capital as a first close investor in the Fund was R19.5 million, of which R14.9 million was realised during the year.

The Company also invested a total of R271 million into two Direct Investments alongside the Ethos Funds, namely Primedia and Kevro. In addition, in May 2018, the Company invested R30 million into Vertice via its investment in EHP and EF VI.

### Post-year-end transactions

The various Ethos Funds completed, signed or substantially agreed conditional transaction agreements for six investments post-year-end. Two transactions, including the SoftBev acquisition by The Beverage Company, and the Chibuku Products transactions have already been completed with a total Ethos Capital investment contribution of R52 million. To the extent that the remaining four transactions all conclude, Ethos Capital will increase its invested capital by a further by R648 million.

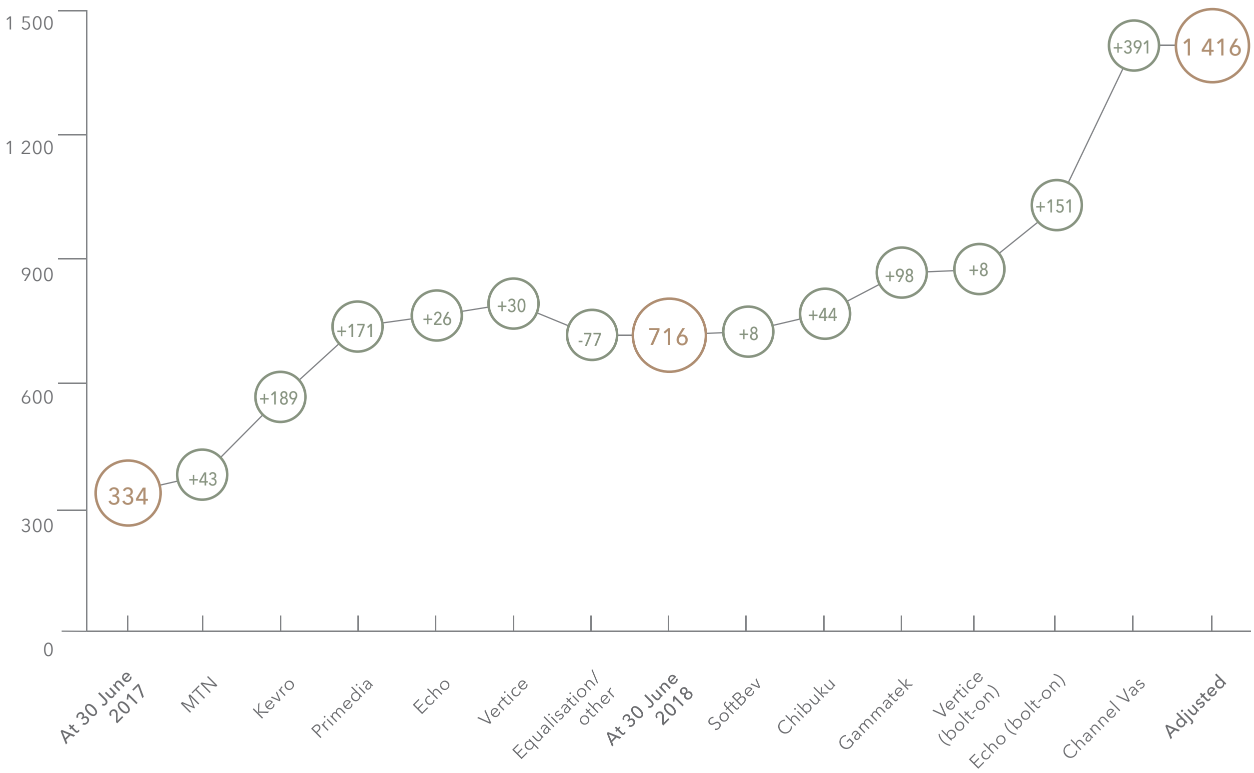
In August 2018, EMP 3 completed its first investment into Chibuku Products, a FMCG company previously owned by SAB Miller, based in Malawi. The Ethos Capital contribution to the investment was R44 million. In September 2018, EMMF I signed their seventh investment, Gammatek, the largest distributor of mobile phone accessories and low-technology components in South Africa. Ethos Capital's contribution to the transaction is expected to be R98 million.

During September 2018, Ethos agreed terms to acquire a 17.5% stake in Channel Vas, an airtime credit service provider with an extensive sub-Saharan African business. Through its commitments to EF VII, EAiF I and Ethos Direct Investment Partnership ("EDI"), Ethos Capital will invest c.R391 million into Channel Vas upon completion. It is expected that, as EF VII and EAiFi raise additional capital, Ethos Capital will be equalised in the process. Assuming EF VII achieves its targeted R8.0 billion Fund size, the Ethos Capital exposure to Channel Vas will reduce to c.R225 million.

Two further agreements were signed in September 2018 to acquire bolt-on businesses to existing Portfolio Companies. Upon completion, EMMF I and EF VII will invest a combined R285 million (Ethos Capital's share of invested capital will be R151 million) into Echo to facilitate the acquisition of Gondwana, a pan sub-Saharan African internet service provider ("ISP") which will provide Echo with broad coverage and product offerings in nine key sub-Saharan African countries. In addition, EF VI and EHP will invest a further R44 million (Ethos Capital's share of invested capital will be c.R8 million) into Vertice to facilitate the acquisition of a complementary business in the MedTech space to consolidate its position in a new vertical in the market.

Including the above transactions subsequent to 30 June 2018, Ethos Capital's updated invested capital is over R1.4 billion, or c.74% of the 30 June 2018 total assets. An analysis of the movements in invested capital is provided below:

Movement in invested capital – R'million




## Realisations

As part of the third and fourth (final) closings of EMMF I, Ethos Capital was equalised and received, as a first close investor, a return of prime + 2% on the cost returned, totalling R14.9 million which was recognised as income.

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.

## 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 largely indirect exposure to the Fund's underlying investments. At 30 June 2018, the investments (excluding guarantees) constituting 37.2% of the Company's total assets, consisted of the following 13 companies:

| Name | Fund | Business description | Year* | % of total assets |
|---|---|---|---|---|
| Kevro | EMMF I/EMMF Direct | Corporate clothing and promotional gifting | 2017 | 10.4 |
| Primedia | EF VI/Direct | Broadcasting and outdoor media | 2017 | 9.8 |
| Autozone | EF VI/EMMF I | Automotive parts retailer and wholesaler | 2014 | 4.5 |
| Twinsaver | EF VI/EMMF I | FMCG manufacturing | 2015 | 3.2 |
| MTN Zakhele Futhi** | EMMF I | Telecommunications | 2017 | 2.2 |
| Eazi Access | EF VI/EMMF I | Industrial support services | 2016 | 2.0 |
| Vertice | EF VI/EHP | MedTech | 2018 | 1.6 |
| Echo | EMMF I | Corporate ISP | 2018 | 1.3 |
| Eaton Towers | EF VI | Shared telecoms towers | 2015 | 0.7 |
| Waco International | EF VI | Industrial support services | 2012 | 0.6 |
| The Beverage Company | EF VI | Carbonated softdrinks | 2017 | 0.3 |
| Neopak | EF VI | Paper and packaging | 2015 | 0.3 |
| RTT | EF VI | Logistics | 2014 | 0.3 |
| | | | | **37.2** |

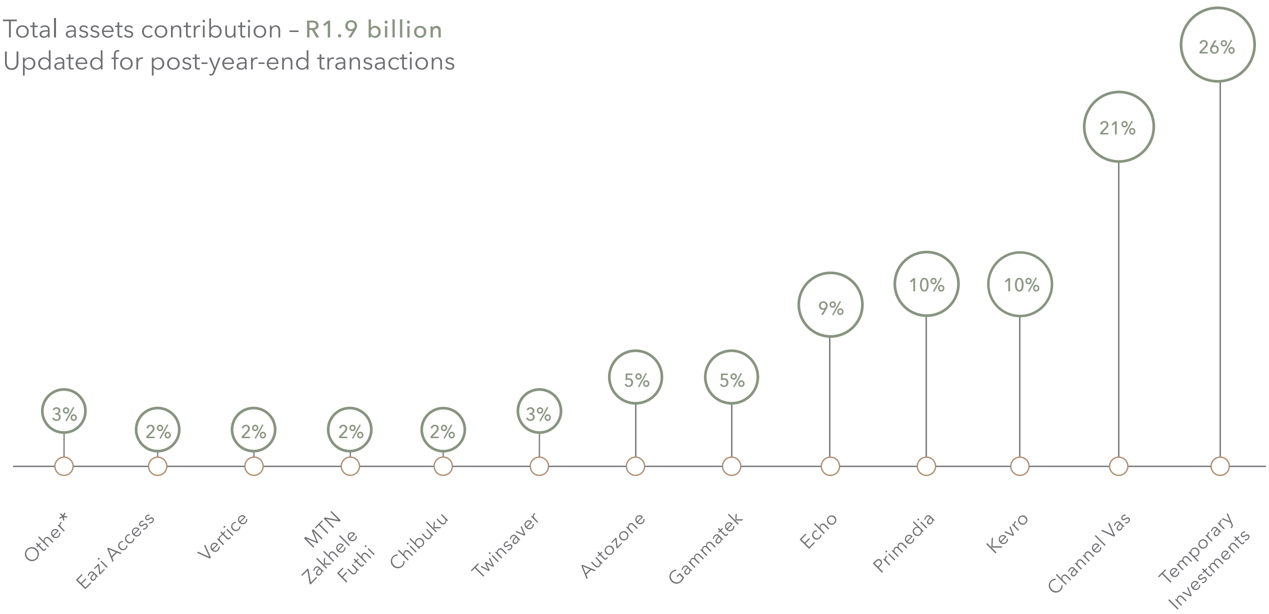
** Initial acquisition date by Ethos Fund.*
*** Investment in MTN Zakhele Futhi that houses the BEE shareholding in the MTN Group.*

## Portfolio Company contribution and performance

Ethos Capital's investment portfolio at 30 June 2018 provides exposure to 13 Portfolio Companies, which in aggregate (excluding the results of the MTN Group) have sales of over R25 billion and EBITDA of more than R4 billion. The Portfolio Companies span a number of sectors providing diversified portfolio exposure. Post-period-end, a further three Portfolio Companies were by Ethos Funds.

Including the acquisitions entered into or agreed subsequent to 30 June 2018, the contribution of each underlying Portfolio Company and net Temporary Investments to the Company's total assets of R1.9 billion is as follows:

Total assets contribution – **R1.9 billion**
Updated for post-year-end transactions




** Representing exposure to five smaller Portfolio Companies in EF VI.*

Based on its participation percentage in the Ethos Funds, and each Fund's percentage ownership of each Portfolio Company, Ethos Capital's attributable share of the Portfolio Companies' sales and EBITDA at 30 June 2018 is in excess of R900 million and R150 million respectively.

The Company's attributable share of the sales of the Portfolio Companies grew over the last 12 months ("LTM") to 30 June 2018 on a value-weighted basis by 2.7%. On a similar basis, the growth in the attributable EBITDA of the Portfolio Companies over the LTM was largely flat.

## 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.

During the year, the Company made further commitments of c.R1.0 billion to Ethos Funds and Direct Investments. EMMF I had its final closing during May 2018 when Ethos Capital increased its commitment from R550 million to R950 million, representing c.38% of the R2.5 billion raised. The Company also participated in its first two Direct Investments through commitments of R100 million and R171 million respectively into Kevro Holdings (Pty) Ltd (through EMMF Direct) and Primedia Holdings Pty Ltd.

In May 2018, the Company made its first commitment of R30 million into EHP, and a first close commitment of US$20 million (R276 million) into EMP 3.

### Post-year-end transactions

Post the end of the financial year, Ethos Capital made first close commitments to EF VII and EAiF I of R1.25 billion and R150 million respectively. Furthermore, it also committed R100 million to EDI, bringing the total commitments to c.R3.2 billion.

The Company's intended final commitments to EF VII is R2.15 billion and R320 million to EMP 3, which have been approved by the Board subject to, *inter alia*, final commitment levels in each Fund and the Company's liquidity levels at the final close of each Fund.

As at 30 June 2018, the Company's closed and undrawn commitments, as well as commitments signed post the year-end, were as follows:

| | Type | Vintage | Original R'000 | Undrawn R'000 |
|---|---|---|---|---|
| **Closed** | | | | |
| EMMF I | Primary | 2016 | 950 000 | 626 192 |
| EMP 3 | Primary | 2018 | 276 150 | 276 150 |
| Primedia | Direct | 2017 | 171 105 | 7 535 |
| EF VI | Secondary | 2011 | 138 075 | 44 946 |
| EMMF Direct | Direct | 2017 | 100 000 | – |
| EHP | Primary | 2018 | 30 000 | 1 514 |
| **Closed commitments at 30 June 2018** | | | **1 665 330** | **956 337** |
| **Post-year-end commitments** | | | | |
| EF VII | Primary | | 1 250 000 | 1 250 000 |
| EAiF I | Primary | | 150 000 | 150 000 |
| EDI | Direct | | 100 000 | 100 000 |
| | | | **3 165 330** | **2 456 337** |

As at 30 June 2018, Ethos Capital had liquid resources of R1.2 billion to meet any outstanding commitments. In addition, the Company has agreed to 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.

## Share price analysis

Ethos Capital's share price as at 30 June 2018 was R7.90 which represented a 28% discount to 30 June 2018 Group NAV. On average over the year, 2.4% of the issued A Ordinary Shares traded per month and the average discount to NAV has been c.21%.

As part of its strategy to enhance shareholder value, the Company has continued to repurchase shares which are held in treasury. Up to 30 June 2018, the Company acquired 5 400 000 of its shares; since the period-end to the date of this report, the Company repurchased just over 2 000 000 shares, bringing the total shares held in treasury to c.4% of the issued A Ordinary shares. The Board will continue to monitor the Company's share price performance and the discount to NAV.

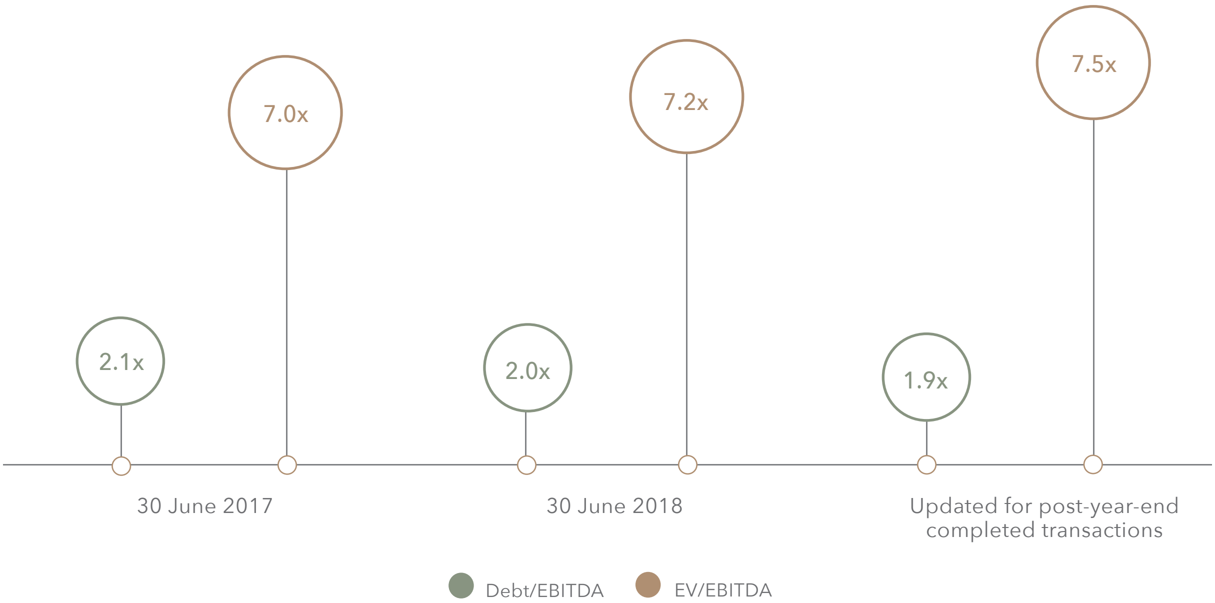
## Portfolio Company valuation analysis

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 Boards. The IPEV Guidelines set out best practice where private equity investments are reported on at fair value.

As at 30 June 2018, the Ethos Capital portfolio of investments was valued at a value-weighted average EV/EBITDA multiple of 7.2x. This average EV/EBITDA multiple was at an average discount of 29% compared to the equivalent multiple of the Portfolio Companies' peer groups. The value-weighted average net debt/EBITDA of the portfolio was 2.0x.

Including the impact of the post-year-end transactions, the equivalent EV/EBITDA multiple increased to 7.5x and the net debt/EBITDA multiple decreased to 1.9x.

Debt and valuation multiples



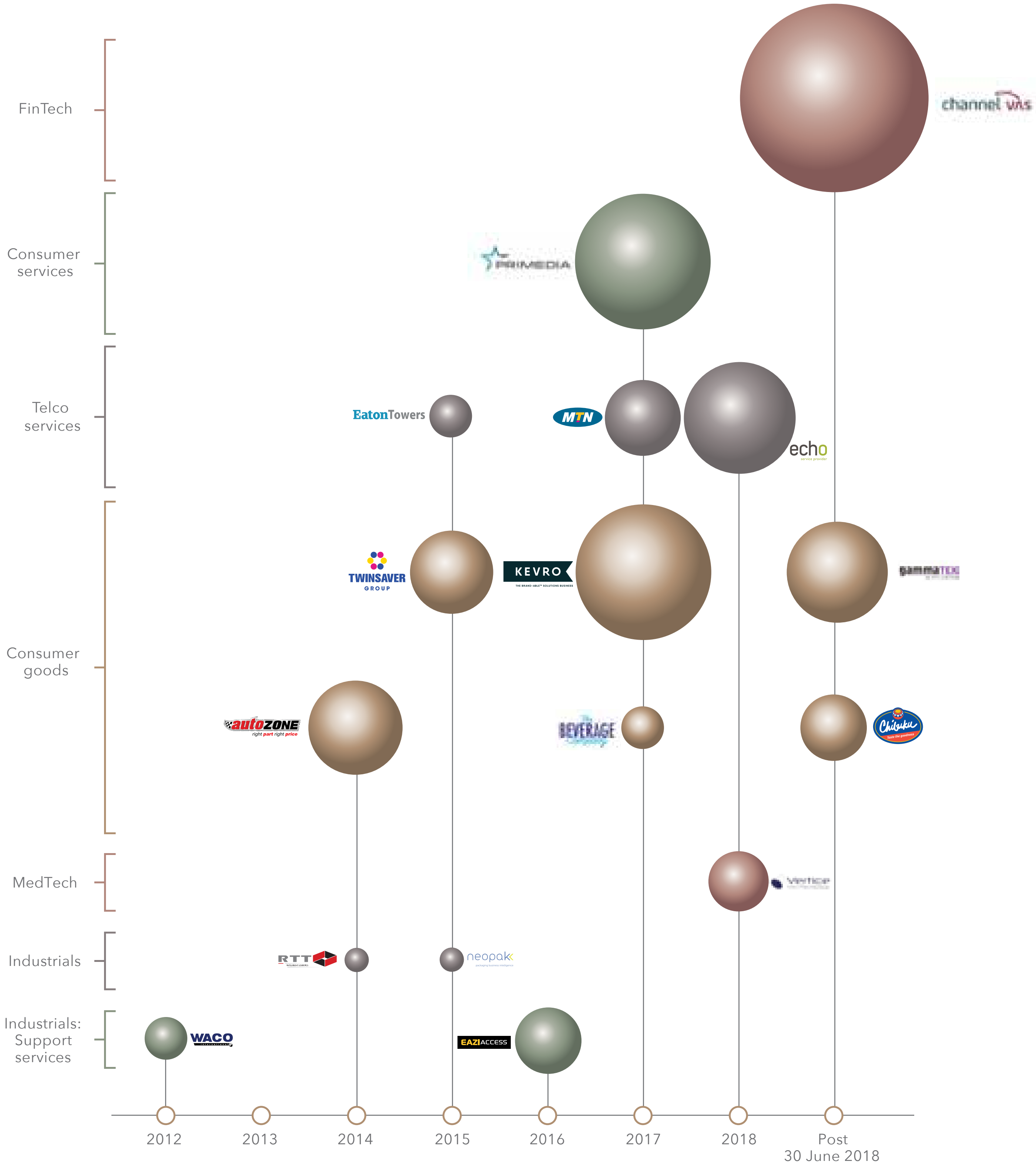
# OVERVIEW OF THE PORTFOLIO COMPANIES

Ethos Capital makes commitments into Funds or Direct Investments that are managed by Ethos, enabling it to invest alongside Ethos' institutional investors to provide its shareholders with unique access and exposure to a diversified portfolio of private equity-type investments. At 30 June 2018, Ethos Capital and its shareholders had an indirect exposure to 13 Portfolio Companies.

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

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

This section provides details of these Portfolio Companies.




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

CORPORATE CLOTHING AND PROMOTIONAL

SECTOR

2017

INVESTMENT YEAR

JOINT CONTROL

ETHOS ROLE

25.1%

ETHOS INVESTORS' STAKE

KEVRO

THE BRAND-ABLE™ SOLUTIONS BUSINESS

## Business description

Kevro is the largest supplier of corporate-branded clothing and promotional products in South Africa. It offers the most comprehensive range of clothing in its market, using "blank" clothing products sourced mainly from Asia, onto which branding is added to create bespoke items.

The company operates as a "trade-only" supplier to c.10 000 resellers, from six locations in South Africa (and one in Windhoek, Namibia), as well as a joint-venture in Nairobi, Kenya. Kevro also has a dedicated sales team that services key regions in West Africa. Kevro employs c.840 people.

## Investment thesis

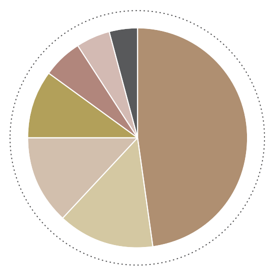
Kevro has a significant share of the corporate and promotional clothing market in South Africa and increasingly across other African countries. The industry is highly fragmented, including numerous smaller players who lack the scale and capital required to provide the service and quality that Kevro provides. Kevro has long-established supplier relationships as well as its own quality brand, Barron.

The South African textile manufacturing sector has been severely weakened, which has resulted in a reduction in quality purchasing alternatives for resellers who deal through large wholesalers able to deliver sizeable orders in short timeframes with consistent quality. Kevro has taken advantage of this opportunity to position itself as the leading supplier of high-quality products.

Kevro has established a national footprint with a broad product range and is leveraging this to expand into other African countries.

Kevro has grown significantly since Ethos acquired the business in 2011, with EBITDA growth of c.10% per annum.

### % REVENUE CONTRIBUTION BY PRODUCT (FY17)



- 48% CORPORATE APPAREL
- 14% WORKWEAR
- 13% GIFTING
- 10% AFRICA
- 6% DISPLAY
- 5% SPORTSWEAR
- 4% OTHER


PRIMEDIA

## Business description

Founded in 1994, Primedia is a leading media and advertising company in South Africa, with a footprint in the rest of Africa. This business comprises three divisions:

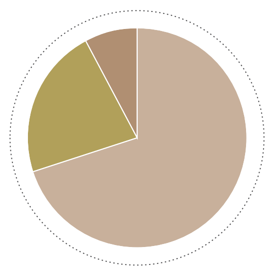
- Broadcasting: Owns and operates SA's most popular premium music (947 & KFM) and talk (702 & CapeTalk) radio stations as well as EWN, a highly respected independent news brand.
- Out-of-Home: Operations include outdoor billboards, in-store and mall advertising and large format outdoor advertising with operations in 11 countries across Africa.
- Cinema and Entertainment: Operates SA's largest cinema chain, Ster-Kinekor, and includes independent and studio theatrical content distribution as well as exclusive distribution of PlayStation hardware and Sony software.

## Investment thesis

The Primedia investment presents a number of attractive attributes. Firstly, it is the market leader with high barriers to entry and high EBITDA margins (with strong free cash flow generation).

The shared shareholders' vision is to accelerate the growth of the Broadcasting divisions and enhance the core in order to build a strong equity story for exit. This will be achieved through driving radio listenership through improved programming and enhanced sales force effectiveness, plus increasing investment in Out-of-Home, in order to drive the penetration of higher-margin digital billboards. Furthermore, there are opportunities to enhance operational efficiency in the business, and the disposal of non-core assets in order to simplify the group structure. Full potential will be achieved through further investment in talent and capacity to drive innovation.

% EBITDA CONTRIBUTION BY DIVISION (FY18)



- 70% BROADCASTING
- 22% OUT-OF-HOME
- 8% CINEMA AND ENTERTAINMENT

AUTOMOTIVE PARTS AND RETAILER AND WHOLESALER

SECTOR

2014

INVESTMENT YEAR

CONTROL

ETHOS ROLE

79.5%

ETHOS INVESTORS' STAKE

## Business description

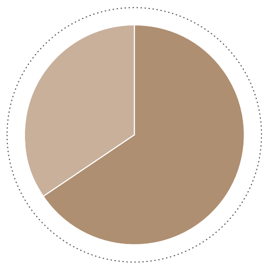
Autozone is the largest aftermarket retailer and wholesaler of automotive parts in Southern Africa. Autozone has a national footprint in South Africa and an extensive geographic presence, including a central distribution centre and head office, nine regional distribution centres servicing wholesale and retail customers, and 252 wholly owned retail branches and 27 member-owned franchises throughout Southern Africa.

Autozone was established in 1999, has an estimated 22% market share and currently employs c.2 400 people.

## Investment thesis

Autozone was acquired by Ethos in 2014, providing an attractive investment opportunity in the non-original equipment manufacturer ("OEM) automotive parts retail sector. The automotive parts distribution segment is a steady, "low beta", fragmented industry, which provides significant scope for consolidation. The business has leveraged its brand to expand its national retail footprint increasing from 112 to 252 wholly owned branches since Ethos acquired the business, resulting in profit growth through operational leverage. The business has a strong market position and brand, and is well positioned to continue to grow both organically and through the acquisition of complementary businesses in South Africa and the rest of Southern Africa.

### % REVENUE CONTRIBUTION BY DIVISION (FY18)



66% RETAIL

34% WHOLESALE


TWINSAVER GROUP

## Business description

Twinsaver is a leading manufacturer of consumer tissues in South Africa. The business is a market leader in the one ply segment and is the second largest player in the two ply segment. In addition to consumer tissues, the business manufactures "away from home" tissues and certain other disposable household products such as paper towels and serviettes.

Twinsaver owns 50% of Neopak Recycling (jointly acquired with Neopak), a national recycling business that primarily collects waste paper for Twinsaver and Neopak.

In 2017, Twinsaver acquired Validus Medical (a leading manufacturer of hygienic disposable products) and Sylko (a leading supplier of quality disposable and recyclable household products). These investments are part of Twinsaver's strategy to focus on establishing the business as a diversified FMCG company.

Twinsaver employs c.700 people across its operations.

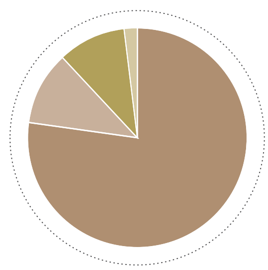
## Investment thesis

Twinsaver (together with Neopak) was acquired in 2015 from Nampak. Since the acquisition, the business has benefited from significant operational, financial and strategic input to reposition it as a FMCG business. The two acquisitions recently concluded by the Company are the first steps in this strategic journey.

Furthermore, Twinsaver increased capacity with a new two ply facility in Bellville, Cape Town and commissioned a new tissue mill in Kliprivier, Johannesburg, which will boost capacity by 27 000 tonnes per annum.

Additional strategic opportunities exist for acquisitive growth in the broader FMCG industry to extend the company's product offering and increase its "share of shelf". The two acquisitions recently concluded by the company are the first steps in this strategic journey.

% REVENUE CONTRIBUTION BY DIVISION (FY17)



- 77% TWINSAVER PERSONAL CARE
- 11% TWINSAVER HOME CARE
- 10% SYLKO
- 2% VALIDUS

TELECOMMUNI-CATIONS

SECTOR

2017

INVESTMENT YEAR

BEE INVESTOR

ETHOS ROLE

4.1%

ETHOS INVESTORS' STAKE

## Business description

The MTN Group ("MTN") is an emerging markets telecommunications service provider headquartered in Johannesburg.

Through its extensive investment in advanced communication infrastructure in the past two decades, the talent and experience of its people, as well as the strength of its brand, it has grown rapidly into 22 countries across Africa and the Middle East and North Africa ("MENA").

MTN offers an integrated suite of communications products and services to its customers, including traditional and mobile voice and data, digital and mobile financial services as well as enterprise services to small and medium enterprises ("SME"), public sector and corporate clients.

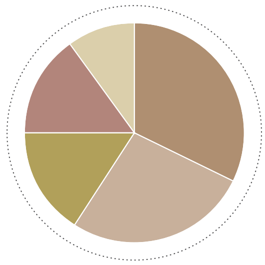
MTN Zakhele Futhi is a BEE vehicle which only holds shares of MTN Group and liabilities associated with the acquisition thereof.

## Investment thesis

As a BEE investor in the MTN Zakhele Futhi vehicle, EMMF I sees a number of attractive investment characteristics at the MTN Group level, including meaningful turnaround potential following regulatory challenges in key territories; improved earnings potential as significant capex invested in infrastructure over the past three years bears fruit; growth in the mobile money offering across various territories; and diversified pan-African footprint across multiple fast-growing sub-Saharan African ("SSA") economies.

The investment in MTN Zakhele Futhi specifically was predicated on the significant upfront discount of the scheme, coupled with vendor finance benefits at investment. The equity invested into MTN Zakhele Futhi represents 24.9% of the value of the MTN stake acquired by MTN Zakhele Futhi, providing significant leverage to growth in the MTN share price.

% REVENUE CONTRIBUTION BY REGION (FY17)



- 32% SA
- 27% NIGERIA
- 16% OTHER WEST AFRICA
- 15% OTHER SSA
- 10% MENA


**EAZI GROUP**

## Business description

Eazi Access provides "work at height" solutions to various sectors across the economy, through the rental and distribution/sale of mobile, high-access equipment or mobile elevated work platforms.

Eazi Access is the market leader in this sector with the largest and most diverse fleet on the continent. The company's objective is to double the size of its current fleet of c.2 000 machine units in South Africa.

The business services the construction, shipping, manufacturing, FMCG, transport, entertainment and mining sectors through its four divisions: South Africa Rental, South Africa Sales, Africa Rental and Africa Sales. Eazi Access employs c.580 people.

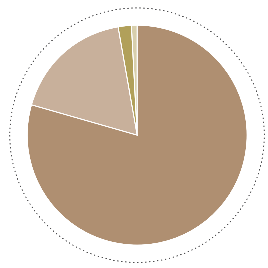
## Investment thesis

Eazi Access is the largest player in the local market by a significant margin with a c.62% market share.

Given its differentiated offering, Eazi Access is well positioned to capture growth from increasing market penetration as its products can replace other "work at height" products. The business operates across the full spectrum of rental, sales and servicing of mobile high-access equipment, which remains relatively underpenetrated in South Africa.

Eazi Access' strategy is to drive the market penetration of aerial access equipment in the South African and select SSA markets. The company is investing in fleet growth and leverages the Ethos Value Add programme to optimise and professionalise the business, enabling it to achieve scale through enhanced sales force efficiency and investment in "new horizon" growth initiatives, including SSA expansion and other product adjacencies.

% REVENUE CONTRIBUTION (FY18)



- 80% RENTAL
- 17% SALES
- 2% SERVICES
- 1% TRAINING

HEALTHCARE
SECTOR

2018
INVESTMENT YEAR

CONTROL
ETHOS ROLE

57.4%
ETHOS INVESTORS' STAKE

Vertice MedTechGroup

## Business description

EF VI acquired the Amayeza Group in May 2018 and renamed the business Vertice MedTech – to focus on a buy-and-build strategy to create a consolidated, scaled South African MedTech group. Vertice was formed in partnership with the management and founders of Amayeza, key healthcare professionals and Ethos Capital.

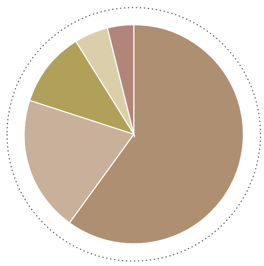
The Amayeza Group, established in 1998, markets and distributes medical devices, products and instrumentation across 11 medical specialisations including cardiology, spine and neurology. The group is renowned for its ability to deliver specialist, quality, state-of-the-art medical technology and skills transfer.

## Investment thesis

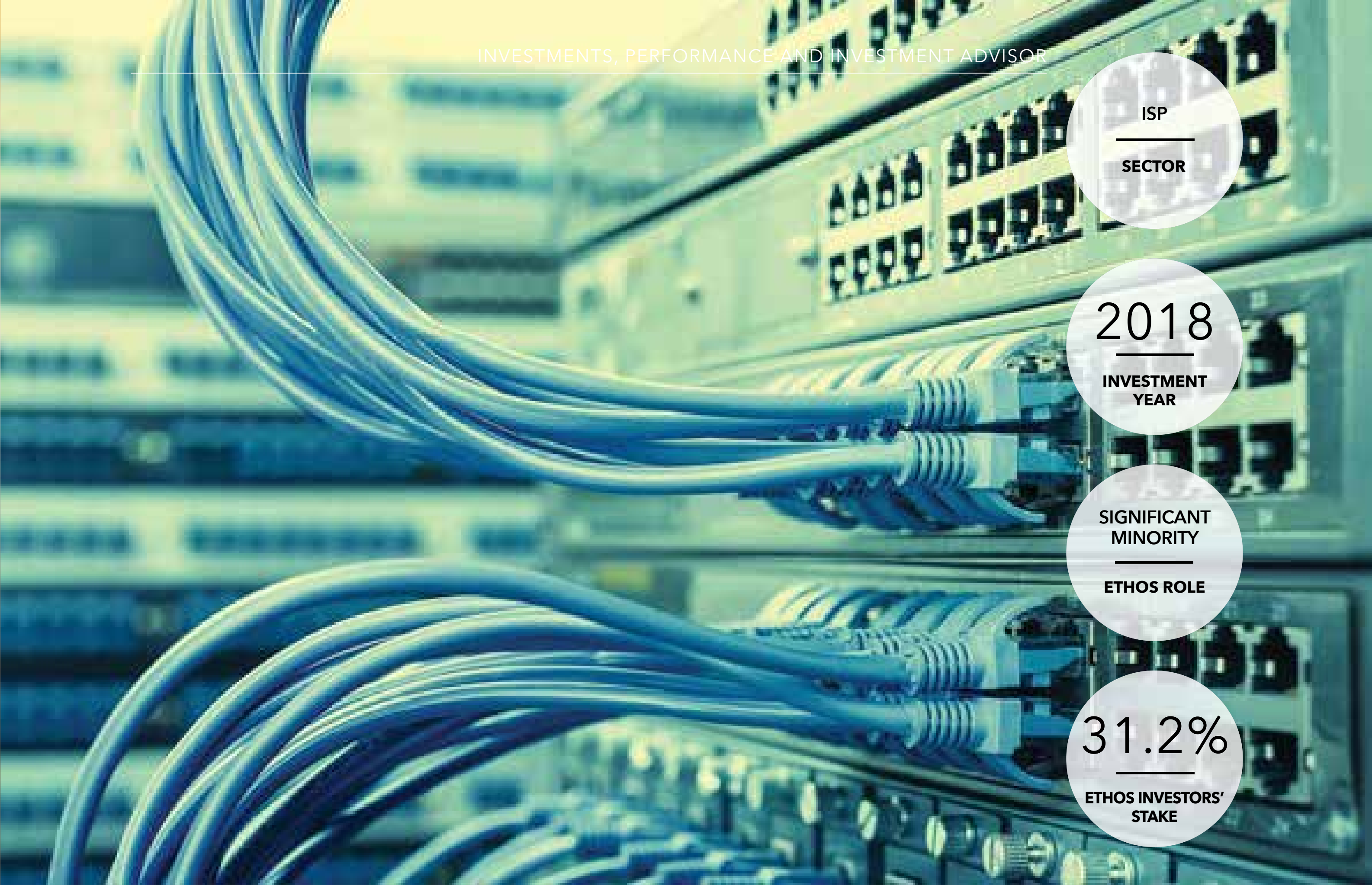
The Vertice investment is predicated on research which identifies the SA private healthcare industry as defensive and growing. Medical devices, particularly, are an attractive segment within the sector where Amayeza's underlying products and services are strongly differentiated. Furthermore, the business has a network of uniquely skilled employees holding long-term relationships with key customers, and is an attractive proposition to key multinational suppliers.

The thesis is to enhance the platform and to build Group capacity to grow the business organically and through Mergers and Acquisitions. We anticipate meaningful and multiple expansion over time, as Vertice becomes a larger and more diversified business.

% REVENUE CONTRIBUTION BY DIVISION (FY17)



- 60% CARDIOLOGY
- 20% GENERAL & GYNAE SURGERY
- 11% ORTHOPAEDIC
- 5% NEUROLOGY
- 4% WOUNDCARE




echo
service provider

## Business description

Echo is a South African corporate ISP established seven years ago by the current management team. The company primarily services South African high-end SME and enterprise clients.

Echo provides Information and Communications Technology ("ICT") services through an aggregation of third-party networks.

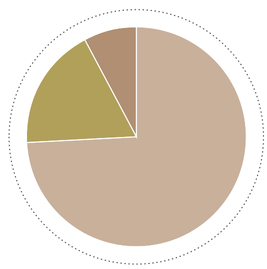
The company leverages over 60 partners through interconnect agreements to aggregate data connectivity, internet, virtual private networks, and security and cloud services.

## Investment thesis

By partnering with like-minded investors, Echo presents an attractive opportunity to invest in an asset that is well positioned within the high-growth ICT market in SSA. The business is highly scalable and ideally positioned to increase market share in the mid-market corporate segment through the expansion of its sales force. Opportunities to drive the cross-selling of existing products have been identified, plus broadening the product range through new reseller arrangements or acquisitions into select technologies.

SSA expansion is also a planned, by targeting multinational companies into countries with more pervasive network infrastructure; to be executed organically through the company's asset light approach, or alternatively through bolt-on acquisitions.

% REVENUE CONTRIBUTION BY DIVISION (FY18)



- 74% CONNECTIVITY
- 18% INTERNET SERVICES
- 8% OTHER

TELECOMMUNI-CATIONS
SECTOR

2015
INVESTMENT YEAR

MINORITY CONSORTIUM
ETHOS ROLE

4.8%
ETHOS INVESTORS' STAKE

# EatonTowers

## Business description

Eaton Towers is a leading pan-African independent tower company ("ITC") that owns and manages a geographically diversified tower portfolio on the African continent. Its customers comprise blue-chip global system for mobile communication ("GSM") operators in the respective countries in which it operates, including Uganda, Kenya, Niger, Ghana and Burkina Faso. Eaton Towers employs c.190 people across its operations.

The company has market-leading positions (either #1 or #2) in each country, providing it with the ability to grow alongside its customers as mobile penetration and data utilisation continue to increase in Africa.

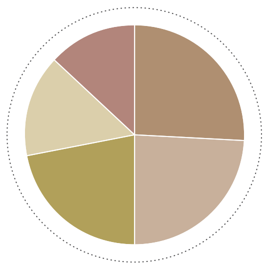
In 2015, Fund VI, together with its Limited Partners, Hamilton Lane and HarbourVest (the "Ethos Consortium"), invested alongside management and a number of private equity investors including Standard Chartered Bank, DPI and Capital International. The Ethos Consortium owns 14.4% of the equity in Eaton Towers.

## Investment thesis

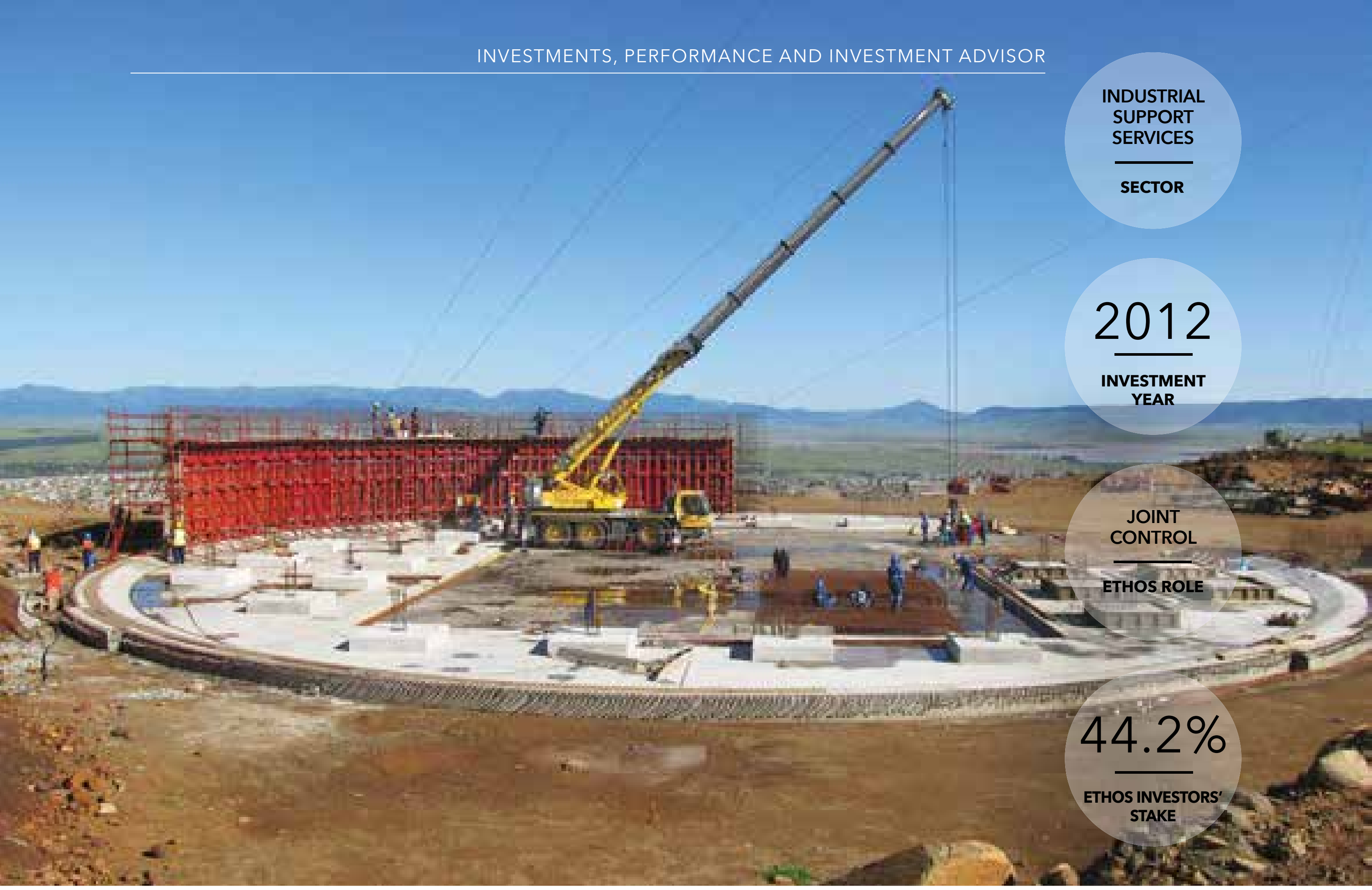
Founded in 2008, Eaton Towers acquired 16 000 of Bharti Airtel's towers across five countries in 2015 and 2016. Whilst tower sharing is prevalent in Africa, the outsourcing of towers remains in its early stages with significant potential for growth. Growth is a function of the underlying market demand in each country and the ability to drive increased tenancy ratios and operating efficiencies across the portfolio.

The Bharti Airtel transaction provided Eaton Towers with significant scale, making it the third largest ITC on the continent. The Eaton Towers management team has a long track record of originating and executing acquisitions of tower portfolios and has deep experience in African telecoms companies and Indian ITCs. A key success factor is the ability to provide uniform systems and processes that are robust and scalable. Management has delivered substantial operating expense reductions across the operations through focus on energy, maintenance and security efficiencies and the introduction of industry best practice disciplines to generate capex efficiencies and centralised procurement.

% REVENUE CONTRIBUTION BY COUNTRY (2018 Q3)



- 26% UGANDA
- 24% KENYA
- 22% GHANA
- 15% BURKINA FASO
- 13% NIGER




WACO international

## Business description

Waco is an industrial support services company that provides forming, shoring and scaffolding ("FSS"), portable and modular buildings ("RLMB"), and sanitation services to the construction, mining and industrial maintenance sectors in multiple geographic regions. Waco International comprises operations in Australia and the United Kingdom ("UK").

Waco employs c.10 240 people across its operations.

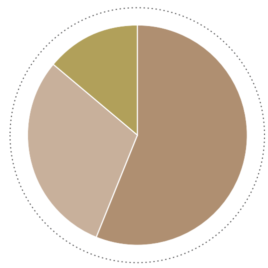
## Investment thesis

Waco is a market-leading industrial support company. The business has grown significantly through the cycle, developing the scale and operational expertise to provide unique solutions to its client base in South Africa and across the world. The company's strong brand and focus on providing bespoke, one-stop solutions to its clients has resulted in high levels of customer loyalty.

Waco has developed a number of counter-cyclical revenue streams in the industrial maintenance space, underpinned by long-term contracts and annuity-like earnings. The company and its management team have a strong track record of developing innovative products and services, which have contributed to the success of the business.

Waco continues to perform strongly despite the macroeconomic headwinds, and its international operations have achieved the requisite scale to positively contribute to the company's profitability and growth. A number of opportunities exist to expand the product range and provide support for the medium-term growth outlook.

% REVENUE CONTRIBUTION BY DIVISION (FY18)



- 56% RLMB AND SANITATION
- 30% INTERNATIONAL
- 14% AFRICA FSS

CARBONATED DRINKS

SECTOR

2017

INVESTMENT YEAR

CONTROL

ETHOS ROLE

60.8%

ETHOS INVESTORS' STAKE

The BEVERAGE Company

## Business description

The Beverage Company ("BevCo") is a South African beverage producer with headquarters in Johannesburg. BevCo owns 100% of Little Green Beverages (Pty) Ltd ("Little Green"), a producer of carbonated soft drinks ("CSD"), mixers, energy drinks and water. The business was founded in 2006 and has grown into a leading alternative beverage company over the past 10 years.

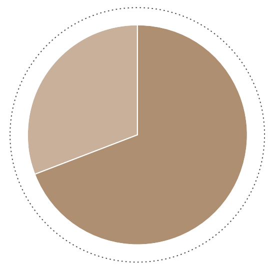
In August 2018, BevCo acquired SoftBev. The transaction gives BevCo a national production and distribution footprint. It is now the clear number two player in the CSD market with c.10% market share. BevCo is now the leading private-label beverage producer in South Africa, it owns the fastest growing energy drink brand in the country (Reboost Energy) and is the exclusive licensed bottler for Pepsi in South Africa.

## Investment thesis

BevCo operates in a niche segment of the CSD market that remains relatively underpenetrated. Many alternative beverage competitors are regional, subscale, independently-owned businesses producing niche products. The ability to produce a high-quality product with a good value proposition for customers, attaining national coverage and exploiting the benefits of operational leverage, will provide significant growth opportunities for the business.

BevCo's strategy is to become the leading alternative beverage producer in South Africa by building a national business with a portfolio of local 'hero' brands, diversified by product and packaging across the spectrum of consumer LSM bands. The successful acquisition of SoftBev, a key milestone event in this strategy, is transformative for BevCo.

% REVENUE CONTRIBUTION (FY18 EXCLUDING SOFTBEV)



70% OWN BRAND
30% PRIVATE LABEL

PAPER AND PACKAGING
**SECTOR**

2015
**INVESTMENT YEAR**

CONTROL
**ETHOS ROLE**

75.9%
**ETHOS INVESTORS' STAKE**

## Business description

Neopak is the second largest player (c.16% market share) in the South African corrugated and converting market with a diversified customer base servicing the commercial and agricultural sectors.

The business was acquired by Ethos in 2015 from Nampak and rebranded as Neopak. The business is backward integrated (owning a recycled paper mill that supplies the majority of its paper requirements) and collects most of its waste fibre requirements through Neopak Recycling (jointly acquired with Twinsaver).

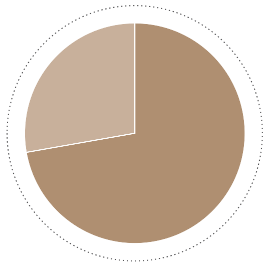
Neopak employs c.1 080 people across its operations.

## Investment thesis

Neopak was identified as non-core in the Nampak Group. Since the acquisition, Ethos has conducted a thorough review of the operations and strategic direction of the business, which has resulted in a comprehensive transformation of operations and commercial practices of Neopak. New leadership was introduced to the business and, despite difficult macroeconomic headwinds, the business remains well positioned to benefit from a recovery in the market.

The sector has experienced a difficult trading environment, and volume growth is highly correlated with growth in the FMCG and export agricultural sectors. However, there are limited substitutes for corrugated packaging. The company continues to explore other product adjacencies and geographic expansion opportunities whilst focusing on optimising its cost base.

% REVENUE CONTRIBUTION BY SECTOR (FY17)



72% COMMERCIAL
28% AGRICULTURE

LOGISTICS

SECTOR

2014

INVESTMENT YEAR

CONTROL

ETHOS ROLE

54.3%

ETHOS INVESTORS' STAKE

RTT INTELLIGENT LOGISTICS

## Business description

As Africa's largest privately owned parcel distribution company, RTT provides supply chain solutions, secure transportation, warehousing and distribution, and other value-added services on a fully integrated basis across SSA. The business targets customers distributing high-value products requiring premium levels of service, security and real-time information.

RTT's footprint extends across SSA, comprising over 180 000 $m^2$ of warehousing and cross-docking facilities. RTT has a fleet in excess of 1 200 vehicles and employs c.5 400 people.

RTT provides services through the following divisions:

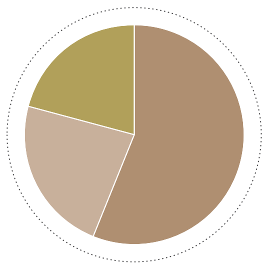
- RTT Distribution: A national distribution network for high-value goods, including some dedicated warehousing and distribution facilities.
- RTT Style: RTT's specialist fashion, apparel and footwear offering to shopping mall outlets.
- CourierIT: A specialised express parcel network for small to medium parcel sizes.

## Investment thesis

RTT is a market leader in the South African logistics market. Its business model is built around its extensive distribution network and differentiated approach to business development and customer segmentation. It operates in sectors with high complexity and has the ability to tailor its offering to suit specific customer needs. The market remains highly fragmented and RTT continues to explore an acquisitive strategy to bolster its core "last mile" distribution offering. RTT acquired CourierIT in 2015 to complement its offering and to exploit the operational synergies between the businesses.

Like its competitors in the market, RTT has felt the effects of the economic slowdown and its impact on its customer base. The business continues to assess strategies for growth and has rationalised its cost base.

% REVENUE CONTRIBUTION BY DIVISION (YTD 2018)



- 56% RTT
- 23% COURIERIT
- 21% RTT STYLE

# INVESTMENT GUIDELINES AND STRATEGY

## Objective

Ethos Capital's objective is to develop a diversified portfolio of investments that will provide its shareholders with superior long-term returns by leveraging Ethos' active management model to maximise investor returns.

The Ethos Capital investment proposition is based on:

### 1 | Unique access point:

The Company offers a unique opportunity to invest in and co-invest alongside Ethos Funds through a liquid and efficient vehicle listed on the JSE and governed by an independent Board of non-executive Directors with deep private equity experience.

### 2 | Demonstrated performance:

Ethos is the largest private equity firm in SSA, with an established track record of investment returns delivering a gross realised internal rate of return ("IRR") of 36.3% over more than 30 years.

### 3 | Diversification:

Ethos Capital provides public market investors with a liquid vehicle to indirectly access a diversified pool of unlisted small to mid-sized companies through equity or equity-like instruments, which will be actively sourced by Ethos to optimise investor returns.

### 4 | Alignment of interests:

Strong economic alignment exists between Ethos – the Investment Advisor – and Ethos Capital, as a result of significant investments by Ethos in Ethos Capital's A Ordinary Shares and in the Ethos Funds.

### 5 | Experienced private equity non-executive Directors:

The Board has an extensive understanding of and a significant track record in the private equity industry in order to make optimal investment decisions for Ethos Capital.

### 6 | Structural efficiency:

Ethos Capital conducts its business operations from Mauritius due to the business-friendly environment; the spread of tax treaties Mauritius has with many of the jurisdictions Ethos Capital invests in; and the acceptance among global investors of Mauritius as an investment jurisdiction. This, combined with Ethos' fee structure (designed to ensure there are no "fees on fees") gives structural efficiency and fiscal transparency to Ethos Capital.

### 7 | Liquidity management:

Ethos Capital actively manages liquidity in the best interests of its shareholders. As part of its liquidity strategy, the Board is committed to enhancing the NAV per A Ordinary Share. As part of this strategy, the Board may utilise share repurchases to enhance shareholder value.

## Strategy

Ethos Capital's investment objective will be achieved through the following strategies which are the primary lines of business of Ethos Capital:

### 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 in the underlying Portfolio Companies.

### 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.

## Sectors

Ethos Capital's investments will provide exposure to a broad range of sectors, allowing it to gain access to growth and businesses at an early stage of maturity in which management teams remain equity-incentivised.

No investment is allowed in any start-up business or where a prospective investment's business activities or operations involve:

- a prohibited activity, as defined in the investment guidelines;
- the development of raw land; or
- the exploration or development of oil and gas and/or natural resources.

## Geographies

Ethos Capital's primary focus for its investments will be companies headquartered in South Africa and other selected countries in SSA (whether directly or indirectly through an Ethos Fund). Ethos Capital may also invest in new Fund strategies, the exposure to which will be governed and considered by the Ethos Capital Board.

## Growth in invested NAV

Ethos Capital's objective is to maximise growth in invested NAV and NAVPS.

## Relationship with Investment Advisor

The JSE has granted a dispensation to the effect that transactions (constituting less than 10% of the Company's market capitalisation and subject to some restrictions) entered into by the Company in the ordinary course of business involving Ethos, Ethos Funds and their respective associates, will not be regarded as related-party transactions for the purposes of the Listings Requirements. Shareholder approval will therefore not be required for such non-related-party transactions.

## Communication of transactions

All transactions concluded in accordance with the Investment Strategy will be regarded as being in the ordinary course of business, unless circumstances dictate otherwise.

Subject to the applicable laws and regulations, communication with institutional shareholders and investment analysts will be maintained through periodic presentations of financial results, one-on-one visits, trading statements and press announcements of interim and final results, as well as the proactive dissemination of any information considered material to investors and shareholders.

With respect to all related-party transactions, communication with shareholders will be made in accordance with the Listings Requirements, as applicable.

## Approval of Investment Strategy

The Investment Strategy was approved by shareholders on 11 July 2016 in compliance with section 15 of the Listings Requirements and by the Board on 11 July 2016. Any future material changes to (i) the Investment Strategy, must be approved by shareholders by way of ordinary resolution, and (ii) the Investment Guidelines, must be approved by the Board and the JSE, to the extent required.

The Company's complete Investment Strategy and Guidelines can be found at www.ethoscapital.mu/.

# INVESTMENT ADVISOR

## Investment services agreement

Ethos Capital has an investment services agreement detailing the terms by which Ethos – as its Investment Advisor – will provide investment advice, including sourcing of investments, administration and back-office services to Ethos Capital.

## Duration and termination

The investment services agreement became effective on the listing date, 5 August 2016. It can be terminated by Ethos Capital or Ethos by written notice given to the other party at any time after the date on which Ethos Capital no longer holds any Direct, Primary or Secondary Investments.

## Fees

As payment for the above services, Ethos receives an investment services fee, management fee and administration fee, all calculated and paid quarterly in arrears.

The investment services fee is 1.5% of the average of the opening invested NAV and closing invested NAV attributable to Direct Investments. The management fee is 1.5% of the average of the opening invested NAV and closing invested NAV attributable to the Primary Investments within each Fund in which Ethos Capital invests.

In respect of any Secondary Investments acquired, the management fee payable will be the Company's proportionate share of any management fee charged by and payable to the manager of such Fund according to the partnership agreement governing that partnership.

Ethos receives an administration fee of 0.25%, based on the average balance of the Temporary Investments, for providing administrative and back-office services. The administration fee paid to Ethos is reduced by any fees payable to the manager of the Temporary Investments.

## Performance participation

In addition to the above fees, Ethos is entitled to a performance-based participation if certain returns are achieved. The participation is to be settled through the release of encumbered shares and subsequent to that, the payment of a cash dividend. The annual performance participation is based on 20% of the growth in NAV of invested assets and is triggered each year if the NAV growth exceeds a preferred hurdle of 10%. The performance is also measured over a cumulative three-year measurement period to ensure the average NAV growth over the period exceeds the preferred hurdle. To the extent that the aggregate of the three annual participations is more or less than the three-year average calculation, an adjustment to or provision for the performance participation will be made in the final year of the measurement period and adjusted in subsequent periods if necessary.

## Investment experience

The experience of the Investment Advisor is set out in the Review of the Investment Advisor section on page 39 of the Integrated Annual Report.

# INVESTMENT ADVISOR'S REPORT

## Introduction to Ethos

### An alternative advantage

Ethos embraces a bold and encompassing purpose to grow Africa's economy ethically, by being a differentiated and scaled alternative asset manager that unlocks latent investment potential through the synergistic application of capital and insight.

Founded in 1984, the Firm manages investments in private equity and credit strategies in South Africa and SSA. With assets under management of c. R13.7 billion, Ethos targets control buyouts and selected expansion capital investments in companies with strong growth potential.

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

The Firm has an unparalleled 34-year record of successful, sustainable investing across economic and political cycles. To date, Ethos has invested in 107 transactions, delivering 96 realised investments at a 36.3% gross IRR and a 2.7x multiple of cost.

In 2018, Ethos opened an office in Nairobi, Kenya. This pivotal milestone demonstrates the Firm's commitment to sustainable investing in the rest of Africa and

THE FIRM HAS AN UNPARALLELED 34-YEAR RECORD OF SUCCESSFUL, SUSTAINABLE INVESTING ACROSS ECONOMIC AND POLITICAL CYCLES.

| | |
|---|---|
| R18bn | Capital raised since inception in 1984 |
| 7 | Funds invested to date |
| 107 | Buyout Fund transactions completed since inception |
| 96 | Successful exits |
| 64 | Employees |
| 50 | Limited partners invested in current Ethos Funds |
| 36.3% | Gross IRR-realised investments |
| 2.7x | Multiple of cost |

reinforces our partnership approach founded on local expertise and global insights.

## Investment strategy

Over its 34-year history, Ethos has developed, refined and institutionalised a unique set of competencies with the goal of consistently generating superior investment returns. The result is a time-proven approach, tailored to investing within the sub-Saharan African market that is embedded within Ethos' philosophy and is key to driving sustainable returns.

The team achieves this ambition through ethical leadership, representing integrity, authenticity, respect, care, and a unity of vision. This leadership approach is underpinned by the strength of the Firm's diversity.

This approach is borne out of a deep-rooted belief that, through the application of ethical leadership, strategy, execution, partnership and capital, Ethos can enable businesses and the people who work in them to unlock their full potential.

With growth as the central principle of Ethos' investing approach, the Firm actively seeks opportunities to connect the best capital solutions with the best business ideas. By partnering differentiated, in-house Value Add capabilities with executive management teams, Ethos aims to execute this growth strategy within an accelerated time frame.

### Investment approach

*Control, lead investor*: Strong preference for control in buyout situations or significant influence and lead role in expansion capital investments

*Focus on growth across portfolio:* Investments in companies and industries benefiting from emerging market and strategic growth dynamics

*Market-leading, small- to mid-sized companies:* Investment in companies with clear competitive advantages and critical mass to sustain the business through economic cycles

*Strong management teams:* Managers with the experience, ability and drive to grow the business and assist Ethos in the implementation of its investment thesis

### Disciplined portfolio construction

*Theme-led approach:* Continual evaluation of prevailing economic drivers to target a portfolio of differentiated companies with strong prospects underpinned by attractive medium-term market dynamics

### Driving investment performance: The execution advantage

*Differentiated sourcing and execution:* Proactively targeted opportunities where Ethos believes it has generated an advantage, leveraging its networks and reputation of successful investing

*Proven broad-based black economic empowerment ("B-BBEE") capability:* Proven ability to introduce black ownership in South African deals to execute transactions and enhance operational performance

*Significant active involvement:* Engagement in the value creation process post investment and a disciplined approach to deploying its Value Add capability

*Successful exit planning:* Deep networks for generating local and international buyers to drive exit activity and a long history of successful divestment

**1984**
FNB INVESTMENTS
R301M
Ethos completes first buyout as a division of FNB

**1992**
ETHOS FUND II
R116M
First non-captive private equity fund in South Africa

**1996**
ETHOS FUND III
R762M
First international private equity fund in South Africa

**1998**
ETHOS FUND IV
R2.2BN
Ethos becomes independent, with FNB retaining a minority stake

**2006**
ETHOS FUND V
R5.0BN
Largest private equity fund in Africa at that time

## Investment offering (products)

Ethos currently comprises two primary investment offerings: private equity and mezzanine.

### Large buyouts

EF VI focuses on larger private equity transactions of between R450 million and R1 billion per investment, targeting companies with enterprise values ("EVs") of between R1.5 billion and R7.0 billion. The Fund invests in private companies with: market-leading positions; an identifiable competitive advantage; strong cash flows; and significant growth potential.

In the execution of this Fund strategy, the Firm seeks to leverage its understanding of the South African and sub-Saharan African markets to target companies best positioned to benefit from the region's unique growth prospects. As an active investor, Ethos capitalises on its proven experience of owning businesses across a variety of investment, economic and political cycles to maximise value post investment and generate superior returns.

EF VI is currently 92% committed[1] and is now closed to new investments. Current portfolio companies are: Autozone, The Beverage Company, Eaton Towers, Eazi Access, Neopak, Primedia, RTT, Twinsaver, Vertice MedTech and Waco.

[1] *Including provision for follow-ons*

Ethos is currently capital raising for its next large buyout fund, EF VII. It is envisaged that this fund will follow an investment mandate and approach in line with EF VI.

### Mid market

EMMF I held a successful final close of R2.505 billion in 2018. The Fund seeks to make investments predominantly in mid-market leveraged buyouts, targeting transactions between R100 million and R350 million and with an EV of between R0.5 billion and R1.5 billion.

This Fund is actively looking at family-owned and/or entrepreneurial businesses, corporate spin-offs, and optimisation opportunities where it can accelerate growth. Together with management teams, EMMF I develops and enables strategic objectives by providing a third-party perspective on performance, designing appropriate incentive structures and implementing high standards of governance and financial reporting.

Importantly, the EMMF I is B-BBEE majority owned and is able to participate in deals as the B-BBEE partner. In certain cases, EMMF I will also co-invest with other Ethos Funds as their B-BBEE shareholding partner, leveraging the existing knowledge and skill of the buyout investment teams.

R1.8BN IPO
Investor into
Ethos-managed Funds

Ethos acquires
Mezzanine Partners

STRATEGIC
INVESTORS
30% investment into
Ethos alternative-
asset vision

ETHOS KENYA
Nairobi office opens

**2012**

ETHOS FUND VI
R6.5BN
Fully invested;
value-creation phase

**2016**

ETHOS MID MARKET
FUND I
R2.5BN
Investing and
value-creation phase

**2018**

ETHOS MEZZANINE
PARTNERS 3
TARGET R2.2BN
TO R2.9BN
Investing; first
investment concluded

**2018**

ETHOS FUND VII
TARGET R8BN
TO R10BN

ETHOS AI FUND I
TARGET R750M
TO R1BN

Ethos believes that this combination of significant empowerment credentials and strong execution capabilities gives this Fund a distinct competitive advantage.

EMMF I is currently c.50% deployed, with investments in: Autozone, Echo, Eazi Access, Kevro, MTN Zakhele Futhi and Twinsaver. Its investment in Gammatek is expected to close in October 2018.

### Mezzanine

EMP 3 has recently held a successful first close in excess of US$100 million . The team anticipates a final close by the end of the 2018 calendar year.

EMP 3, a closed-end mezzanine debt fund, is dedicated to providing mezzanine and quasi-equity growth or acquisition financing solutions to companies in southern and sub-Saharan Africa.

EMP 3 invests in a broad spectrum of mezzanine financial instruments, each one tailored to meet the needs of a specific transaction or borrower.

These instruments will include *inter alia* second lien loans, convertible loans, payment-in-kind notes and preference shares.

This Fund provides intermediate capital to market-leading companies with a sustainable competitive advantage and/or critical success factors, and a proven track record of delivering predictable/non-cyclical free cash flow to service debt. Moreover, EMP 3 targets investments in businesses with experienced management teams and shareholders of reference that meet its requirements.

EMP 3 successfully concluded its first investment in July 2018, into Malawian traditional beer brewer, Chibuku Products, in partnership with the Bowler family.

### Other and prospective products

A first close of Ethos' inaugural Ai Fund ("EAiF I") is expected to complete by early October 2018. This co-investment vehicle will sit alongside other Ethos managed Funds and is another important milestone in the Firm's alternative asset growth strategy. As with its mezzanine and healthcare initiatives, Ethos has partnered industry specialists to unlock this unique opportunity. A vibrant investment pipeline has been cultivated with the Ai team; a first investment is anticipated in early Q4 2018.

## Key strengths

Ethos' long-term success has been a result of institutionalising a set of core competencies, developed over decades, which underpin its investment approach. This approach has been refined to provide a flexible strategy, tailored to investing within the South African and sub-Saharan African markets. Through pioneering thought leadership, creativity and innovation, Ethos has developed a long track record of sustainable, superior investor returns.

The key strengths of Ethos' value proposition include:

- an established track record and excellence in investing;
- a commitment to, and alignment with, its investors;
- a unified, high-performance culture and commitment to transformation;
- a broad origination platform and business networks;
- a consistent and disciplined investment process;
- local presence, commitment to, and focus on sub-Saharan Africa;
- an ability to add value to and influence the strategy of Portfolio Companies; and
- an ability to drive value creation through the investment cycle and optimise exits.

## Value add team

Ethos is an active value manager. World-class value creation capabilities enable the Firm to support Portfolio Companies' management with major initiatives run by an in-house Value Add team. This Value Add depth has also facilitated a broadening of Ethos' origination range to include opportunities that have an optimisation thesis (i.e. businesses that achieve good profitability but would have substantial upside potential if they were operating efficiently).

Over a typical five- to seven-year holding period, Ethos aims to positively impact Portfolio Companies by partnering with management teams and actively driving outcomes through Board participation. While not participating in day-to-day operations, Ethos does seek significant influence over all major business decisions that may impact a company's value and engages a combination of the team's investment and Value Add expertise to achieve this.

The objective of Ethos' Value Add model is optimise growth across the Firm's portfolio of investments. With a core team of four professionals, Ethos focuses on building capacity within Portfolio Company management teams (i.e. hiring top talent to supplement existing executive capabilities) to enable them to own and sustain the required growth initiatives. Ethos also engages fit-for-purpose service providers to provide additional, specialist capacity that accelerates delivery of value.

## People

Ethos employs 64 people, including 16 partners, making it the largest private equity firm on the ground in sub-Saharan Africa. The team – the most experienced private equity team in South Africa – is Ethos' single greatest asset. It is the strength of this team that sets the Firm apart:

- Exceptional, multi-disciplinary expertise across the value chain (transactional, operational and analytical) exists in all levels of the team.
- Emphasis on professional development ensures ongoing organisational evolution to maintain market leadership.
- Team-based value system enables efficient processing of complex projects.
- c.33 investment professionals are dedicated to Portfolio Company investments.
- The team is focused on establishing long-term, consultative relationships that enable deep understanding.

The Ethos investment team is supported by committed, professional support staff, dedicated to providing "best-in-class" finance, marketing and public relations, administration, compliance, operations and talent management.

## Culture

Ethos embodies a high-performance team culture. It is committed to recruiting and developing talent and is steadfast in its dedication to optimising opportunities to all. Diversity in all its facets is embraced.

A key tenet of the Firm's culture is to relentlessly strive to continue the philosophy of transformation within black empowerment, both at the Company, and at the underlying Portfolio Companies.

Above all, Ethos' culture expresses the core leadership values of purpose, execution, stewardship and vision.

## Transformation

Ethos is committed to supporting economic growth, meaningful B-BBEE in South Africa and the eradication of poverty and inequality.

The Firm believes this not only supports the South African economy, the government's economic development policies and their broader stakeholders, but makes sound business sense, resulting in improved returns to our investors.

Likewise, Ethos embraces the promotion and implementation of "best practice" methods in terms of B-BBEE and firmly believes that an effective transformation policy encourages social development and enhances economic value.

Consequently, the Group strives to implement strategies that embrace the requirements and "spirit" of B-BBEE, namely employing members of the designated groups and incorporating training and development initiatives – specifically the implementation of learnerships and bursaries for Black employees. Ethos has 64 members of staff, of whom 49% are Black, Indian or Coloured and 51% are White. Furthermore, 52% are female.

Ethos is currently rated as a Level 3 contributor under the B-BBEE Codes of Good Practice. This rating is valid until November 2018.

## Social impact

While Ethos' primary objective is to maximise stakeholder value by generating superior returns, the Firm unequivocally recognises its role in the broader South African community. As such, Ethos is committed to supporting initiatives at the forefront of education and the upliftment and empowerment of disadvantaged people. Ethos' Social Impact Programme is reviewed and evaluated on an annual basis to ensure our initiatives, time and financial contributions are best aligned with its stated purpose and strategic ambition. Ethos is committed to supporting initiatives at the forefront of education and welfare for the upliftment and empowerment of disadvantaged people. Approximately 70% of the Firm's corporate social investment spend focuses on education-based initiatives.

## Sustainability/ESG

As custodians of policyholder, pensioner and shareholder capital, and forerunners in our field, Ethos must set an example of responsible investment best practice and uphold ethical leadership.

By living this philosophy, Ethos positions its Environmental, Social and Governance ("ESG") co-creation, implementation ambition and sets an example for others to follow. Moreover, the team holds the view that we have a responsibility to address societal and environmental issues – beyond legal requirements – through our activities.

Importantly, Ethos believes that the private equity model is perfectly aligned with this philosophy, especially in emerging markets where fund managers tend to focus on investing in growth strategies. This investment approach, correctly applied, enables the parallel achievement of commercial gains while addressing societal and environmental concerns.

# GOVERNANCE

# CORPORATE GOVERNANCE REPORT

## Commitment

Ethos Capital is committed to the principles of sound governance and application of the highest ethical standards in the conduct of its business and affairs. The Board is committed to the values and characteristics of competency, responsibility, accountability, fairness, integrity and transparency of King IV. The Directors accept full responsibility for the application of these principles to ensure that good corporate governance is effectively practised at Ethos Capital. Furthermore, the Board understands and accepts its responsibility to the shareholders of Ethos Capital and endeavours to ensure the Company conducts its business in the best interests of its shareholders.

The Board is responsible for ensuring compliance with all statutory obligations as specified in the Constitution of Ethos Capital, the Mauritius Companies Act 2001, the Listings Requirements and all other applicable regulatory requirements.

The Directors endorse King IV and recognise the need to conduct the affairs of Ethos Capital with integrity and in accordance with generally accepted corporate governance practices. In discharging this responsibility, the intention is to apply the principles of King IV in both letter and spirit. The Directors recognise they are ultimately responsible for the financial performance of Ethos Capital. The Directors have proactively taken steps to ensure compliance with the Listings Requirements (save as exempt or where the JSE may provide dispensation) and the application of the principles of King IV. It should be noted that Ethos Capital, as an investment entity, does not have and will not conduct, traditional operations, and thus not all the traditional corporate governance structures and practices envisaged by King IV are appropriate to Ethos Capital and its business as an investment entity. The Company does not employ any people.

## Application of King IV

A detailed register of the Company's application of King IV is available at:
http://www.ethoscapital.mu/investors1/governance/

## Board of Directors

### Responsibilities

The Board is ultimately responsible for Ethos Capital's business, strategy and key policies, and for the approval of the financial objectives, targets and investment decisions. In addition, the Board is required to:

- define and implement the long-term strategic vision of Ethos Capital;
- define and implement Ethos Capital's Investment Strategy, evaluate and make commitments to Ethos Funds or Direct Investments;
- approve the annual business plan and budgets;
- promote organisational integrity and monitor and oversee Ethos Capital's values and ethics;
- monitor and review Ethos Capital's performance and delivery against strategy, business plans and budget;
- monitor and review the performance and delivery of services by Ethos in terms of the investment services agreement;
- monitor, review and evaluate the performance of the portfolio;
- represent Ethos Capital on the relevant Ethos Funds' advisory boards where appropriate;
- monitor and oversee Ethos Capital's recognition and management of risk, via the Audit and Risk Committee;
- monitor and oversee the appropriateness of financial processes, systems and controls, via the Audit and Risk Committee – protecting Ethos Capital's financial resources and position;
- monitor the appropriateness of business processes, systems and controls, and the effectiveness and competitiveness of Ethos Capital;

- approve the Annual Financial Statements and the Integrated Annual Report, after review and approval by the Audit and Risk Committee;
- monitor and oversee the appropriateness of regulatory compliance, processes and reporting via the Audit and Risk Committee – protecting Ethos Capital's regulatory reputation;
- monitor the policies and processes for open and honest communication with shareholders and other stakeholders – protecting Ethos Capital's business reputation;
- review the remuneration of Directors via the Remuneration Committee;
- review the performance of the Company Secretary, as well as their competence, qualifications and experience annually, and report on whether or not the Board is satisfied therewith to the shareholders in the Integrated Annual Report;
- monitor and advise on the management of potential conflicts of interest of, and with, Board members, Senior Advisors, shareholders and other stakeholders;
- monitor and appreciate stakeholders' perceptions affecting Ethos Capital's reputation; and
- review the performance of the Board, Directors, and Board Committees and report on whether the Board is satisfied that it has fulfilled its responsibilities.

## Composition

The Board currently consists of five independent non-executive Directors, the majority of whom are non-South African residents. The Board is satisfied that there is a clear division of responsibilities to ensure a balanced distribution of power, time and authority so that no one Director has unfettered powers of decision making.

## Directors retiring by rotation

Per the Company's Constitution, at least one-third of the non-executive Directors retires by rotation at each AGM. Retiring Directors are eligible for re-election until they have completed nine years of service as a Director.

## Conflict of interest

All Directors are required to sign an annual declaration stating they are not aware of any conflicts of interest that may exist as a result of their interest in or association with any other company, except as disclosed, setting out for record-keeping purposes all business-related interests they have. As soon as a Director becomes aware of any conflict of interest, they must disclose such conflict immediately. In addition, all conflicts have to be declared and noted at the commencement of each Board and Committee meeting.

## Board members

The Directors noted below served on the Board throughout the financial year. Messrs Juwaheer and Prout-Jones retire at the AGM and are eligible and offer themselves for re-election. Biographies of all the Directors and their experience are as follows:

*Yvonne Stillhart (50)*

*BSC ZFH*

*Appointed 15 June 2016*

*Chairperson, independent non-executive Director*

Yvonne has over 25 years' experience in private equity investing and private equity investment management. She is the independent non-executive Chairperson of the Board of Directors and on the Finance Committee of Unigestion (Luxembourg) S.A., an alternative investment fund manager, investing globally via direct private equity investments, secondary and primary partnership investments, and also the independent non-executive Chairperson and on the Finance Committees of several Jersey Financial Services Commission registered private equity investment partnerships focusing on Europe.

Yvonne is a seasoned private equity specialist who successfully built a leading private equity organisation. She was a co-founding senior partner and member of the Investment Committee of Akina AG, a Swiss-based independent private equity organisation with some EUR2.5 billion assets under management. In addition to being instrumental in the build-up and successful leadership of a multinational investment team in an SEC – regulated organisation for more than 12 years, she led investments, developed portfolio and risk management governance and structured investment funds. She was a Board member in a number of corporations and private equity funds across various industries and countries.

Yvonne has extensive experience in leading, structuring, executing and managing private equity investments.

Earlier in her career, Yvonne spent 12 years at UBS Zurich, with stays in London and New York. She was responsible for a number of high-profile minority equity, buyout, mezzanine, infrastructure, structured debt and equity transactions in Western and Eastern Europe, Turkey and North Africa as well as mergers and acquisitions and capital markets transactions in Europe.

She holds a degree in economics and accounting from the University of Applied Sciences in Business Administration, Zurich. Yvonne speaks German, English, Spanish and French.

### *Yvraj Juwaheer (58)*

*LLB*

*Appointed 26 May 2016*

*Independent non-executive Director*

Yuvraj is the managing partner of YKJ Legal, a law firm in Mauritius. He has considerable experience in corporate and commercial law and advises on corporate and finance transactions, collective investment schemes, trusts, funds structuring and administration, banking and regulatory issues.

He has over 20 years' experience in the global business sector and has previously served as an independent Director for a number of Indian funds. Before founding YKJ Legal, he was a partner of Bedell Cristin (Mauritius) Partnership from November 2010 to November 2016, and prior to that he had been a partner at Citilaw Chambers. He was previously an executive Director of a major licensed management company and a former partner of De Chazal du Mee.

He was a member of the steering committee set up by the Mauritian Government in 2004, to consider the opening of the legal profession to international law firms in Mauritius. He also served as the Secretary of the Association of Offshore Management Companies of Mauritius in 2003.

He holds an LLB from the University of London and was called to the bar at the Middle Temple in London and at the Supreme Court of Mauritius. He is also an Associate of the Institute of Chartered Secretaries and Administrators, a member of the Society of Trusts and Estate Practitioners and a member of INSOL International.

### *Derek Prout-Jones (55)*

*BCom, BAcc, CA(SA)*

*Appointed 1 June 2016*

*Independent non-executive Director*

After completing his articles at Deloitte & Touche, Derek joined RMB in 1989 in the special projects division. During his 21-year career with RMB, he spent five years in corporate finance, specialising in business valuation methodologies, and then joined RMB Private Equity as one of the founding members.

He served as Chief Financial Officer ("CFO") of RMB from 1999 to 2003 and was appointed as Chief Investment Officer in 2003 to oversee the various principal investment activities of RMB. He held this position until 2009, when he moved back to RMB Private Equity to head the division, which included sitting on the Boards of Directors of Ethos and RMB Corvest Proprietary Limited.

During his tenure as CIO, he served on the RMB Divisional Board and chaired the RMB Proprietary Management Board, the RMB Investment Committee and the Boards of RMB Australia Holdings and RMB International Dublin Limited. He was also a member of various Group Governance Committees.

He left RMB at the end of 2010 and joined Michael Pfaff in a private company, 4 Decades Capital, pursuing long-term investment opportunities that typically fall outside the scope of traditional private equity.

He holds Bachelor of Commerce and Accounting degrees from the University of the Witwatersrand and is a member of the South African Institute of Chartered Accountants ("SAICA").

### *Kevin Allagapen (41)*

*BCom (SA), Executive MBA (UK)*

*Appointed 26 May 2016*

*Independent non-executive Director*

Kevin started his career at Deloitte Mauritius and has more than 18 years' experience in the financial services sector in Mauritius. He is the Managing Director at Ocorian (Mauritius) Limited, a management company regulated by the Mauritius Financial Services Commission.

His areas of expertise span corporate and fund structuring, formation, management and administration services, private wealth, tax planning and compliance, accounting, regulatory and compliance matters. He also serves as a Director on the Boards of numerous global business companies and funds operating in diverse economic sectors such as agriculture, manufacturing, mining, infrastructure, commerce, engineering, logistics, aviation, shipping and financial services and in that capacity is involved in investment and disinvestment decisions, strategy development, statutory compliance and day-to-day operations.

Kevin also acted as an independent non-executive director of Mauritius Housing Corporation, a public company whose principal activities are granting loans for the construction of houses and to engage in deposits taking and was the Chairman of the Audit Committee in 2014.

He holds a Bachelor of Commerce from the University of KwaZulu-Natal, Pietermaritzburg, South Africa, and an Executive MBA from the University of Birmingham, UK.

*Michael Pfaff (57)*

*BCom, MBA*

*Appointed 1 June 2016*

*Independent non-executive Director*

Michael began his career in corporate finance at Deloitte & Touche and Standard Merchant Bank after which he spent four years in the United States with NationsBanc Capital Markets (now Bank of America), as a Director of structured capital markets.

In 1997, he joined RMB to help build its Private Equity division. He was instrumental in growing the bank's Private Equity division and led the bank's initiative to spin out Ethos (where he sat as a Director for a number of years). He was a Director of the bank's private equity business, RMB Ventures, responsible for initiating and leading various on-balance-sheet investments. He also sat on the bank's Investment Committee responsible for all private equity and principle investing decisions.

In 2000, he was appointed CEO at RMB and during his tenure (2000 to 2008) pre-tax profits grew eightfold. Throughout this period he continued to be involved in large private equity decisions and served as Chairperson of RMB Corvest Proprietary Limited.

Post-RMB, he has been involved in building a health and beauty business called CaviBrands Proprietary Limited, and a hedge fund incubation business called Kirkham and Capital. Furthermore, he and Derek Prout-Jones invest through a private company, 4 Decades Capital, into long-term investment opportunities that typically fall outside the scope of traditional private equity.

He remained on the RMB and FNB divisional boards until 2017.

He holds a Bachelor of Commerce from the University of Cape Town and an MBA from Duke University (Duke Fuqua Scholar) and was a member of SAICA.

## Report

A report by the Board has been provided on page 61 of the Annual Financial Statements.

## Board committees

As provided for in the Constitution, the Board is supported and assisted by four committees with clear mandates and oversight responsibility for various aspects of the business. The responsibilities delegated to each committee are formally documented in the terms of reference for that committee, and have been approved by the Board and are reviewed annually. The current composition and responsibilities of each of the four committees are set out on pages 48 to 50 of this Corporate Governance Report.

# Audit and Risk Committee

## Responsibilities

The Committee has an independent role with accountability to the Board and shareholders for:

- the safeguarding of assets; financial and internal controls, compliance and reporting;
- financial and other risk management;
- the external audit and assurance and the integrity of the Annual Financial Statements; and
- corporate governance.

Its key responsibilities are noted below.

*External audit*

Responsible for recommending the appointment of the external auditors and overseeing the external audit process, including:

- evaluating the performance and effectiveness of the external auditors and process, the independence of the external auditors, and considering and pre-approving any material non-audit services;
- considering and making recommendations to the Board and shareholders on the appointment and retention of the external auditors, and ensuring their appointment complies with the Mauritius Companies Act and the Listings Requirements;
- approving the terms of engagement and remuneration for the external audit engagement; and
- discussing, reviewing, considering and agreeing the external audit plan and reports.

*Financial reporting*

Responsible for examining and reviewing any financial reports, updates or announcements prior to the submission and approval by the Board for publication, focusing on:

- balanced and fair presentation;
- consistency of applicable accounting policies and standards;
- judgemental areas, significant adjustments and going concern; and
- risks relating to financial reporting, fraud risks and information technology ("IT") risks.

*Risk management*

Responsible for ensuring that Ethos Capital has implemented an effective policy and plan for risk management, to provide assurance and enhance Ethos

Capital's ability to achieve its strategic and business objectives. To achieve that, the committee should:

- oversee the development and annually review a policy and plan for risk management; and
- monitor and oversee the implementation of the policy and plan to ensure they are integrated with the day-to-day activities of Ethos Capital and the activities in terms of the investment services agreement.

*Internal audit*

Responsible from time to time to consider the need for an internal audit function, or for similar assurance services on an as-needed basis.

### Members

The Audit and Risk Committee is chaired by Kevin Allagapen and its other members are Yuvraj Juwaheer and Derek Prout-Jones. All members are independent non-executive Directors of Ethos Capital.

### Report

A report by the Audit and Risk Committee has been provided on page 59 and 60 of the Annual Financial Statements.

## Remuneration Committee

### Responsibilities

The Committee is responsible for fair and responsible remuneration of the non-executive Directors as well as the disclosure and reporting of relevant remuneration matters in the Integrated Annual Report. Its duties include:

- recommending the remuneration policy of the Company;
- proposing the non-executive Directors' remuneration annually to the Board;
- reviewing the terms of consultancy agreements entered into with the non-executive Directors;
- ensuring relevant, complete and transparent disclosure and reporting on remuneration matters; and
- ensuring annually that the remuneration policy and remuneration implementation report are put to a non-binding advisory vote at the AGM.

### Members

The Remuneration Committee is chaired by Yuvraj Juwaheer and its other members are Kevin Allagapen and Michael Pfaff. All members are independent non-executive Directors of Ethos Capital.

### Remuneration

The remuneration of the Directors is set out on page 91 of the Annual Financial Statements.

### Policy and report

The remuneration policy and implementation report by the Remuneration Committee has been provided on page 53 of this Corporate Governance Report.

## Investment Committee

### Responsibilities

The Committee is responsible for the investment guidelines and strategy, evaluating and making decisions about investment opportunities on behalf of the Company and monitoring the performance of the investment portfolio. Its duties include:

- considering and proposing any changes to the Investment Guidelines and Strategy;
- overseeing the implementation and adherence to the investment guidelines and strategy;
- analysing and evaluating proposed investments, including Primary Investments, Secondary, Investments, Direct Investments and Temporary Investments;
- interacting regularly with the Senior Advisors regarding the investment portfolio, investment pipeline and Ethos Capital's liquidity profile;
- participating and being a member of the advisory boards of the Ethos Funds in which Ethos Capital is invested in; and
- monitoring, reviewing and advising on the performance of the investment portfolio.

The Committee has no capacity to conclude or bind the Company to any investments but can only recommend proposed investments to the Board for approval.

### Members

The Investment Committee is chaired by Derek Prout-Jones and the other member is Michael Pfaff. Both members are independent non-executive Directors of Ethos Capital.

While King IV recommends for each Committee of the Board to have three members, the Board is satisfied that, given the specific levels of private equity experience required and the specialised nature of the Investment Committee's roles and responsibilities, having only two highly experienced, skilled and knowledgeable members of the Investment Committee is for now appropriate for the Investment Committee to execute its duties effectively.

## Social and Ethics Committee

### Responsibilities

The Committee is responsible for the social and ethical conscience of the Company, sustainability and stakeholder relationships, and to ensure the Company behaves like a responsible corporate citizen. Its duties include:

- reviewing and approving the policies, frameworks and procedures to manage ethics and the avoidance of corruption within the Company;
- reviewing and monitoring progress towards B-BBEE and transformation;
- reviewing and monitoring the policies and procedures to assess compliance with health, safety and environmental laws and regulatory requirements and their impact on investments and stakeholder relations;
- reviewing and monitoring the quality and appropriateness of stakeholder relations; and
- monitoring and assessing the appropriateness of the Company and Ethos' corporate social investment activities.

### Members

The Social and Ethics Committee is chaired by Yuvraj Juwaheer and its other members are Yvonne Stillhart and Derek Prout-Jones. All members are independent non-executive Directors of Ethos Capital.

## Other committees

The Board has given consideration to the need for the Company to have a nomination committee, which was not deemed necessary at this stage. This will be considered on an annual basis. Board succession management and the appointment of Directors are considered to be matters for the Board as a whole. Appointments will be made via a formal and transparent procedure in terms of Ethos Capital's Constitution. Directors will be nominated based on their calibre, credibility, knowledge, experience, impact they are expected to have and the time, and attention they can devote to the role.

## Gender and race diversity at Board level

As stated above, when new or replacement Directors are considered, the Board assesses the skills of the Board as a whole, to identify any areas that need strengthening.

The Board believes, as a whole, it currently represents an appropriate balance of skills, outlook, experience and knowledge to conduct its roles and responsibilities. The Board also believes that diversity of experience, culture and outlook, including gender and race diversity, amongst Board members is of great importance. It is the Board's policy to give careful consideration to issues of Board balance and diversity when making new appointments and to do so on merit. The Board currently does not have any gender or diversity targets, but the Board has to consist of at least two Directors who are resident in Mauritius.

There were no nominations or appointments of Directors during the year.

## Attendance at Board and Committee meetings

Attendance by the Directors at Board meetings and Board Committee meetings during the financial year is set out below

| | Board | Audit and Risk Committee | Remuneration Committee | Social and Ethics Committee | Investment Committee |
|---|---|---|---|---|---|
| **Number of meetings held** | **2** | **3** | **2** | **1** | **3** |
| **Directors' attendance** | | | | | |
| Derek Prout-Jones | 2 | 3 | N/A | 1 | 3 |
| Kevin Allagapen | 2 | 3 | 2 | N/A | N/A |
| Michael Pfaff | 2 | N/A | 2 | N/A | 3 |
| Yuvraj Juwaheer | 2 | 3 | 2 | 1 | N/A |
| Yvonne Stillhart | 2 | N/A | N/A | 1 | N/A |

## Senior Advisors

In order to facilitate Ethos' rendering of services in terms of the investment services agreement and to support the Board, Ethos has provided Senior Advisors to fulfil the roles of Ethos Capital's CEO and CFO.

The Senior Advisors support the Board in managing Ethos Capital's business, in particular the following aspects thereof:

- investment analysis and proposing investment decisions, including Primary Investments, Secondary Investments, Direct Investments and Temporary Investments, to the Investment Committee;
- active involvement in the Portfolio Companies of Direct Investments, including through representation on the Board of Directors of the Portfolio Companies;
- shareholder engagement, including investor roadshows; and
- reporting to shareholders, including quarterly NAV reporting and shareholder feedback.

The Senior Advisors that supported the Board during the financial year were Peter Hayward-Butt (CEO) and Jean-Pierre van Onselen (CFO).

## Company Secretary

Ocorian (Mauritius) Limited ("Ocorian") was appointed as Company Secretary on 26 May 2016. Ocorian is a management company and has suitably qualified, competent and experienced staff to discharge its role as Company Secretary and is appropriately empowered to fulfil duties with regard to assistance to the board, in particular, in relation to applicable Mauritian law and regulation.

The Board has considered the individuals at Ocorian who perform the company secretarial functions, as well as the Directors and shareholders of Ocorian, and is satisfied that there is an arm's length relationship between the Company Secretary and the Board, who can remove the Company Secretary from office. The Board considers Ocorian to be independent of the Board and the Company. Ocorian is licensed by the Financial Services Commission of Mauritius to provide a comprehensive range of financial services to international businesses.

For the year under review, the Board assessed Ocorian's competence, qualifications, experience, independence, suitability and performance and found Ocorian to be competent and suitably qualified to act as Company Secretary for the current and next financial year.

The Company Secretary of Ethos Capital is required to provide the Directors, collectively and individually, with guidance as to their duties, responsibilities and powers. The Company Secretary is also required to ensure the Directors are aware of all laws and regulations relevant to or affecting Ethos Capital and to report to any meetings of the shareholders of Ethos Capital or the Directors, any failure on the part of Ethos Capital or a Director to comply with the Constitution or rules of Ethos Capital or the Mauritius Companies Act 2001.

The Company Secretary acts as an advisor to the Board and plays a pivotal role in ensuring compliance with statutory regulations and King IV. The Company Secretary is also responsible for the induction of new Directors, the tabling of information on relevant regulatory and legislative changes, and support to the Directors regarding their duties and responsibilities. The Directors have unlimited access to the advice and services of the Company Secretary.

The Company Secretary provides guidance to the Board regarding Directors' duties and good governance, and ensures that Board and Board Committee charters are kept up to date. The Company Secretary prepares and circulates Board papers and assists with response handling, input and feedback for Board and Board committee meetings. Assistance is also provided with the preparation and finalisation of Board and Board committee agendas based on annual workplan requirements. The Company Secretary assists with the annual review of the performance of the Board, Board committees and individual Directors.

## Directors' emoluments

The emoluments paid to the Directors during the year are disclosed in note 19 of the Notes to the Annual Financial Statements.

# RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible and accountable for the implementation of an effective policy and framework for the identification, recognition and management of risk. In addition, it is responsible for the monitoring and oversight of the appropriateness of financial and business processes, systems and controls. The Board is supported by the Audit and Risk Committee in the fulfilment of these responsibilities.

A detailed risk framework and register has been developed and implemented to identify, assess, monitor and manage Ethos Capital's risk. The Board and the Audit and Risk Committee regularly review the above and are of the opinion that the internal controls and risk policies in place during the year were sufficiently effective to manage the risks of the Company.

As an investment holding company, Ethos Capital has no employees and relies upon certain services provided by the Investment Advisor. The Company is therefore largely dependent upon the risk management structures and practices, and the internal control systems of the Investment Advisor. The security of the Company's assets and integrity of its accounting records as well as its compliance with regulatory and legal requirements depend on the effective operation of these systems. The Audit and Risk Committee monitors and discusses the effectiveness of these processes with representatives of the Investment Advisor and has access to internal control reports.

Likewise, the effective management of the Company's investment risk is largely dependent on the Investment Advisor's related structures, practices and systems.

In addition, the governance of IT is largely dependent on the IT-related controls of the Investment Advisor. These controls are reviewed and discussed with the appropriate management levels, largely focusing on business continuity, and the Board is satisfied that the Company's controls and monitoring of IT governance are appropriate.

The Board and the Audit and Risk Committee are satisfied that, given the nature and size of the Company's operations and the extent of and reliance placed on the service providers, the Company does not currently need an internal audit function. This decision will be reviewed on an annual basis.

The Board and the Audit and Risk Committee are satisfied that they have fulfilled their responsibilities in respect of risk management and internal controls during the year.

The key risks facing the Company are set out below.

## Financial risks

The main financial risks that Ethos Capital is exposed to and that could result in changes to the NAV or its performance are: capital risk; valuation risk; market risk (comprising currency risk, interest rate risk and price risk); credit risk; and liquidity risk. These risks are fully detailed in note 26 of the Notes to the Annual Financial Statements.

## Macroeconomic risks

The Company's investments, which ultimately consist of underlying Portfolio Companies operating in different industries, jurisdictions and sectors, are directly exposed to the macroeconomic risks that can adversely impact the South African economy. The current risks associated with the political turmoil and economic uncertainty that adversely impact consumer sentiment and the key drivers of the South African economy, could have a significant impact on the ultimate growth in the NAV of the Company. Whilst the Funds that the Company invests in have a mandate to invest up to 25% outside South Africa into the rest of SSA, which could mitigate some of the above, the Company currently has limited exposure outside South Africa.

## Regulatory and reporting risks

Compliance with legislation of the jurisdictions where the Company operates, adherence to financial reporting and the Listings Requirements, and the exercise of good governance are all factors critical to the sustainability of the Company.

## Investment risks

Some of the key investment risks the Company faces are: non-compliance with the Company's Investment Guidelines and Strategy; lack of diligence and process in investment decision making by the Board and Investment Committee; lack of investment opportunities and activity; concentration risk; and conflicts of interest.

## Operational and IT risks

The Company has no employees and therefore largely relies on the services provided by the Investment Advisor, under the terms of the investment services agreement, and other service providers and advisors. The lack of business continuity of the above entities/individuals, failure of IT systems and non-performance are key risks created by these external relationships and dependency.

# REMUNERATION REPORT

## Background

The Board is ultimately responsible for fair and responsible remuneration of the non-executive Directors and ensuring adequate disclosure and reporting of remuneration matters. The Board is supported by the Remuneration Committee in the fulfilment of these responsibilities.

As an investment holding company, Ethos Capital has no employees and has no executive management remuneration, as the Senior Advisors are contracted and paid by the Investment Manager. In accordance with the Listings Requirements, the remuneration policy and implementation report will be submitted to shareholders at the AGM for a non-binding advisory vote.

The Board and the Remuneration Committee are satisfied that they have fulfilled their responsibilities in respect of remuneration during the year.

## Remuneration Policy

### Responsibility

The Remuneration Committee is responsible for the Remuneration Policy.

The Company's Constitution provides that, notwithstanding anything to the contrary contained in the Constitution or any agreement, understanding or arrangement with a Director, the Company shall not be obliged, entitled or required to pay any remuneration to a Director for their services as Directors (which shall exclude salaries of executive Directors) except such remuneration as has been approved by and in terms of an ordinary resolution.

The Remuneration Committee is responsible for proposing the non-executive Directors' remuneration annually to the Board of Directors for subsequent shareholder approval at the AGM.

### General principles

Remuneration is only applicable to the Directors, as the Company has no employees.

The Directors are all independent of the Company and act in the capacity as non-executive Directors.

The aim of the remuneration policy is to support the Company and Board to attract, recruit and retain high-performing and best-in-class Directors with a long and proven track record within the private equity industry; and offer diverse levels of skill, background and outlook to strengthen the Board.

The terms of a Director's appointment are detailed and recorded in standard contracts of employment.

The policy is aligned with Ethos Capital's business objectives and strategy, as well as its Code of Ethics and Conduct Policy.

Directors' remuneration should be reflective of their individual responsibilities and time commitment required.

The remuneration should be fair and responsible in the context of the industry, jurisdiction and market that the Company operates in, and should at all times adhere to any legal or regulatory requirements.

### Remuneration mix

Ethos Capital has only one component of remuneration, namely fixed remuneration.

The Directors are paid a fixed annual fee, effective from 1 July of any year until 30 June of the following year, payable quarterly.

Per the Mauritius legislation, a 15% withholding tax is levied on gross fees payable, resulting in a net payment made to the individual Directors.

Any annual increased fees approved will be backdated to 1 July and any shortfall on the amounts paid to that date will be paid to the Directors.

While fees are currently paid in South African Rand, the Company's functional and reporting currency, the Committee may, subject to the volatility of the South African Rand to other relevant currency denominations, give consideration to determine and pay fees of Directors in the currency denominations of the jurisdictions where their services are rendered and where they reside.

The Company does not pay short-term incentives, in line with its long-term business strategy.

No Director is entitled to any pension scheme or other similar benefits that would typically be associated with permanent employment.

Directors are entitled to be reimbursed for expenses reasonably incurred in connection with the performance of their duties and attending Board, general and other related meetings of the Company.

### Fixed remuneration review

The fixed fees are reviewed annually by the Remuneration Committee.

The Remuneration Committee appointed the CFO of the Investment Advisor to act as Independent Advisor to the Remuneration Committee.

On an annual basis, the Independent Advisor is responsible for sourcing independent and relevant benchmark information on non-executive Directors' remuneration of other companies that are relevant in respect of:

- the nature and size of the Company's operations;
- the Company's activities and the jurisdictions that it operates in;
- the investment mandate of the Company;
- number of and type of Committees; and
- number of Board and Committee meetings.

In addition and as a secondary benchmark, fees and relevant information will be sourced from the Company's peer group, if available and relevant.

Each individual Director's involvement, roles and responsibilities, and/or change in responsibilities and time commitments, will be considered to make individual assessments of the comparable levels of the benchmark information most relevant to each.

Where limited data is available, or information is not directly comparable, reasonable and fair assumptions will be made in respect of the time and commitment required in fulfilling specific or standalone roles, the level of skills required and where specific private equity skills are required.

An additional premium/fee is also allocated to Chairpersons of the Committees, in recognition of the added responsibility.

The Independent Advisor will consider all factors and information available including fluctuations in the South African Rand compared to other currency denominations that are relevant to where the Directors render their services and where they reside, to determine a recommended fee per Director. He will submit his recommendations to the Committee, and typically would be invited to present his findings and outcomes at a meeting of the Committee.

### Approval

The Committee recommends the proposed annual fee per Director to the Board of Directors.

The proposed fees will be reviewed by the Board of Directors and, if in agreement, the fees are submitted for shareholder approval at the Company's AGM.

This remuneration policy and an implementation report are to be tabled annually at the AGM for separate non-binding advisory votes by the shareholders.

In the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised, the Remuneration Committee will engage with the dissenting shareholders to address their respective objections, by:

- issuing invitations to dissenting shareholders to submit written submissions of their objections to the policy and/or the report;
- considering and addressing any objections; and
- reporting back to dissenting shareholders.

The Remuneration Committee may also arrange meetings with dissenting shareholders to discuss and clarify their objections.

## Implementation report

The annual remuneration paid to the non-executive Directors, representing the fees paid in respect of the fulfilment of their roles as non-executive directors, for the financial years ended 30 June 2018 and 2017 respectively, is noted below:

| | 30 June 2018 R'000 | 30 June 2017 R'000 |
|---|---|---|
| **Fees for services:** | | |
| Derek Prout-Jones | 1 500 | 1 267[1] |
| Kevin Allagapen | 320 | 278 |
| Michael Pfaff | 1 180 | 995[1] |
| Yuvraj Juwaheer | 320 | 310 |
| Yvonne Stillhart | 600 | 503[1] |
| | **3 920** | **3 353** |

[1] *Effective since 5 August 2016.*

The 2018 fees were approved by the shareholders at the Company's first AGM, with the total remuneration representing an increase of 7.2% over the annualised 2017 remuneration.

# SUSTAINABILITY AND SOCIAL AND ETHICS REPORT

The Company is an investment holding company governed and directed by a non-executive Board, and has an investment services agreement with the Investment Advisor that sets out the day-to-day responsibilities of the latter, supporting the Board. The Investment Advisor has seconded certain advisors to fulfil the roles of CEO and CFO. The Company has no employees and has a limited direct impact on the environment.

The Company can drive sustainability and its social and ethical footprint indirectly through the activities of its Investment Advisor and the investment into Portfolio Companies. The selection of an Investment Advisor able to demonstrate adherence to sound ethical principles and culture, internally and through its Portfolio Companies, as well as adherence to responsible investing and sustainability, is a critical decision of the Board. The Board has endorsed Ethos' policy of sustainability and responsible investing and monitors its investment activity and management of the Portfolio Companies to ensure they are compatible with these policies to benefit the Company's shareholders and the society at large.

## Ethos' sustainability report and ESG philosophy

For the past three years, Ethos has produced a sustainability report documenting the findings of an annual ESG review. The report is compiled in consultation with Portfolio Companies with whom Ethos shares its findings to co-create, implement and adapt sustainability planning and inform ESG-related decision making.

While Ethos' primary objective is to maximise stakeholder value by generating superior returns, Ethos unequivocally recognises its role in the broader South African and SSA community. Moreover, Ethos holds the view that it has a responsibility to address societal and environmental issues – beyond legal requirements – through its activities. As custodians of policyholder, pensioner and shareholder capital, Ethos strives to positively influence and effect change and recognises that its actions today enable the reality of tomorrow.

As forerunners in the private equity field, Ethos has set an example of responsible investment best practice and upholds the principles of ethical leadership. Therefore, from pre-acquisition due diligence through to Portfolio Company exit, ESG parameters are assessed throughout Ethos' investment process.

ESG perspectives present some of the most material risks and opportunities for Portfolio Companies. In acknowledgement of this, Ethos has a dedicated ESG team, supported by investment and Value Add teams, ESG champions, external specialists (when required) and Portfolio Company executives. Together, they ensure ESG issues are effectively managed by deploying Ethos' Social and Environment Management System.

In line with its long-term mission and typical 10-year Fund horizon, Ethos seeks to ensure that Portfolio Companies respond strategically to ESG issues with an enduring value creation lens and avoid short-term fixes that may ultimately destroy long-term value.

Further information is provided in the Review of the Investment Advisor section of this Integrated Annual Report.

The Company has made a commitment to EMMF I, a black-managed, mid-market focused fund in South Africa. Ethos believes the combination of significant empowerment credentials and strong execution capabilities will give this Fund a distinct competitive advantage.

EMMF I heralds a new generation in South African private equity investing, representing a unique combination of proven institutional investing and value-adding insights, coupled with sustainable BEE solutions and transformational impact.

The Investment Advisor issues an annual report on sustainability. The latest report and further information on its social impact and transformation policies can be found at www.ethos.co.za/our-ethos/.

# ANNUAL FINANCIAL STATEMENTS

# DIRECTORS' RESPONSIBILITY AND APPROVAL

The Directors are responsible for the maintenance of adequate accounting records and for the preparation, integrity and objectivity of the Group's Annual Financial Statements and the other information contained in this Integrated Annual Report.

The Directors are also responsible for the Company's systems of internal financial controls and accounting and information systems to provide reasonable, but not absolute, assurance regarding the safeguarding of assets and to reduce the risk of error, fraud or loss.

The Audit and Risk Committee meets with the external auditor to consider internal controls, the audit process and financial reporting. The external auditor has unrestricted access to all records, related information, Senior Advisors and the Audit and Risk Committee.

The Annual Financial Statements have been prepared in accordance with: International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board; the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; the Listings Requirements of the JSE; and the requirements of the Mauritius Companies Act 2001, insofar as they are applicable to Category 1 Global Business Licensed companies.

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

These Annual Financial Statements were compiled under the supervision of the Chief Financial Officer ("CFO"), Jean-Pierre van Onselen, CA(SA). The Directors are satisfied that the information included in the Annual Financial Statements fairly presents the Group and Company's results and financial position at the year-end.

The Annual Financial Statements were audited by the independent auditor, Deloitte. The independent auditor's unmodified report is presented on page 64.

## Approval of the Annual Financial Statements

The Directors' report on pages 61 to 63 and the Annual Financial Statements set out on pages 68 to 102, were approved by the Board and are signed on its behalf by:

***Yvonne Stillhart***
**Chairperson of the Board**

***Kevin Allagapen***
**Independent non-executive Director**

*27 September 2018*

# REPORT FROM THE COMPANY SECRETARY

In accordance with section 166(d) of the Mauritius Companies Act 2001, the Company Secretary certifies, to the best of its knowledge and belief, that the Company has lodged with the Registrar of Companies all such returns as are required of the Company under the Mauritius Companies Act 2001 for the year ended 30 June 2018.

***For Ocorian (Mauritius) Limited***
**Company Secretary**

*27 September 2018*

# REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee ("ARC") submits below its report for the financial year ended 30 June 2018.

## Responsibilities of the ARC

The responsibilities of the ARC are detailed on page 48 of the Corporate Governance report. In discharging its responsibilities, the ARC, amongst other functions:

- examined and reviewed the Annual Financial Statements to ensure balance and fair presentation consistent with the application of appropriate accounting policies and standards;
- reviewed and considered the appropriateness of the going concern basis in preparing the Annual Financial Statements; and
- considered material risks and internal controls to the financial reporting and fraud.

## Internal control and accounting systems

The ARC is responsible for assessing the systems of internal controls relating to financial and business processes and accounting systems of the Company. The Investment Advisor provides certain administrative and back-office services to Ethos Capital; hence the Company is largely reliant on its systems and controls. The ARC had discussions with representatives of the Investment Advisor and held discussions with the external auditor on the results of their audit of the Group. The ARC is of the opinion that the systems of internal financial and business controls are effective and form a basis for the preparation of reliable financial statements.

## Risk management

The ARC assists the Board to ensure a coordinated approach is applied to provide assurance on the recognition and management of significant risks facing the Company. The ARC is responsible for the development and periodic review and updating of a policy and framework for risk management and integration of the framework into the day-to-day activities of the Company and the activities provided by the Investment Advisor. The ARC believes the Company's systems and risk management processes are sufficiently effective to manage the risks of the Company. The Committee considered the key audit matters that are noted in the report of the external auditor on pages 64 to 66 of the Annual Financial Statements.

## Internal audit

The ARC considered the need for an internal audit function and concluded that, given the nature of the Company's business and operations and the services provided by the Investment Advisor, an internal audit function is currently not required. This will be considered again in the next financial year.

## Membership and meetings

The members of the ARC who served during the year are all independent non-executive Directors and are noted on page 49 of the Corporate Governance report. The ARC met three times during the year. The CEO, CFO and representatives of the external auditors attended ARC meetings by invitation.

## Expertise and experience of the CFO

The ARC has considered and satisfied itself of the appropriateness of the expertise and experience of the CFO, Mr Jean-Pierre van Onselen CA(SA), as well as the adequacy of the resources of Ethos that are involved with the finance function to the extent that it relates to Ethos Capital.

## External auditor and its report

The ARC considered and approved the audit fees and engagement of the external auditor, reviewed the external audit plan and subsequent report on the financial statements, and determined and approved the terms of any non-audit services. There were no non-audit services during the financial year. The ARC received all relevant information, as required by the Listings Requirements, from the auditor to assess the suitability of the reappointment of Deloitte and the designated individual partner, Dinesh Munu. In addition, the ARC discussed the matter of their independence with the external auditors and satisfied itself regarding the independence of Deloitte South Africa and Deloitte Mauritius, respectively.

## Recommendation to the Board

The ARC has reviewed and considered the Integrated Annual Report and the Annual Financial Statements and has recommended it for approval by the Board.

The ARC and the Board are satisfied that they have fulfilled their responsibilities as outlined in the Committee charter, during the year.

***Kevin Allagapen***
**Chairman of the Audit and Risk Committee**

*27 September 2018*

# DIRECTORS' REPORT

The Board has pleasure in presenting its report to shareholders, together with the audited Annual Financial Statements for the year ended 30 June 2018.

## Nature of business

EPE Capital Partners Ltd ("Ethos Capital" or "the Company") is registered and incorporated in Mauritius as a public company under the Mauritius Companies Act 2001. As an investment holding company, it offers shareholders long-term capital appreciation by indirectly investing in a diversified portfolio of unlisted private equity-type investments managed by Ethos Private Equity (Pty) Limited ("Ethos").

## Financial overview

A review of the operational and financial results of Ethos Capital is included in the Chairperson's Statement and CEO's Report on pages 7 to 11 of the Integrated Annual Report.

The Group, representing the Company and Black Hawk Private Equity (Proprietary) Limited ("Black Hawk"), which is deemed to be under the control of the Company, had a net asset value ("NAV") of R1.773 billion at 30 June 2018 (2017: R1.732 billion), representing a NAV per share ("NAVPS") of R11.00 (2017: R10.41).

The auditors assessed that Black Hawk is, in accordance with IFRS 10, under the control of the Company and that it should be treated as a subsidiary of the Company and thereby Group (consolidated) financial statements were prepared. The Board, and the Directors of Black Hawk, considered the commercial and legal arrangements and came to a different conclusion that the Company has no power, control or influence on the decisions of Black Hawk.

The Company ended its second operating financial year with a NAV of R1.908 billion (2017: R1.867 billion), which equates to a NAVPS of R10.93 (2017: R10.37). The Group and Company both achieved comprehensive profit over the financial year of R86.7 million (2017: R102.1 million).

## Trading statements

Due to the nature of the business conducted by the Company, the Board has decided to adopt the NAVPS as the relevant measure for trading statement and short-form announcement purposes.

The sustainability of the NAVPS and growth thereon over a longer period of time is considered a more appropriate measurement of financial performance, in comparison to headline earnings per share and earnings per share. This approach has been approved by the JSE.

## Dividend

No dividend has been declared for the year under review (2017: Rnil).

## Share capital

The Company restructured its share capital on 5 August 2016, and listed its A Ordinary Shares on the JSE. The issued share capital of the Company as at 30 June 2018 is set out in note 10 of the Notes to the Annual Financial Statements.

As at 30 June 2018, the Company had 174 600 000 attributable A Ordinary Shares in issue (net of 5 400 000 treasury shares and 7 500 000 encumbered shares) and 10 000 B Ordinary Shares in issue. On a consolidated basis, the Group had 161 100 000 attributable A Ordinary Shares in issue, net after 18 900 000 treasury shares and 7 500 000 encumbered shares.

## Share price and discount to NAV

Ethos Capital's shares trade on the JSE at prices that are independent of the Company's NAV; hence, the share price will not necessarily track the NAV performance. The share price reflects the market and shareholder NAV sentiment towards the NAV and future changes in it. During the year, the Company's shares traded at a discount to NAV.

The Board is committed to a policy of enhancing long-term shareholder value and will continue to monitor the Company's share price performance and the discount to NAV and consider further share repurchases. The intention is for any shares acquired by the Company to be held in treasury to enable the Company to reissue these shares should the Board elect to do so. A resolution to that effect will be put to the shareholders for approval at the Annual General Meeting ("AGM").

## Repurchase of shares and authority

During the year, Ethos Capital repurchased 5 359 898 of its A Ordinary Shares, bringing the cumulative total of shares which were held in treasury at 30 June 2018 to 5 400 000. Post 30 June 2018 up to the date of this report, just over 2 000 000 A Ordinary Shares were purchased, representing a cumulative of c.4% of the issued A Ordinary Shares of the Company.

The Company has a general authority to repurchase up to 20% of its A Ordinary Shares, in compliance with the applicable provisions of the JSE Listings Requirements and the Mauritius Companies Act 2001. This authority will expire at the AGM on 13 November 2018. At this AGM, shareholders will be requested to approve a new general authority to repurchase up to 9 105 000 A Ordinary Shares, until the conclusion of the next AGM. This represents 5% of the A Ordinary Shares in issue, net of treasury shares, at the beginning of the financial year ending 30 June 2019.

A resolution will also be presented for the approval of the authority for the Company to issue any current and further treasury shares purchased to the market, limited to c.10% (18 105 000 A Ordinary Shares) of the Company's A Ordinary Shares in issue at the date of the notice of the AGM.

## Corporate governance

Details regarding the Company's compliance and commitment to corporate governance practices are provided in the Governance report on page 45 and a specific register on the application of King IV is available at www.ethoscapital.mu/

## Risk management and internal controls

The Board believes the Company's systems and risk management processes are sufficiently effective to manage Ethos Capital's risks and the systems of internal financial and business controls are effective and form a basis for the preparation of reliable financial statements. Further information is provided on page 52 of the Integrated Annual Report.

## Board of Directors

The Board of Directors consists of five members who are all independent non-executive Directors. Further details are provided on pages 46 to 48 of the Corporate Governance report section in the Integrated Annual Report.

## Directors' emoluments

The Remuneration Committee is responsible for the emoluments of the non-executive Directors. Details of the emoluments are provided in note 19 of the Notes to the Annual Financial Statements and the Remuneration Report is presented on pages 53 and 54 of the Corporate Governance Report in the Integrated Annual Report.

## Board evaluation

The Board reviewed the performance of the Directors during the reporting year, the Board as a whole and the Board Committees and deemed the individual and collective performances satisfactory and is satisfied that the Board and its Committees have fulfilled their responsibilities in accordance with the respective charters.

## Company Secretary

The Company Secretary is Ocorian (Mauritius) Limited ("Ocorian").

The Board assessed Ocorian's competence, qualifications, experience, independence, suitability and performance and found Ocorian to be competent and suitably qualified to act as Company Secretary.

## Auditor

The Directors recommend the auditor, Deloitte, who has expressed willingness to continue in office, be reappointed at the forthcoming AGM.

## Going concern statement

The Board of Directors has a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future and be able to meet its outstanding commitments. Accordingly, the Board adopted the going concern basis in preparing the Annual Financial Statements.

## Directors' interests in the Company

The Directors' interests in the share capital of the Company at 30 June 2018 are disclosed in note 28 of the Notes to the Annual Financial Statements.

## Spread of shareholders

The shareholder spread and analysis of public and non-public shareholdings in the Company at 30 June 2018 are detailed in note 29 of the Notes to the Annual Financial Statements:

Signed on behalf of the Board of Directors:

***Yvonne Stillhart***
**Chairperson of the Board**

***Kevin Allagapen***
**Independent non-executive Director**

*27 September 2018*

# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of EPE Capital Partners Ltd

Report on the Audit of the Consolidated and Separate Financial Statements

## Opinion

We have audited the consolidated and separate financial statements of EPE Capital Partners Ltd ("the Group") set out on pages 68 to 102, which comprise the statements of financial position as at 30 June 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 June 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| Valuation of unlisted investments | |
| The Group has indirect interests in a diversified pool of unlisted investments ("Portfolio Companies") by investing into Fund Limited Partnerships ("Funds") managed by Ethos Private Equity (Pty) Limited ("Ethos"). The Group also has direct interests in certain of the Portfolio Companies alongside the Funds. | We assessed the valuation methodologies to ensure that they are appropriately applied in terms of IFRS 13 – *Fair Value Measurement* and the IPEV Guidelines and challenged the assumptions used in the valuations as follows:<br>• assessed the design and implementation of the relevant key controls within the Group and Ethos, with a specific focus on those controls mitigating the fair value risk; |

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Valuation of unlisted investments (continued)</td><td></td></tr>
<tr><td>
The fair value of these investments are determined using IFRS 13 – Fair Value Measurement and International Private Equity and Venture Capital Valuation ("IPEV") Guidelines. These investments are disclosed in note 6 "Unlisted Investments at Fair Value" of the Notes to the consolidated and separate financial statements with a total value of R712 million (2017: R308 million).
The directors receive year-end Net Asset Value ("NAV") statements of the Funds from Ethos. The NAV amounts are primarily calculated based on the individual fair values of each Fund's underlying Portfolio Companies, which are valued by Ethos. The "Earnings Multiple" methodology employed by Ethos, and described in note 5 "Critical Judgements and Accounting Estimates" of the notes to the consolidated and separate financial statements, to value the underlying Portfolio Companies is subject to significant judgements.
In determining a reasonable valuation multiple, Ethos develops a benchmark multiple with reference to the multiples of comparable companies. The benchmark multiple is adjusted for points of difference between the Portfolio Company and the comparable companies relating to risk profile (geographic, operational, financial and liquidity factors, and growth prospects).
We have identified the significant judgements, namely the selection of comparable companies and adjustments made to the earnings multiple, to be a key audit matter due to the sensitivity of the adjustments and the degree of subjectivity involved.
</td><td>
<ul>
<li>assessed the appropriateness of the valuation method applied in determining fair value of the unlisted investments;</li>
<li>reviewed the appropriateness and consistency of the comparable companies used in determining the earnings multiples applied in determining the fair value of the unlisted investments;</li>
<li>critically assessed all discounts or premiums applied to the comparable companies' weighted average multiples to confirm these adjustments were fully supported, of sound business logic and fell within a range of acceptable industry norms;</li>
<li>selected data inputs used in the valuation model of the investments' valuation, including the market capital and elements of earnings to ensure the accuracy, reliability and completeness of these inputs;</li>
<li>independently recalculated the NAV for each Fund and compared this to the NAV recorded by the directors to ensure no material differences were identified; and</li>
<li>reviewed the disclosure of the unlisted investments in the consolidated and separate financial statements to ensure the requirements of IFRS were met.</li>
</ul>
The completion of our audit procedures listed above led us to conclude that the valuation of the unlisted investments and the disclosure of these investments were appropriate.
</td></tr>
</table>

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| Restatement of the financial statements | |
| As disclosed in Note 4, the Group has restated its financial statements to consolidate Black Hawk Private Equity (Proprietary) Limited ("**Black Hawk**").<br><br>Significant judgement was required by the directors of the Group to assess whether the consolidation of Black Hawk is in accordance with IFRS 10 – *Consolidated Financial Statements*.<br><br>These judgements included an assessment on whether the consolidated financial statements reflected the true financial exposure and potential loss of EPE Capital Partners Limited.<br><br>The complexity, judgement and extent of audit effort associated with the restatement, has resulted in the inclusion of this as a key audit matter. | We responded to the restatement as follows:<br><br>• Inspected underlying contracts and agreements to verify the accuracy of the fact pattern provided by the directors of the Group;<br><br>• Obtained and evaluated technical audit and accounting specialists' opinions regarding the consolidation of Black Hawk in accordance with IFRS 10 – *Consolidated Financial Statements*;<br><br>• Reviewed and considered financial statements, management accounts and other financial information provided by the Group on the matter; and<br><br>• Evaluated the accuracy and completeness of the restated amounts, including disclosures required by IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*.<br><br>We found that the consolidation of Black Hawk was consistent with IFRS 10 – *Consolidated Financial Statements* and that the related disclosures were consistent with IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. |

## Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Report of the Audit and Risk Committee, the Report from the Company Secretary and the Integrated Annual Report, which we obtained prior to the date of this report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Company and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion.
- Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

## Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of the Company and the Group for 3 years.

***Deloitte & Touche***
**Registered Auditor**
**Per: Dinesh Munu**
**Partner**

*27 September 2018*

# STATEMENTS OF FINANCIAL POSITION

AT 3O JUNE 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 30 June 2018 R'000 | Restated 30 June 2017 R'000 | 30 June 2018 R'000 | 30 June 2017 R'000 |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Unlisted investments at fair value | 6 | 711 925 | 307 939 | 711 925 | 307 939 |
| **Total non-current assets** | | 711 925 | 307 939 | 711 925 | 307 939 |
| **Current assets** | | | | | |
| Other assets and receivables | 7 | 22 078 | 26 760 | 22 076 | 26 758 |
| Money market investments at fair value | 8 | 1 167 350 | 1 529 281 | 1 167 350 | 1 529 281 |
| Cash and cash equivalents | 9 | 13 414 | 10 504 | 12 943 | 10 044 |
| **Total current assets** | | 1 202 842 | 1 566 545 | 1 202 369 | 1 566 083 |
| **Total assets** | | 1 914 767 | 1 874 484 | 1 914 294 | 1 874 022 |
| **Equity and liabilities** | | | | | |
| **Capital and reserves** | | | | | |
| Issued capital | 10 | 1 584 031 | 1 630 012 | 1 719 031 | 1 765 012 |
| Retained earnings | 11 | 188 720 | 102 067 | 188 720 | 102 067 |
| **Total equity** | | 1 772 751 | 1 732 079 | 1 907 751 | 1 867 079 |
| **Non-current liabilities** | | | | | |
| Borrowings | 12 | 122 881 | 113 424 | – | – |
| Other financial liabilities | 13 | 12 592 | 22 038 | – | – |
| **Total non-current liabilities** | | 135 473 | 135 462 | – | – |
| **Current liabilities** | | | | | |
| Other liabilities and payables | 14 | 5 504 | 3 775 | 5 505 | 3 775 |
| Current tax liabilities | 15 | 1 039 | 3 168 | 1 039 | 3 168 |
| **Total current liabilities** | | 6 543 | 6 943 | 6 543 | 6 943 |
| **Total equity and liabilities** | | 1 914 767 | 1 874 484 | 1 914 294 | 1 874 022 |
| **Net asset value** | | 1 772 751 | 1 732 079 | 1 907 751 | 1 867 079 |
| **Basic net asset value per share (Rand)** | 23.2 | 11.00 | 10.41 | 10.93 | 10.37 |

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | Group<br>Year ended 30 June 2018 R'000 | Group<br>Restated Year ended 30 June 2017 R'000 | Company<br>Year ended 30 June 2018 R'000 | Company<br>Year ended 30 June 2017 R'000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Investment income | 16 | 142 111 | 124 397 | 142 098 | 123 901 |
| Net fair value (losses)/gains | 17 | (20 825) | 2 683 | (20 825) | 2 683 |
| Total income | | 121 286 | 127 080 | 121 273 | 126 584 |
| **Expenses** | | | | | |
| Investment-related fees | 18.1 | (16 629) | (4 820) | (16 629) | (4 820) |
| Legal and consultancy fees | 18.2 | (6 264) | (8 917) | (6 264) | (8 917) |
| Other operating expenses | 18.3 | (8 271) | (7 646) | (8 269) | (7 612) |
| Finance costs | 18.4 | (11) | (462) | – | – |
| **Total expenses** | | (31 175) | (21 845) | (31 162) | (21 349) |
| **Profit before tax** | | 90 111 | 105 235 | 90 111 | 105 235 |
| Income tax expense | 20 | (3 458) | (3 168) | (3 458) | (3 168) |
| **Profit for the year** | | 86 653 | 102 067 | 86 653 | 102 067 |
| Other comprehensive income for the year | | – | – | – | – |
| **Total comprehensive income for the year** | | 86 653 | 102 067 | 86 653 | 102 067 |
| **Earnings per share** | | | | | |
| Basic and diluted earnings per share (Rand) | 23.1 | 0.53 | 0.61 | 0.49 | 0.57 |

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

| Group | Notes | Year ended 30 June 2018<br>Share capital R'000 | Retained earnings R'000 | Total equity R'000 |
|---|---|---|---|---|
| **Balance at 1 July 2017** | | 1 630 012 | 102 067 | 1 732 079 |
| Movements in treasury shares | 10 | (45 981) | – | (45 981) |
| Profit for the year | 11 | – | 86 653 | 86 653 |
| **Balance at 30 June 2018** | | 1 584 031 | 188 720 | 1 772 751 |

| | Notes | Restated<br>Year ended 30 June 2017<br>Share capital R'000 | Retained earnings R'000 | Total equity R'000 |
|---|---|---|---|---|
| **Balance at 1 July 2016** | | – | – | – |
| Issue of Ordinary Shares | 10 | 1 800 075 | – | 1 800 075 |
| Share issue costs | 10 | (34 716) | – | (34 716) |
| Movements in treasury shares | 10 | (135 347) | – | (135 347) |
| Profit for the year | 11 | – | 102 067 | 102 067 |
| **Balance at 30 June 2017** | | 1 630 012 | 102 067 | 1 732 079 |

| Company | Notes | Year ended 30 June 2018<br>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 |
| Movements in treasury shares | 10 | (45 981) | – | (45 981) |
| Profit for the year | 11 | – | 86 653 | 86 653 |
| **Balance at 30 June 2018** | | 1 719 031 | 188 720 | 1 907 751 |

| | Notes | Year ended 30 June 2017<br>Share capital R'000 | Retained earnings R'000 | Total equity R'000 |
|---|---|---|---|---|
| **Balance at 1 July 2016** | | – | – | – |
| Issue of Ordinary Shares | 10 | 1 800 075 | – | 1 800 075 |
| Share issue costs | 10 | (34 716) | – | (34 716) |
| Movements in treasury shares | 10 | (347) | – | (347) |
| Profit for the year | 11 | – | 102 067 | 102 067 |
| **Balance at 30 June 2017** | | 1 765 012 | 102 067 | 1 867 079 |

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | Year ended 30 June 2018 R'000 | Restated Year ended 30 June 2017 R'000 | Year ended 30 June 2018 R'000 | Year ended 30 June 2017 R'000 |
| **Cash flows from operating activities** | | | | | |
| Cash used in operations | 22 | (29 745) | (17 991) | (29 743) | (18 255) |
| Interest income from cash and bank balances | | 879 | 1 682 | 866 | 1 486 |
| Income tax paid | | (5 587) | – | (5 587) | – |
| **Net cash used in operating activities before investment-related activities** | | (34 453) | (16 309) | (34 464) | (16 769) |
| **Cash flows from investment-related activities** | | | | | |
| Net cash flow from non-current investments | | (379 418) | (283 256) | (379 418) | (283 256) |
| Payments to acquire non-current investments | | (411 571) | (293 393) | (411 571) | (293 393) |
| Proceeds on disposal of non-current investments | | 16 091 | 4 888 | 16 091 | 4 888 |
| Interest received from non-current investments | | 15 984 | 4 634 | 15 984 | 4 634 |
| Dividends received from non-current investments | | 78 | 615 | 78 | 615 |
| Net cash flow from current investments | | 462 719 | (1 449 441) | 462 719 | (1 449 441) |
| Payments to acquire money market investments | | (1 427 228) | (3 277 616) | (1 427 228) | (3 277 616) |
| Proceeds on disposal of money market investments | | 1 794 860 | 1 774 211 | 1 794 860 | 1 774 211 |
| Interest received from money market investments | | 95 087 | 53 964 | 95 087 | 53 964 |
| **Net cash generated by/(used in) investment-related activities** | | 83 301 | (1 732 697) | 83 301 | (1 732 697) |
| **Cash generated by/(used in) operating activities** | | 48 848 | (1 749 006) | 48 837 | (1 749 466) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issue of Ordinary Shares | | – | 1 800 075 | – | 1 800 075 |
| Payment for share issue costs | | – | (34 716) | – | (34 716) |
| Payment for buyback of shares | | (45 981) | (135 347) | (45 981) | (347) |
| Proceeds from non-current liabilities | | – | 135 000 | – | – |
| **Net cash (used in)/generated by financing activities** | | (45 981) | 1 765 012 | (45 981) | 1 765 012 |
| **Net increase in cash and cash equivalents** | | 2 867 | 16 006 | 2 856 | 15 546 |
| Cash and cash equivalents at the beginning of the year | | 10 504 | – | 10 044 | – |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | 43 | (5 502) | 43 | (5 502) |
| **Total cash and cash equivalents at the end of the year** | | 13 414 | 10 504 | 12 943 | 10 044 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## 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 2001, and was converted to a public company on 15 July 2016. The Company is licensed as a Category One Global Business Company by the Financial Services Commission of Mauritius and is designed to offer shareholders long-term capital appreciation by investing into Funds or Direct Investments that provide the Group exposure to a diversified portfolio of unlisted private equity-type investments. The Company's A Ordinary Shares are listed on the JSE Limited.

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

The following new and revised standards and interpretations are relevant to the Group and have been adopted in these Group (consolidated) and Company Annual Financial Statements (collectively referred to as "Annual Financial Statements"). Their adoption has not had any significant impact on the amounts reported in these Annual 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 | *Statement of Cash Flows* | 1 January 2017 |
| IFRS 2 | *Share-Based Payments* | 1 January 2017 |
| IAS 12 | *Income Taxes* | 1 January 2017 |
| IFRS 12 | *Disclosure of Interest in Other Entities* | 1 January 2017 |

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

| Standard | Description/name of standard | Effective date |
|---|---|---|
| IFRS 2 | *Share-Based Payments (amended)* | 1 January 2018 |
| IFRS 9 | *Financial Instruments* | 1 January 2018 |
| IFRIC 22 | *Foreign Currency Transactions and Advance Consideration* | 1 January 2018 |
| IAS 12 | *Income Taxes (annual improvements)* | 1 January 2018 |
| IAS 23 | *Borrowing Costs (annual improvements)* | 1 January 2019 |

The Directors anticipate that these amendments will be applied in the Annual and Interim 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 Annual 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, the Listings Requirements of the JSE, and the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category One Global Business Licensed companies.

The accounting policies applied in the preparation of these Annual 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.

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

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

These Annual 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 27 September 2018.

## 3.2 Basis of consolidation

The Group (consolidated) Annual Financial Statements incorporate the financial statements of the Company and its subsidiaries.

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

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

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

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

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

# 3 Significant accounting policies (continued)

## 3.3 Financial assets

Financial assets relevant to the Group are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"); and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised on the Statements of Financial Position when the Group becomes party to the contractual terms of the instruments. The Group's financial assets that are categorised as FVTPL include unlisted investments at fair value and money market investments at fair value. Cash and bank balances, other assets and receivables are categorised as loans and receivables.

### *3.3.1 Financial assets at FVTPL*

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

| | |
|---|---|
| Primary | initial commitments made into funds during a fundraising process. |
| Secondary | subsequent acquisitions of existing commitments from another Limited Partner. |
| Direct | acquisition of interests in underlying Portfolio Companies alongside the relevant Funds where the Funds require co-investors. These will be in addition to the Funds' participation via the Limited Partners' commitments and the Group's participation is structured via either a commitment into a separate Fund, that will then invest directly into the Portfolio Company, or a Direct Investment into the Portfolio Company. |

In addition to the above Investment Strategy, cash that is surplus to investments and working capital needs is invested in a portfolio of low-risk and liquid debt instruments, categorised as Temporary Investments. These Temporary Investments are held at fair value and any discount/premium to the par value is amortised over the residual hold period of the investment and included as interest income in the Statements of Comprehensive Income.

As noted above, the Group's core unlisted investments are made via commitments into Ethos-managed Funds. This commitment is not funded upfront when the commitment is made, but is drawn down via cash funding requests ("capital calls") over the life of the Fund as required. The Fund has an investment period which typically expires five years after the final Fund closing date. The purpose of the capital calls during the investment period is to fund new and follow-on investments into Portfolio Companies, and to cover any operating expenses of the Fund. After the investment period, capital calls will be requested to fund follow-on investments into existing Portfolio Companies, operating expenses of the Fund and any other potential obligations of the Fund; this is referred to as the realisation period. Portfolio Companies could be realised, partially or in full, during either of the above periods which will result in cash receipts by the Group. Depending on the nature of the realisation proceeds, the receipts will be classified as capital distributions and/or income distributions.

As per note 5, the Group determines the fair value of the Funds, based on the net asset value ("NAV") of each Fund, and will recognise the unrealised appreciation/depreciation in the Annual Financial Statements. The NAV is derived from the fair value assessment of the Portfolio Companies, cash resources and income (accrued or undistributed) and expenditure (incurred or accrued) of the Fund.

# 3 Significant accounting policies (continued)

## 3.3 Financial assets (continued)

### *3.3.1 Financial assets at FVTPL (continued)*

The Group's policies in respect of the treatment of the investment in the Funds through capital calls, the fair value movements on the Funds' NAV and the distributions are as follows:

| | |
|---|---|
| Investment capital calls | the amount is included in the cost of unlisted investments at fair value. |
| Expenses capital calls | the amount is included within expenses and allocated to the specific expense category in the Statements of Comprehensive Income. |
| Capital distributions | the amount relating to a return of cost of investment is credited to the cost of unlisted investments at fair value and the amount relating to gains or losses is recognised as such in the Statements of Comprehensive Income. |
| Income distributions | the amount is recognised as investment income in the Statements of Comprehensive Income, per the below revenue recognition policy. |
| Unrealised fair value appreciation/depreciation | any amount that relates to income or expenses of the Fund will be treated as such in the Statements of Comprehensive Income and any such income or expenses not yet received or paid will be recognised as accrued income (see note 3.5 on revenue recognition) or accrued expenses on the Statements of Financial Position; any other amount will be treated as a capital unrealised fair value adjustment in the Statements of Comprehensive Income and included within unlisted investments at fair value in the Statements of Financial Position. |

### *3.3.2 Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include other assets and receivables and cash and bank balances. These are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the effect of discounting is immaterial.

The carrying amounts of loans and receivables are assessed at the end of each reporting period for indicators of impairment. Impairment is relevant when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the asset have been affected. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the Statements of Comprehensive Income.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in the Statements of Comprehensive Income.

# 3 Significant accounting policies (continued)

## 3.3 Financial assets (continued)

### *3.3.3 Derecognition of financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the Statements of Comprehensive Income.

## 3.4 Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### *3.4.1 Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of a group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. The Group's equity consists of A and B Ordinary Shares.

### *3.4.2 Treasury shares*

Ordinary Shares that were repurchased by the Group and which are deemed to be under the control of the Group are classified as treasury shares. The cost of treasury shares is deducted from equity in the Statements of Financial Position and shown as such on the Statements of Changes in Equity. The number of treasury shares is deducted from the issued and weighted average number of shares in issue. No gain or loss is recognised in the Statements of Comprehensive Income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

### *3.4.3 Financial liabilities*

The Group's financial liabilities, classified as other financial liabilities, consist of long-term borrowings, other financial liabilities and trade and other payables. The liabilities are measured at amortised cost using the effective interest method.

### *3.4.4 Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the Statements of Comprehensive Income.

## 3.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

*3.5.1* Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, net of any anticipated impairments. Interest income is included as investment income in the Statements of Comprehensive Income. Any discount to par achieved on money market instruments is amortised to cost over the maturity period of the investment and recognised as interest income, whereas any premium paid to par on such investments is amortised against the cost of the investment over its residual hold period and recognised as a charge against interest income.

*3.5.2* Dividend income from investments is recognised when the right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measure reliably. Dividend income is included as investment income in the Statements of Comprehensive Income.

*3.5.3* Investment gains/losses are recognised if any fair value adjustments relating to investments held at fair value are required and are included as fair value gains/losses in the Statements of Comprehensive Income.

# 3 Significant accounting policies (continued)

## 3.6 Foreign currency transactions

### *3.6.1 Functional and presentation currency*

Items included in the Annual Financial Statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Annual Financial Statements are presented in South African Rand ("ZAR" or "R"), the Group's functional currency.

### *3.6.2 Transactions and balances*

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities outstanding at reporting period are recognised in profit or loss.

Monetary assets and liabilities expressed in foreign currencies at the end of the reporting period are translated into ZAR at the closing rate ruling at that date. At 30 June 2018, the applicable rate used to translate United States Dollar ("US$") balances was US$:ZAR 13.8075.

## 3.7 Taxation

Taxation consists of Mauritian income tax and withholding taxes on foreign investment income earned.

Current income tax is the expected tax payable on the taxable profit for the current financial year, based on rates that have been enacted or substantively enacted by the end of the reporting year. To the extent that the Group incurred withholding taxes on foreign investment income, such income is recorded as a gross amount in the Statements of Comprehensive Income and withholding taxes are included in the taxation expense in the Statements of Comprehensive Income.

The Group has no deferred tax.

## 3.8 Net asset value per share

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

In calculating the NAVPS, the Group and Company's NAV, as presented on the Statements of Financial Position, is divided by the number of shares as disclosed in note 23.2. For the purposes of the NAVPS calculation, the number of shares issued is calculated as the number of shares in issue at year end less treasury shares and less the notionally encumbered shares.

# 4 Restatement

The auditors assessed that Black Hawk Private Equity (Proprietary) Limited ("Black Hawk") is, in accordance with IFRS 10, under the control of the Company and that it should be treated as a subsidiary of the Company and thereby Group (consolidated) financial statements need to be prepared. This assessment was only made in the current year and the 30 June 2017 Group comparative numbers have therefore been restated. The Company's potential exposure in respect of the guarantee provided is already recognised as a contingent liability in the Annual Financial Statements and its comparative numbers are therefore unchanged.

The Company has provided a guarantee against a R105 million five-year non-recourse loan facility (plus any outstanding interest thereon) issued by Rand Merchant Bank ("RMB") to Black Hawk, signed on 28 July 2016 and expiring on 29 July 2021. The proceeds of the facility, alongside R30 million funded by Black Hawk shareholders, who are also the Directors, were used by Black Hawk to subscribe for 13.5 million of A Ordinary Shares (representing R135 million at the issue price of R10 per share) on behalf of the shareholders, who are Directors of the Company and members of its Investment Committee. Black Hawk has pledged the 13.5 million shares as security in favour of the Company against the guarantee provided by it. The Company also has a call option to acquire the 13.5 million shares, or a lower number of shares as might be required, to settle any outstanding amount due to RMB. The call option can be exercised only when either or both of the relevant Directors cease to serve on the Investment Committee of the Company.

# 4 Restatement (continued)

The Board, and the Directors of Black Hawk, considered the commercial and legal arrangement and came to a different conclusion that the Company has no power, control or influence over the decisions of Black Hawk. The Company has the right to make decisions that can influence its own results at the following events: either at the expiry date of the facility, in which instance the Board needs to decide whether to provide its consent to the sale of the shares by Black Hawk; or when either or both of the Directors cease to serve on the Investment Committee of the Company, in which instance the Board can elect to exercise the call option and acquire the required shares at a purchase consideration that is to be used to settle the outstanding amount on the RMB facility. Any deficit between the proceeds and the RMB settlement amount will result in a loss to the Company.

The effect of consolidating the results of Black Hawk into the Group is to recognise at Group level the outstanding amount payable to RMB at the relevant reporting dates as a long-term liability; the 13.5 million secured shares that are legally owned by Black Hawk and pledged as security are treated as treasury shares of the Group at their par value of R10.00 per share; and to the extent that the par value of the shares, i.e. R135 million exceed the RMB outstanding amount, the excess over the latter is recognised as amounts payable to the Black Hawk shareholders; any deficit to the RMB outstanding amount is recognised as a loss to the Group.

This results in a decrease in the NAV of the Group compared to the Company NAV of R135 million but since these shares are excluded from the Group's issued shares in determining the NAVPS of the Group, the NAVPS increases from R10.93 at Company level to R11.00 at Group level.

Careful consideration should be given to the above treatment and disclosure as it does not reflect the true commercial exposure and potential loss of the Company if a mandatory repayment is triggered under the RMB facility. As is envisaged by the legal arrangements between the Company and Black Hawk, upon a mandatory repayment event or the maturity of the facility, the secured shares will most likely be sold with the proceeds used to repay the facility with no upside to the Company; any shortfall would have to be funded by the Company which will result in a loss to it, and hence it is unlikely that this transaction can enhance the Company's NAVPS. See note 21 for further details.

## 4.1 Restatement impact on Group Statement of Financial Position

The cash and cash equivalents of Black Hawk, which are part of the secured assets, are recognised as Group assets, whereas the shares of the Company that were pledged by Black Hawk are recognised as treasury shares of the Group, and therefore are deducted from the issued shares when determining the NAVPS. The amount payable by Black Hawk to RMB under the facility agreement, including accrued interest payable, is recognised as a non-current liability. The total of the cash and treasury shares that is in excess of the RMB liability is recognised as amounts payable to the Black Hawk shareholders under non-current liabilities.

| | Restated Group 30 June 2017 R'000 | Consolidation adjustment 30 June 2017 R'000 | Previously reported at Company level 30 June 2017 R'000 |
|---|---|---|---|
| **Total assets** | | | |
| Other unchanged total assets | 1 837 220 | – | 1 837 220 |
| Other assets and receivables | 26 760 | 2 | 26 758 |
| Cash and cash equivalents | 10 504 | 460 | 10 044 |
| **Total equity** | | | |
| Issued capital | 1 630 012 | (135 000) | 1 765 012 |
| Unchanged retained earnings | 102 067 | – | 102 067 |
| **Total liabilities** | | | |
| Non-current liabilities | 135 462 | 135 462 | – |
| Unchanged current liabilities | 6 943 | – | 6 943 |
| **Net asset value** | 1 732 079 | (135 000) | 1 867 079 |
| **Net asset value per share (Rand)** | 10.41 | 0.04 | 10.37 |
| **Attributable shares in issue at the end of the year ('000)** | 166 460 | (13 500) | 179 960 |

# 4 **Restatement** (continued)

## 4.2 Restatement impact on Group Statement of Comprehensive Income

The Group has recognised Black Hawk's investment income and operating expenses, as well as the interest expense incurred in respect of the RMB facility. To the extent that the net loss is recoverable against the initial R30 million investment provided by the Black Hawk shareholders, the reimbursement amount is recognised in the Group Statement of Comprehensive Income. The 13.5 million shares are deducted from the weighted average shares in issue during the year, and thereby impact the Group's basic and diluted earnings per share.

| | Restated Group 30 June 2017 R'000 | Consolidation adjustment 30 June 2017 R'000 | Previously reported at Company level 30 June 2017 R'000 |
|---|---|---|---|
| Investment income | 124 397 | 496 | 123 901 |
| Other operating expenses | 7 646 | 34 | 7 612 |
| Finance costs | 462 | 462 | – |
| Other unchanged net income/(expenses) | (14 222) | – | (14 222) |
| **Total comprehensive income for the year** | 102 067 | – | 102 067 |
| **Basic and diluted earnings per share (Rand)** | 0.61 | 0.04 | 0.57 |
| **Weighted average number of Ordinary Shares for the purpose of earnings per share** | 166 500 | (13 500) | 180 000 |

## 4.3 Restatement impact on Group Statement of Cash Flows

The Group cash flows reflect the payment made to acquire the treasury shares of the Group and the proceeds raised from the facilities and loan balances of RMB and Black Hawk's shareholders respectively. Furthermore, Black Hawk's net cash flow generated from operations is recognised as a cash inflow.

| | Restated Group 30 June 2017 R'000 | Consolidation adjustment 30 June 2017 R'000 | Previously reported at Company level 30 June 2017 R'000 |
|---|---|---|---|
| Cash used in operations | (17 991) | 264 | (18 255) |
| Interest income from cash and bank balances | 1 682 | 196 | 1 486 |
| Payment for buyback of shares | (135 347) | (135 000) | (347) |
| Proceeds from non-current liabilities | 135 000 | 135 000 | – |
| Other unchanged cash flow items | 27 160 | – | 27 160 |
| **Total cash and cash equivalents at the end of the year** | 10 504 | 460 | 10 044 |

## 5 Critical judgement and accounting estimates: valuation of investments

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

As stated above, the Group's investments mainly comprise drawn commitments into Funds, which in turn invests in Portfolio Companies in which the Group has an indirect interest, or into Direct Investments.

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

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

Initially, and for a limited period after the acquisition date of an investment, the "price of recent investment" method is generally used. At each reporting date after the initial acquisition date, an assessment is made as to whether subsequent changes or events necessitate a change in the fair value of the investment. If so, an "earnings multiple" methodology is generally applied.

In terms of the "earnings multiple" method, an appropriate and reasonable valuation multiple is applied to the maintainable earnings of the investment. For each investment, an "earnings before interest, tax, depreciation and amortisation" ("EBITDA") or an "earnings before interest after tax" ("EBIAT") multiple is generally considered appropriate to determine the enterprise value for the investment. In deriving a reasonable valuation multiple, the Investment Manager develops a benchmark multiple, generally with reference to the multiples of comparable publicly traded companies adjusted for finance costs (i.e. multiples have been degeared). The benchmark multiple is further adjusted for points of difference relating to risk profile (geographic, operational, financial, liquidity factors and growth prospects).

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

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

## 6 Unlisted investments at fair value

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

At 30 June 2018, the Group had the following investments:

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2018 R'000 | Restated 30 June 2017 R'000 | 30 June 2018 R'000 | 30 June 2017 R'000 |
| **Investments held at fair value through profit and loss** | | | | |
| **Carrying amounts of:** | | | | |
| Unlisted investment in EMMF I[(1)] | 320 114 | 247 412 | 320 114 | 247 412 |
| Unlisted investment in EF VI[(2)] | 82 225 | 60 527 | 82 225 | 60 527 |
| Unlisted investment in EMMF Direct[(3)] | 105 300 | – | 105 300 | – |
| Unlisted investment in Primedia Holdings Pty Ltd | 175 800 | – | 175 800 | – |
| Unlisted investment in EHP[(4)] | 28 486 | – | 28 486 | – |
| | 711 925 | 307 939 | 711 925 | 307 939 |
| **Consisting of:** | | | | |
| Cost | 686 387 | 288 505 | 686 387 | 288 505 |
| Unrealised capital revaluation movement at the end of the year | (15 483) | 7 515 | (15 483) | 7 515 |
| Accrued income | 41 021 | 11 919 | 41 021 | 11 919 |
| | 711 925 | 307 939 | 711 925 | 307 939 |

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

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

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

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

# 6 Unlisted investments at fair value (continued)

At 30 June 2018, the underlying investments of the above Funds (Portfolio Companies) constituting 37.2% of the total assets, consisted of the following 13 unlisted companies:

| Group and Company Name | Fund or type | Business description/sector | % of Total assets 30 June 2018 |
|---|---|---|---|
| Kevro | EMMF I/EMMF Direct | Corporate clothing and promotional | 10.4 |
| Primedia | EF VI/Direct | Media | 9.8 |
| Autozone | EF VI/EMMF I | Automotive parts retailer and wholesaler | 4.5 |
| Twinsaver | EF VI/EMMF I | Industrials (FMCG) | 3.2 |
| MTN Zakhele Futhi | EMMF I | Telecommunications | 2.2 |
| Eazi Access | EF VI/EMMF I | Industrial support services | 2.0 |
| Vertice | EHP | Healthcare | 1.6 |
| Echo | EMMF I | Technology | 1.3 |
| Eaton Towers | EF VI | Shared telecommunications towers | 0.7 |
| Waco International | EF VI | Industrial support services | 0.6 |
| The Beverage Company | EF VI | Carbonated drinks | 0.3 |
| Neopak | EF VI | Paper and packaging | 0.3 |
| RTT | EF VI | Logistics | 0.3 |
| | | | 37.2 |

Further details on the investment portfolio and the underlying Portfolio Companies are provided in the Review of the Investment Portfolio and Returns section on pages 13 to 19 of the Integrated Annual Report as at 30 June 2018.

| Group and Company | Cost 30 June 2018 R'000 | Capital appreciation/ (depreciation) 30 June 2018 R'000 | Accrued income 30 June 2018 R'000 | Total 30 June 2018 R'000 |
|---|---|---|---|---|
| **Reconciliation of movements:** | | | | |
| Balance at 1 July 2017 | 288 505 | 7 515 | 11 919 | 307 939 |
| Acquisitions | 411 571 | – | – | 411 571 |
| Realisations | (13 689) | (1 336) | (842) | (15 867) |
| Revaluation (decrease)/increase at the end of the year | – | (21 662) | 29 944 | 8 282 |
| **Balance at 30 June 2018** | 686 387 | (15 483) | 41 021 | 711 925 |

| | Cost 30 June 2017 R'000 | Capital appreciation 30 June 2017 R'000 | Accrued income 30 June 2017 R'000 | Total 30 June 2017 R'000 |
|---|---|---|---|---|
| Acquisitions | 293 393 | – | – | 293 393 |
| Realisations | (4 888) | – | – | (4 888) |
| Revaluation increase at the end of the year | – | 7 515 | 11 919 | 19 434 |
| **Balance at 30 June 2017** | 288 505 | 7 515 | 11 919 | 307 939 |

## 7 Other assets and receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2018 R'000 | Restated 30 June 2017 R'000 | 30 June 2018 R'000 | 30 June 2017 R'000 |
| Accrued income on money market investments | 21 085 | 26 077 | 21 085 | 26 077 |
| Prepayments | 614 | 681 | 614 | 681 |
| Other receivables | 379 | 2 | 377 | – |
| | 22 078 | 26 760 | 22 076 | 26 758 |

The carrying amount of other assets and receivables approximates its fair value.

## 8 Money market investments at fair value

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2018 R'000 | Restated 30 June 2017 R'000 | 30 June 2018 R'000 | 30 June 2017 R'000 |
| **Investments held at fair value through profit and loss** | | | | |
| **Carrying amounts of:** | | | | |
| Floating rate notes | 174 550 | 637 091 | 174 550 | 637 091 |
| Negotiable certificates of deposit | 953 508 | 577 473 | 953 508 | 577 473 |
| Treasury bills | – | 179 185 | – | 179 185 |
| Cash and call accounts | 39 292 | 135 532 | 39 292 | 135 532 |
| | 1 167 350 | 1 529 281 | 1 167 350 | 1 529 281 |
| **Consisting of:** | | | | |
| Cost | 1 166 963 | 1 528 622 | 1 166 963 | 1 528 622 |
| Unrealised capital revaluation movement at the end of the year | 387 | 659 | 387 | 659 |
| | 1 167 350 | 1 529 281 | 1 167 350 | 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 30 June 2018, the following range of interest rates was applicable to the respective categories of money market instruments, from which the accrued income at 30 June 2018 was derived:

| | 30 June 2018 | |
|---|---|---|
| **Group and Company** | Low % | High % |
| Floating rate notes | 7.3680 | 7.8750 |
| NCD | 6.8250 | 8.2000 |

# 8 Money market investments at fair value (continued)

| Group and Company | Cost 30 June 2018 R'000 | Capital appreciation/ (depreciation) 30 June 2018 R'000 | Total 30 June 2018 R'000 |
|---|---|---|---|
| **Reconciliation of movements:** | | | |
| Balance at 1 July 2017 | 1 528 622 | 659 | 1 529 281 |
| Acquisitions | 1 427 228 | – | 1 427 228 |
| Disposals and maturities | (1 794 860) | – | (1 794 860) |
| Revaluation decrease | – | (272) | (272) |
| Amortisation of net discount | 5 973 | – | 5 973 |
| **Balance at 30 June 2018** | 1 166 963 | 387 | 1 167 350 |

| | Cost 30 June 2017 R'000 | Capital appreciation 30 June 2017 R'000 | Total 30 June 2017 R'000 |
|---|---|---|---|
| Acquisitions | 3 277 616 | – | 3 277 616 |
| Disposals and maturities | (1 774 200) | – | (1 774 200) |
| Revaluation increase | – | 659 | 659 |
| Amortisation of net discount | 25 206 | – | 25 206 |
| **Balance at 30 June 2017** | 1 528 622 | 659 | 1 529 281 |

# 9 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2018 R'000 | Restated 30 June 2017 R'000 | 30 June 2018 R'000 | 30 June 2017 R'000 |
| **Cash and bank balances** | | | | |
| Call account | 8 504 | 4 879 | 8 504 | 4 879 |
| Bank balances | 4 910 | 5 625 | 4 439 | 5 165 |
| | 13 414 | 10 504 | 12 943 | 10 044 |

# 10 Issued capital

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2018 Number | Restated 30 June 2017 Number | 30 June 2018 Number | 30 June 2017 Number |
| **Issued and fully paid** | | | | |
| A Ordinary Shares issued at R10.00 per share | 180 000 000 | 180 000 000 | 180 000 000 | 180 000 000 |
| A Ordinary Shares issued at R0.01 per share | 7 500 000 | 7 500 000 | 7 500 000 | 7 500 000 |
| B Ordinary Shares issued at R0.01 per share | 10 000 | 10 000 | 10 000 | 10 000 |
| **Total issued at time of listing** | 187 510 000 | 187 510 000 | 187 510 000 | 187 510 000 |
| Black Hawk treasury shares | (13 500 000) | (13 500 000) | – | – |
| A Ordinary Shares purchased | (5 400 000) | (40 102) | (5 400 000) | (40 102) |
| **Total issued share capital** | 168 610 000 | 173 969 898 | 182 110 000 | 187 469 898 |

# 10 Issued capital (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2018 R'000 | Restated 30 June 2017 R'000 | 30 June 2018 R'000 | 30 June 2017 R'000 |
| **Issued and fully paid** | | | | |
| A Ordinary Shares issued at R10.00 per share | 1 800 000 | 1 800 000 | 1 800 000 | 1 800 000 |
| A Ordinary Shares issued at R0.01 per share | 75 | 75 | 75 | 75 |
| B Ordinary Shares issued at R0.01 per share | – | – | – | – |
| Less: Share issue costs | (34 716) | (34 716) | (34 716) | (34 716) |
| **Total issued at time of listing** | 1 765 359 | 1 765 359 | 1 765 359 | 1 765 359 |
| Black Hawk treasury shares | (135 000) | (135 000) | – | – |
| A Ordinary Shares purchased | (46 328) | (347) | (46 328) | (347) |
| **Total issued share capital** | 1 584 031 | 1 630 012 | 1 719 031 | 1 765 012 |

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

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

At the same time, 10 000 B Ordinary Shares were issued to the Trustees of the Ethos Private Equity Allocation Trust ("the EPE Trust"), at an issue price of R0.01 per share. These shares were not admitted to the JSE for listing and trading. The B Ordinary Shares are a mechanism to effect payment of the annual performance participation to the EPE Trust in the form of a cash dividend on the B Ordinary Shares, following the notional encumbrance termination date. The B Ordinary Shares therefore entitle the holders, including other rights as stated in the Company's Constitution, to participate proportionately in any distribution made by the Company in respect of the B Ordinary Shares and, upon the A Ordinary Shares issued to the EPE Trust at R0.01 per share ceasing to be encumbered (refer to note 23), to receive out of the profits of the Company an annual dividend that collectively represents the annual performance participation.

Further information on the A and B Ordinary Shares is provided in note 24.

During the year, the Company purchased 5 359 898 of its A Ordinary Shares at an average price of R8.58 per share. These shares are currently held in treasury. As set out in note 4, the 13.5 million secured shares that are legally owned by Black Hawk and pledged as security are treated as treasury shares of the Group at their par value of R10.00 per share.

## 11 Reserves

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2018 R'000 | Restated 30 June 2017 R'000 | 30 June 2018 R'000 | 30 June 2017 R'000 |
| **Retained earnings** | | | | |
| Balance at 1 July | 102 067 | – | 102 067 | – |
| Income for the year | 86 653 | 102 067 | 86 653 | 102 067 |
| **Balance at 30 June** | 188 720 | 102 067 | 188 720 | 102 067 |

## 12 Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2018 R'000 | Restated 30 June 2017 R'000 | 30 June 2018 R'000 | 30 June 2017 R'000 |
| **Unsecured – at amortised cost** | | | | |
| Bank loan | 122 881 | 113 424 | – | – |
| | 122 881 | 113 424 | – | – |
| Non-current | 122 881 | 113 424 | – | – |
| | 122 881 | 113 424 | – | – |

The Group has exposure to RMB via a R105 million five-year non-recourse loan facility (plus any outstanding interest thereon) issued by RMB to Black Hawk, expiring on 29 July 2021. The above amount represents the current outstanding balance on the facility, including any accrued interest charges to 30 June 2018. Interest currently accrues at a rate that is based on Johannesburg Interbank Agreed Rate ("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.

## 13 Other financial liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2018 R'000 | Restated 30 June 2017 R'000 | 30 June 2018 R'000 | 30 June 2017 R'000 |
| **Unsecured – at amortised cost** | | | | |
| Black Hawk shareholders' loans | 12 592 | 22 038 | – | – |
| | 12 592 | 22 038 | – | – |
| Non-current | 12 592 | 22 038 | – | – |
| | 12 592 | 22 038 | – | – |

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

## 14 Other liabilities and payables

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2018 R'000 | Restated 30 June 2017 R'000 | 30 June 2018 R'000 | 30 June 2017 R'000 |
| Administration fees payable | 448 | 575 | 448 | 575 |
| Advisory fees payable | 2 728 | – | 2 728 | – |
| Other payables | 2 328 | 3 200 | 2 329 | 3 200 |
| | 5 504 | 3 775 | 5 505 | 3 775 |

The carrying amount of trade and other payables approximates its fair value.

## 15 Current tax liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2018 R'000 | Restated 30 June 2017 R'000 | 30 June 2018 R'000 | 30 June 2017 R'000 |
| Provision for current year income tax | 1 039 | 3 168 | 1 039 | 3 168 |
| | 1 039 | 3 168 | 1 039 | 3 168 |

The carrying amount of income tax payable approximates its fair value.

## 16 Investment income

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 30 June 2018 R'000 | Restated Year ended 30 June 2017 R'000 | Year ended 30 June 2018 R'000 | Year ended 30 June 2017 R'000 |
| Interest from unlisted investments | 40 099 | 15 854 | 40 099 | 15 854 |
| Dividends from unlisted investments | 5 065 | 1 314 | 5 065 | 1 314 |
| Interest from money market investments | 90 095 | 80 251 | 90 095 | 80 251 |
| Interest from bank and call deposits | 879 | 1 682 | 866 | 1 486 |
| Fee income | – | 300 | – | – |
| | 136 138 | 99 401 | 136 125 | 98 905 |
| Amortisation of net discount | 5 973 | 24 996 | 5 973 | 24 996 |
| | 5 973 | 24 996 | 5 973 | 24 996 |
| | 142 111 | 124 397 | 142 098 | 123 901 |
| **Analysis of investment income by category of asset** | | | | |
| Interest earned from fair value through profit and loss assets | 136 167 | 121 101 | 136 167 | 121 101 |
| Dividend earned from fair value through profit and loss assets | 5 065 | 1 314 | 5 065 | 1 314 |
| Loans and receivables (including cash and bank balances) | 879 | 1 682 | 866 | 1 486 |
| Fee income from fair value through profit and loss assets | – | 300 | – | – |
| | 142 111 | 124 397 | 142 098 | 123 901 |
| **Analysis of investment income by type** | | | | |
| Mauritian interest | 341 | 90 | 341 | 90 |
| Foreign interest* | 136 705 | 122 693 | 136 692 | 122 497 |
| Foreign dividends* | 5 065 | 1 314 | 5 065 | 1 314 |
| Fee income* | – | 300 | – | – |
| | 142 111 | 124 397 | 142 098 | 123 901 |

** South African sourced.*

## 17 Net fair value (losses)/gains

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 30 June 2018 R'000 | Restated Year ended 30 June 2017 R'000 | Year ended 30 June 2018 R'000 | Year ended 30 June 2017 R'000 |
| **Unrealised** | | | | |
| Net (loss)/gain arising on changes in the fair value of unlisted investments[1] | (22 998) | 7 515 | (22 998) | 7 515 |
| Net (loss)/gain arising on changes in the fair value of money market instruments | (272) | 659 | (272) | 659 |
| Net foreign exchange gain/(loss) on conversion of cash and cash equivalents | 43 | (282) | 43 | (282) |
| | (23 227) | 7 892 | (23 227) | 7 892 |
| **Realised** | | | | |
| Gain on realisation of unlisted investments | 2 402 | – | 2 402 | – |
| Gain on realisation of money market instruments | – | 11 | – | 11 |
| Net foreign exchange loss on conversion of cash and cash equivalents | – | (5 220) | – | (5 220) |
| | 2 402 | (5 209) | 2 402 | (5 209) |
| **Net fair value (losses)/gains** | (20 825) | 2 683 | (20 825) | 2 683 |

*[1] The current year loss should be considered alongside the unrealised increase in the accrued income on the unlisted investments of R29 102 000, resulting in a net unrealised gain for the year of R6 104 000. Refer to notes 6 and 16 for further information.*

## 18 Profit before tax

Profit before tax has been arrived at after charging:

### 18.1 Investment-related fees

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 30 June 2018 R'000 | Restated Year ended 30 June 2017 R'000 | Year ended 30 June 2018 R'000 | Year ended 30 June 2017 R'000 |
| Management fees – Ethos | 5 018 | 1 286 | 5 018 | 1 286 |
| Investment service and management – Ethos | 8 312 | – | 8 312 | – |
| Administration fees – Ethos | 1 417 | 1 482 | 1 417 | 1 482 |
| Administration fees – Ashburton | 1 882 | 2 052 | 1 882 | 2 052 |
| | 16 629 | 4 820 | 16 629 | 4 820 |

Refer to note 24 for information on how the fees are calculated.

# 18 Profit before tax (continued)

## 18.2 Legal and consultancy fees

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 30 June 2018 R'000 | Restated Year ended 30 June 2017 R'000 | Year ended 30 June 2018 R'000 | Year ended 30 June 2017 R'000 |
| Legal and consultancy fees | 45 | 5 154 | 45 | 5 154 |
| Fund formation fees | 894 | 1 809 | 894 | 1 809 |
| Expenses relating to the acquisition of investments | 5 325 | 1 954 | 5 325 | 1 954 |
| | 6 264 | 8 917 | 6 264 | 8 917 |

## 18.3 Other operating expenses

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 30 June 2018 R'000 | Restated Year ended 30 June 2017 R'000 | Year ended 30 June 2018 R'000 | Year ended 30 June 2017 R'000 |
| Company secretarial, accounting and other administration fees | 1 244 | 1 517 | 1 244 | 1 517 |
| Directors' emoluments | 3 920 | 3 353 | 3 920 | 3 353 |
| Auditors' remuneration | | | | |
| – Audit services – current year | 824 | 852 | 824 | 852 |
| Insurance costs | 533 | 431 | 533 | 431 |
| Sponsor and listing-related fees | 717 | 408 | 717 | 408 |
| Other expenses | 1 033 | 1 085 | 1 031 | 1 051 |
| | 8 271 | 7 646 | 8 269 | 7 612 |

## 18.4 Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 30 June 2018 R'000 | Restated Year ended 30 June 2017 R'000 | Year ended 30 June 2018 R'000 | Year ended 30 June 2017 R'000 |
| Other interest expense | 9 457 | 8 424 | – | – |
| Less: Reimbursement by Black Hawk shareholders | (9 446) | (7 962) | – | – |
| | 11 | 462 | – | – |

## 19 Directors' emoluments

The following emoluments were paid to the Directors during the year:

| For services as Directors | Group: Year ended 30 June 2018 R'000 | Group: Restated Year ended 30 June 2017 R'000 | Company: Year ended 30 June 2018 R'000 | Company: Year ended 30 June 2017 R'000 |
|---|---|---|---|---|
| Derek Prout-Jones | 1 500 | 1 267 | 1 500 | 1 267 |
| Kevin Allagapen | 320 | 278 | 320 | 278 |
| Michael Pfaff | 1 180 | 995 | 1 180 | 995 |
| Yuvraj Juwaheer | 320 | 310 | 320 | 310 |
| Yvonne Stillhart | 600 | 503 | 600 | 503 |
| | 3 920 | 3 353 | 3 920 | 3 353 |

## 20 Income tax expense

| | Group: Year ended 30 June 2018 R'000 | Group: Restated Year ended 30 June 2017 R'000 | Company: Year ended 30 June 2018 R'000 | Company: Year ended 30 June 2017 R'000 |
|---|---|---|---|---|
| **Current tax** | | | | |
| In respect of the current year | 3 458 | 3 168 | 3 458 | 3 168 |
| **Total income tax expense** | 3 458 | 3 168 | 3 458 | 3 168 |

The Company is liable for income tax at a rate of 15%. However, the Company is entitled to a tax credit equivalent to the higher of the actual foreign tax withheld and 80% of the Mauritian tax on its foreign source income, thus leaving an effective tax rate of 3%. The tax credit amount is limited to 80% of the net income tax payable before the tax credit. There is no additional tax liability at the Group level.

The income tax expense for the year can be reconciled to the accounting profit as follows:

| Group and Company | Year ended 30 June 2018 R'000 | Year ended 30 June 2017 R'000 |
|---|---|---|
| **Profit before tax** | 90 110 | 105 235 |
| **Income tax calculated at 15%** | 13 517 | 15 785 |
| Adjustments for the effect of: | | |
| Mauritian interest income exempt from taxation | (51) | (14) |
| Expenses that are not deductible in determining taxable profit | 487 | 1 256 |
| – Legal and consultancy fees in respect of the formation of the Company | – | 639 |
| – Other expenses in respect of the formation of the Company | – | 53 |
| – Other legal expenses deemed of a capital nature | 48 | – |
| – Expenses relating to Fund formations | 144 | 271 |
| – Expenses relating to investment transactions | 295 | 293 |
| Realised fair value gains not deductible | (360) | (2) |
| Unrealised fair value gains not taxable | 3 484 | (1 184) |
| 80% tax credit on foreign investment income | (13 662) | (12 673) |
| Foreign withholding tax | 43 | – |
| **Total adjustments** | (10 059) | (12 617) |
| **Income tax expense recognised in current year** | 3 458 | 3 168 |

# 21 Capital commitments and contingent liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2018 R'000 | Restated 30 June 2017 R'000 | 30 June 2018 R'000 | 30 June 2017 R'000 |
| **Undrawn capital commitments** | | | | |
| Unlisted investment in EMMF I[1] | 626 192 | 319 205 | 626 192 | 319 205 |
| Unlisted investment in EMP 3[2] | 276 150 | – | 276 150 | – |
| Unlisted investment in EF VI[3] | 44 946 | 55 874 | 44 946 | 55 874 |
| Unlisted investment in Primedia Holdings Pty Ltd[4] | 7 535 | – | 7 535 | – |
| Unlisted investment in EHP[5] | 1 514 | – | 1 514 | – |
| Unlisted investment in EMMF Direct[6] | – | – | – | – |
| | 956 337 | 375 079 | 956 337 | 375 079 |
| **Contingent liabilities** | | | | |
| RMB facility | – | – | 122 881 | 113 424 |
| | – | – | 122 881 | 113 424 |
| **Total commitments and contingent liabilities** | 956 337 | 375 079 | 1 079 218 | 488 503 |

(1) *Final commitment of R950 million to Ethos Mid Market Fund I (B) Partnership, with the initial commitment on 11 November 2016.*

(2) *Commitment of US$20 million (R276 million) to Ethos Mezzanine Partners 3 (B) Partnership on 16 May 2018.*

(3) *Commitment of US$10 million (R138 million) to Ethos Fund VI (Jersey) LP on 18 November 2016.*

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

(5) *R30 million commitment to Ethos Healthcare (A) Partnership on 16 May 2018.*

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

As detailed in note 4, the Company has provided a guarantee against a R105 million five-year non-recourse loan facility (plus any outstanding interest thereon) issued by RMB to Black Hawk, expiring on 29 July 2021. The above amount represents the current outstanding balance on the facility, including any accrued interest charges to 30 June 2018. 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.

As security against the above guarantee, Black Hawk has pledged 13.5 million shares in favour of the Company, which was valued at R106 650 000 at 30 June 2018. In the event that a mandatory repayment under the RMB facility was triggered at 30 June 2018, an implied shortfall would have resulted in a loss to the Company of R15 761 000, a decrease in the NAVPS of 9.0 cents. The guarantee has been recognised as a contingent liability in the Annual Financial Statements of the Company and the above implied contingent loss has not been recognised in the Annual Financial Statements of the Company.

## 22 Notes to the Statements of Cash Flows

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 30 June 2018 R'000 | Restated Year ended 30 June 2017 R'000 | Year ended 30 June 2018 R'000 | Year ended 30 June 2017 R'000 |
| **Cash flows from operating activities before investment transactions** | | | | |
| **Profit for the year** | 86 653 | 102 067 | 86 653 | 102 067 |
| **Adjustments for:** | | | | |
| Investment income recognised in profit | (142 111) | (124 097) | (142 098) | (123 901) |
| Loss/(gain) from fair value adjustments | 23 270 | (8 174) | 23 270 | (8 174) |
| Net foreign exchange (gain)/loss | (43) | 5 502 | (43) | 5 502 |
| Gain on disposal of investments | (2 402) | (11) | (2 402) | (11) |
| Finance costs recognised in profit | 11 | 462 | – | – |
| Income tax expense recognised in profit | 3 458 | 3 168 | 3 458 | 3 168 |
| | (31 164) | (21 083) | (31 162) | (21 349) |
| Movements in working capital | 1 419 | 3 092 | 1 419 | 3 094 |
| Increase in trade and other receivables | (310) | (683) | (310) | (681) |
| Increase in trade and other payables | 1 729 | 3 775 | 1 729 | 3 775 |
| **Cash used in operations** | (29 745) | (17 991) | (29 743) | (18 255) |

## 23 Earnings and NAVPS

As detailed in note 10, the Company issued 187 500 000 A Ordinary Shares, 7 500 000 of which were issued to the EPE Trust and are currently notionally encumbered. Until these shares are released from their encumbrance (through the notional performance participation), the Company has an irrevocable right and option to acquire the notionally encumbered A Ordinary Shares at a repurchase price of R0.01 per share, being each share's fair value, and then to apply for the delisting of such shares acquired. The holders of these shares are therefore restricted from selling the shares to any party other than the Company and obtaining or sharing in any economic benefit derived from the shares, until they are released from their encumbrance.

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

# 23 Earnings and NAVPS (continued)

## 23.1 Earnings and headline earnings per share

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 30 June 2018 R'000 | Restated Year ended 30 June 2017 R'000 | Year ended 30 June 2018 R'000 | Year ended 30 June 2017 R'000 |
| **Total comprehensive profit attributable to ordinary shareholders** | 86 653 | 102 067 | 86 653 | 102 067 |
| **Reconciliation of basic earnings to headline earnings:** | | | | |
| Total comprehensive profit attributable to ordinary shareholders | 86 653 | 102 067 | 86 653 | 102 067 |
| Items attributable to headline earnings | – | – | – | – |
| **Headline earnings for the year** | 86 653 | 102 067 | 86 653 | 102 067 |

| | '000 | '000 | '000 | '000 |
|---|---|---|---|---|
| **Weighted average number of Ordinary Shares for the purpose of earnings per share** | 163 628 | 166 500 | 177 128 | 180 000 |
| **Basic and diluted earnings per share (Rand)** | 0.53 | 0.61 | 0.49 | 0.57 |
| **Basic and diluted headline earnings per share (Rand)** | 0.53 | 0.61 | 0.49 | 0.57 |

## 23.2 Basic net asset value per share

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2018 R'000 | Restated 30 June 2017 R'000 | 30 June 2018 R'000 | 30 June 2017 R'000 |
| **Net assets** | 1 772 751 | 1 732 079 | 1 907 751 | 1 867 073 |

| | '000 | '000 | '000 | '000 |
|---|---|---|---|---|
| Number of shares in issue during the year | 187 500 | 187 500 | 187 500 | 187 500 |
| Less: Shares held in treasury | (18 900) | (13 540) | (5 400) | (40) |
| Less: Notionally encumbered shares | (7 500) | (7 500) | (7 500) | (7 500) |
| **Number of shares in issue for the purpose of net asset value per share** | 161 100 | 166 460 | 174 600 | 179 960 |
| **Basic net asset value per share (Rand)** | 11.00 | 10.41 | 10.93 | 10.37 |

## 24 Key agreements

The Company has entered into an investment services agreement with Ethos, the terms of which stipulate that the latter, as Investment Advisor, will provide investment advice (including sourcing investments), administrative and back-office services to the Company. As payment for these services, Ethos receives investment services, management fees and administration fees that are calculated and paid quarterly.

The investment services fee is 1.5% of the average of the opening invested NAV and closing invested NAV for Direct Investments; and the management fee is 1.5% of the average of the opening invested NAV and closing invested NAV for Primary Investments. In no event shall any of the above fees be less than zero and both fees were only effective from 1 July 2017. In respect of any Secondary Investments acquired, the management fee payable thereon will be the Company's proportionate share of any management fee charged by and payable to the manager of such Fund.

Ethos receives a fee of 0.25% of the average balance of the Temporary Investments as an administration fee for providing the administrative and back-office services. As noted above, the Company has an investment management agreement with Ashburton to manage its Temporary Investments. The administration fee paid to Ethos is reduced by any fees payable to Ashburton, charged at 0.15%.

The Company has also entered into a subscription agreement with the EPE Trust that sets out and manages the terms of the A and B Ordinary Shares the EPE Trust subscribed for, as well as the annual performance participation the EPE Trust is entitled to. The annual notional performance participation, and annual performance participation thereafter, is based on 20% of the growth in NAV of invested assets and is triggered each year if the NAV growth exceeds a preferred hurdle of 10%. The performance is also measured over a cumulative three-year measurement period to ensure the average NAV growth over such period exceeds the preferred hurdle; to the extent that the aggregate of the three annual participations is more or less than the three-year average calculation, an adjustment to or provision for the performance participation will be made in the final year of the measurement period and adjusted in subsequent periods if necessary.

# 25 Related parties

Related parties are entities with the ability to control the other party or exercise significant influence over such party in making financial and operating decisions, or anyone that is part of the key management personnel (including Directors) of the Group. The Board of Directors considered the key agreements, transactions and relationships between the Group and other entities and has classified the entities listed below as a related party. Where applicable, any transaction with a related party is disclosed below:

**Key management personnel (including Directors)**

Non-executive Directors

Senior Advisors

**Entity is a provider of key management personnel to the Group**

Ethos

**Entity controlled or jointly controlled by an identified related part of the Group and/or Company**

Enoha GmbH

Black Hawk

## 25.1 Investment-related fees

The fees, as detailed in note 24, that were payable to the Ethos Group during the year and any outstanding balances at 30 June 2018, are listed below:

| Group and Company | Year ended 30 June 2018 R'000 | Year ended 30 June 2017 R'000 |
|---|---|---|
| **Fees payable** | | |
| Management fees | 5 018 | 1 286 |
| Investment service and management fees | 8 312 | – |
| Administration fees | 1 417 | 1 482 |
| | 14 747 | 2 768 |

| | 30 June 2018 R'000 | 30 June 2017 R'000 |
|---|---|---|
| **Outstanding balances** | | |
| Investment service and management fees | 2 728 | – |
| Administration fee | 302 | 384 |
| | 3 030 | 384 |

## 25.2 Remuneration of Directors

The individual remuneration of the Directors who are classified as "key management personnel" and therefore as related parties of the Group, is disclosed in note 19.

Included in the above remuneration is an amount of R600 000 paid to Enoha GmbH in respect of the Director's remuneration of Yvonne Stillhart.

There was no outstanding remuneration due at 30 June 2018.

## 25.3 Other

As set out in note 21, the Company provided a guarantee on a R105 million loan facility (including any accrued interest) in favour of Black Hawk. Black Hawk subscribed to the A Ordinary Shares of the Company (see notes 28 and 29) for the benefit of the two Directors and/or their associates.

# 26 Financial risk factors and instruments

## 26.1 Overview

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

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

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

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

## 26.2 Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of its Statements of Financial Position.

The capital structure of the Group consists of equity attributable to ordinary shareholders, comprising share capital and retained earnings. The Group currently does not have a committed bank facility, but the intention is to put a facility in place to fund its core unlisted investments (if needed) in addition to the available Temporary Investments.

The Group's liquidity profile, current and forecast, is monitored on a continuous basis by the Board and is considered before investments are approved.

## 26.3 Valuation risk

### *26.3.1 Risk, policies and procedures*

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

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

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

# 26 Financial risk factors and instruments (continued)

## 26.3 Valuation risk (continued)

### *26.3.2 Fair value classification of investments*

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

Investments trading in active markets and deriving their fair value from quoted market prices of identical assets are classified within level 1. These prices provide the most reliable fair value classification and the Group does not need to adjust the quoted prices to measure the fair value of investments. The quoted market price used for investments held by the Group is the current bid price.

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

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

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

| Group and Company | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 | Total R'000 |
|---|---|---|---|---|
| **2018** | | | | |
| **Assets** | | | | |
| Unlisted investments | – | – | 711 925 | 711 925 |
| Money market investments | – | 1 167 350 | – | 1 167 350 |
| Accrued income on money market investments | – | 21 085 | – | 21 085 |
| | – | 1 188 435 | 711 925 | 1 900 360 |

| Group and Company | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 | Total R'000 |
|---|---|---|---|---|
| **2017** | | | | |
| **Assets** | | | | |
| Unlisted investments | – | – | 307 939 | 307 939 |
| Money market investments | – | 1 529 281 | – | 1 529 281 |
| Accrued income on money market investments | – | 26 077 | – | 26 077 |
| | – | 1 555 358 | 307 939 | 1 863 297 |

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

# 26 Financial risk factors and instruments (continued)

## 26.3 Valuation risk (continued)

### *26.3.2 Fair value classification of investments (continued)*

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

| | Unlisted investments | |
|---|---|---|
| **Group and Company** | **30 June 2018 R'000** | **30 June 2017 R'000** |
| **Non-current assets** | | |
| Opening balance | 307 939 | – |
| Acquisitions | 411 571 | 293 393 |
| Realisations and equalisations at carrying value of acquisitions | (15 867) | (4 888) |
| Net gains included in the Statements of Comprehensive Income | 8 282 | 19 434 |
| | 711 925 | 307 939 |

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 5. 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, past 12 months' EBITDA or EBITDA adjusted to a normalised earnings level.

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

The capital structure of each Portfolio Company determines the ranking or distribution waterfall of how the fair value is firstly allocated to each type of security, and secondly to each holder of such securities, for example taking into consideration preferred rights or incentive schemes upon an exit scenario, possible earn-out 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 does not have direct access or input to these valuation models or the subjective assessments that were considered in deriving the fair value and is 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 Group a sensitivity analysis of the potential impact on changes to one or more of the underlying inputs to fair value.

## 26.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Board agrees and reviews the Group's policies for managing these risks.

# 26 Financial risk factors and instruments (continued)

### *26.4.1 Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's unlisted investments are currently all held in ZAR denominated funds, as are the Funds' underlying investments in Portfolio Companies. The Portfolio Companies might operate in multi-currency jurisdictions and will manage their own currency risk, which could be through funding their debt in multiple currencies that match their operations or foreign exchange hedging policies. The Board actively monitors the Group's currency exposure and will consider hedging strategies if required and as appropriate. In addition, relatively small amounts of cash and cash equivalents are held in US$ to fund operating expenses, which will not be materially impacted by changes in foreign exchange rates.

### *26.4.2 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 Group 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 Group'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 at 30 June 2018 of the Temporary Investments held at 30 June 2018 based on assumed changes to the market interest rates (measured in basis points ("bp") at different intervals and taking into account the maturity dates of the securities.

| | **Fair value adjustment 30 June 2018 R'000** |
|---|---|
| **Change in market interest rates assumed** | |
| -75 bp | 2 140 |
| -50 bp | 1 427 |
| -25 bp | 713 |
| +25 bp | (713) |
| +50 bp | (1 427) |
| +75 bp | (2 140) |

# 26 Financial risk factors and instruments (continued)

## 26.4 Market risk (continued)

### *26.4.3 Equity price risk*

Whilst the Group does not currently hold any direct equity securities, it is indirectly exposed to equity price risk through the valuation of the underlying portfolio investments held by its investments in Funds. The fair value of these companies is largely derived from comparable market ratings, which are derived from public companies' quoted market prices and earnings. The underlying Portfolio Companies are valued quarterly and the Board has access to the valuation information to monitor and review the fair value of the investments and consider any impairments where appropriate.

The table below illustrates the sensitivity in the fair value of the unlisted investments held at 30 June 2018 based on fluctuations in the price of its unlisted investments.

| | **Fair value adjustment 30 June 2018 R'000** |
|---|---|
| **Change in equity prices assumed:** | |
| +5% | 35 596 |
| -5% | (35 596) |

## 26.5 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is limited to the carrying amount of financial assets at the reporting date. The Group believes that, through investing in Funds managed by an experienced Investment Advisor with a proven track record, given the diverse number of Portfolio Companies each Fund invests in and by managing concentration risk in its portfolio, the risk is reduced. In addition, the Group has an Investment Committee with experienced members who enforce a rigorous assessment, review and due diligence with each investment decision. The Board receives regular updates from the Investment Advisor to enable it to monitor the performance of the underlying investments.

Furthermore, the Group's Temporary Investments are managed by Ashburton, which is mandated to invest in treasury bills issued by the government of the Republic of South Africa as well as short-term paper issued by the big four South African banks and the investment management agreement has certain restrictions and limits, set by the Board, to manage the Group's credit risk exposure. Cash and cash equivalents are held with FirstRand Bank Limited (South Africa) and Investec Mauritius. The carrying amount of the financial assets in the Annual Financial Statements represents the Group's maximum exposure to credit risk.

## 26.6 Liquidity risk

This risk occurs when the Group is unable to meet its short-term obligations, largely due to its inability to convert its financial assets into cash and cash equivalents. The Group's strategy is to make long-term commitments into Fund Limited Partnerships that invest in unlisted Portfolio Companies, which are not as readily realisable as quoted investments. The Group might struggle to generate liquidity on short notice and the Board therefore regularly monitors its forecasts, cash flows, commitment levels and available liquidity resources, the latter consisting of Temporary Investments that are tradeable on short notice in active markets and cash and cash equivalents. The maturity profile of Temporary Investments is reviewed regularly and Ashburton aims to match the liquidity profile with the Group's liquidity requirements to ensure the availability of resources when required. The Group currently has a significant proportion of its net assets invested in such liquid resources.

## 27 Events after the reporting period

There have been no material events after the reporting date that would require disclosure or adjustment to the Annual Financial Statements for the year ended 30 June 2018.

## 28 Directors' interests

The table below sets out the interests in the share capital of the Company held by Directors at 30 June 2018:

| | A Ordinary Shares | | | |
|---|---|---|---|---|
| **Company** | **30 June 2018 Number** | **30 June 2018 %** | **30 June 2017 Number** | **30 June 2017 %** |
| **Direct beneficial** | | | | |
| Yvonne Stillhart | 610 000 | 0.33 | 610 000 | 0.33 |
| **Indirect beneficial via associates** | | | | |
| Derek Prout-Jones[(1)] | 7 057 075 | 3.76 | 6 750 000 | 3.60 |
| Michael Pfaff[(1)] | 7 364 151 | 3.93 | 6 750 000 | 3.60 |
| | 15 031 226 | 8.02 | 14 110 000 | 7.53 |

[(1)] *Including 6 750 000 shares held through Black Hawk.*

There has been no change in the Directors' interests since 30 June 2018.

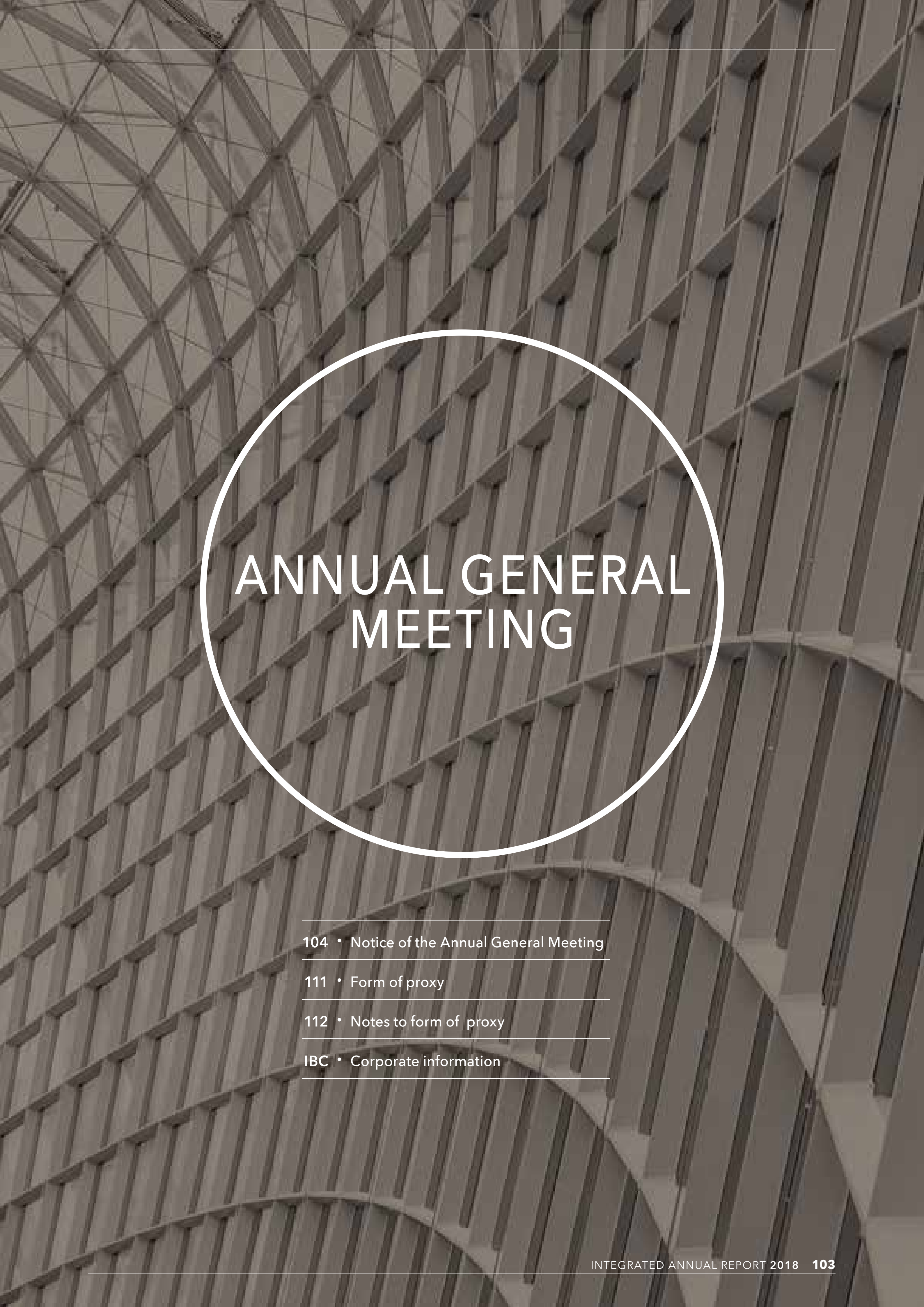
## 29 Spread of shareholders

The shareholder spread and analysis of public and non-public shareholdings in the Company at 30 June 2018 are as follows:

| **Company** | **Number of shareholders 30 June 2018** | **% of shareholders 30 June 2018** | **Number of A Ordinary Shares 30 June 2018** | **% of total A Ordinary Shares 30 June 2018** |
|---|---|---|---|---|
| **Shareholder spread** | | | | |
| 1 – 50 000 shares | 1 921 | 88.16 | 16 740 083 | 8.93 |
| 50 001 – 500 000 shares | 185 | 8.49 | 30 931 019 | 16.50 |
| 500 001 – 1 000 000 shares | 38 | 1.74 | 28 343 471 | 15.11 |
| 1 000 001 – 5 000 000 shares | 28 | 1.28 | 58 775 626 | 31.35 |
| 5 000 001 – 10 000 000 shares | 6 | 0.28 | 39 209 801 | 20.91 |
| More than 10 000 000 shares | 1 | 0.05 | 13 500 000 | 7.20 |
| | 2 179 | 100.00 | 187 500 000 | 100.00 |

| | **Number of A Ordinary shares 30 June 2018** | **% of total A Ordinary Shares 30 June 2018** |
|---|---|---|
| **Public shareholders** | 159 718 774 | 85.18 |
| **Non-public shareholders** | 27 781 226 | 14.82 |
| Directors | 15 031 226 | 8.02 |
| Ethos and associates | 12 750 000 | 6.80 |
| | 187 500 000 | 100.00 |

There is only one shareholder, Black Hawk, with a shareholding of more than 5%. The shareholding, consisting of 13 500 000 shares, is held on behalf of two non-executive Directors as set out in notes 4 and 28.



# ANNUAL GENERAL MEETING

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting ("AGM") of shareholders of EPE Capital Partners Ltd ("Ethos Capital" or "the Company") will be held at Cellars-Hohenort Hotel, 93 Brommersvlei Road, Constantia, Cape Town, South Africa on Tuesday, 13 November 2018, at 14:00.

## Purpose

The purpose of the AGM is to pass the ordinary and special resolutions, if approved, with or without amendment, as noted below:

## Agenda

Presentation of the audited Annual Financial Statements of the Group and Company, including the Directors' Report, the Report of the Audit and Risk Committee and the Independent Auditor's Report for the financial year ended 30 June 2018. The Integrated Annual Report, of which this notice forms part, contains the Group and Company's Annual Financial Statements and the above-mentioned reports. The Annual Financial Statements, including the unmodified opinion of the auditor, are available on the Company's website at www.ethoscapital.mu, or may be requested and obtained in person, at no charge, at the registered office of the Company during office hours.

*To consider and, if deemed fit, approve with or without modification, the following ordinary and special resolutions:*

### 1 Consideration and approval of the Annual Financial Statements and consideration of the Integrated Annual Report

***Ordinary resolution number 1***

"**Resolved that** the audited Annual Financial Statements of the Group and Company, including the Directors' Report, the Report of the Audit and Risk Committee and the Independent Auditor's Report, for the financial year ended 30 June 2018, be considered and approved and the Integrated Annual Report be considered."

***Reason for and effect of ordinary resolution number 1***

The reason for the passing of this resolution is that sections 5.4.1 to 5.4.3 of Schedule 2 of the Company's Constitution provide that at each AGM the Company's Annual Financial Statements be considered and approved, the Independent Auditor's Report be received and the Integrated Annual Report be considered.

The effect of each of these resolutions is to receive the Annual Financial Statements, including the Independent Auditor's Report, and the Integrated Annual Report, both for the year ended 30 June 2018, as provided for by the Constitution.

### 2 Reappointment of the South African Auditor

***Ordinary resolution number 2***

"**Resolved that** the auditor, Deloitte South Africa, as the independent registered auditor of the Company, with Dinesh Munu as the individual registered auditor and partner of the firm who will undertake the audit of the Company in relation to its South African matters, be reappointed upon the recommendation of the Audit and Risk Committee and the Board of Directors."

***Reason for and effect of ordinary resolution number 2***

The reason for the passing of this resolution is that section 2.5.1 of the Company's Constitution provides that at each AGM the Company must appoint an auditor.

The firm Deloitte South Africa is an accredited auditor appearing as such on the list of accredited auditors of the JSE in South Africa.

The independence of Deloitte South Africa was confirmed to be untainted.

Dinesh Munu is a registered auditor and partner with Deloitte South Africa and is, *inter alia*, registered with the South African Institute of Chartered Accountants. In terms of the prescribed auditor rotation requirements, he is eligible to serve as the individual auditor to lead the audit of the Company.

Deloitte South Africa and Dinesh Munu qualify for appointment as the Company's external auditor in terms of prescribed legislation and applicable ethical codes.

The effect of this resolution is that the reappointment of Deloitte South Africa, as the auditing firm of the Company, and Dinesh Munu, as the individual designated auditor responsible for leading any audit in respect of the Company, is confirmed and endorsed by the shareholders.

## 3 Reappointment of the Mauritian Auditor

### *Ordinary resolution number 3*

"**Resolved that** the auditor, Deloitte Mauritius, as the independent registered auditor of the Company, with Twaleb Butonkee as the individual registered auditor and partner of the firm who will undertake the audit of the Company in relation to its Mauritian matters, be reappointed upon the recommendation of the Audit and Risk Committee and the Board of Directors."

#### *Reason for and effect of ordinary resolution number 3*

The reason for the passing of this resolution is that section 2.5.1 of the Company's Constitution provides that at each AGM the Company must appoint an auditor.

The independence of Deloitte Mauritius was confirmed to be untainted.

Deloitte Mauritius and Twaleb Butonkee qualify for appointment as the Company's external auditor in terms of prescribed legislation and applicable ethical codes.

The effect of this resolution is that the reappointment of Deloitte Mauritius, as the auditing firm of the Company, and Twaleb Butonkee, as the individual designated auditor responsible for leading any audit in respect of the Company, is confirmed and endorsed by the shareholders.

## 4 Re-election of Directors

### *4.1 Ordinary resolution number 4*

"**Resolved that** Mr Derek Prout-Jones, who retires at the AGM and is eligible, and who has made himself available for re-election, be re-elected as a Director of the Company."

### *4.2 Ordinary resolution number 5*

"**Resolved that** Mr Yuvraj Juwaheer, who retires at the AGM and is eligible, and who has made himself available for re-election, be re-elected as a Director of the Company."

#### *Reason for and effect of ordinary resolutions numbers 4 and 5*

The reason for the passing of these resolution is that section 18.6.1 of the Company's Constitution provides that at each AGM, at least one-third of the Directors shall retire from office and they may stand for re-election, provided that such Director is eligible.

The reason for each of these resolutions is to authorise the appointment of the above stated persons to the Board of Directors as allowed by the Constitution.

An abbreviated *curriculum vitae* of each person standing for re-election is set out on page 47 of the Integrated Annual Report, and for purposes of these resolutions, is regarded as forming an integral part of these resolutions.

The effect of each of these resolutions is to authorise the appointment of the above-stated persons to the Board of Directors as allowed by the Constitution.

## 5 Re-election of members of the Audit and Risk Committee

### *5.1 Ordinary resolution number 6*

"**Resolved that** Mr Derek Prout-Jones, who retires at the AGM and has made himself available for re-election, be re-elected as a member of the Audit and Risk Committee, subject to the approval of ordinary resolution number 4 above."

### *5.2 Ordinary resolution number 7*

"**Resolved that** Mr Kevin Allagapen, be re-elected as a chairperson of the Audit and Risk Committee."

### *5.3 Ordinary resolution number 8*

"**Resolved that** Mr Yuvraj Juwaheer, who retires at the AGM and has made himself available for re-election, be re-elected as a member of the Audit and Risk Committee, subject to the approval of ordinary resolution 5 above."

#### *Reason for and effect of ordinary resolution numbers 6 to 8*

The reason for the passing of these resolutions is that section 2.6.2 of the Company's Constitution provides that at each AGM the Company must elect the members of the Audit and Risk Committee.

The reason for each of these resolutions is to authorise the appointment of the above-stated persons to the Audit and Risk Committee as allowed by the Constitution.

The Board is satisfied that the above-mentioned persons possess the appropriate qualifications, skills and experience to fulfil their Audit and Risk Committee obligations allowed by the Constitution.

An abbreviated *curriculum vitae* of each person standing for re-election is set out on page 47 of the Integrated Annual Report, and for purposes of these resolutions, is regarded as forming an integral part of these resolutions.

The effect of each of these resolutions is to authorise the appointment of the above-stated persons to the Audit and Risk Committee as allowed by the Constitution.

## 6 Approval of Directors' remuneration

### *Ordinary resolution number 9*

"**Resolved that** the all-inclusive gross remuneration to be paid to the non-executive Directors for their services as Directors for the year 1 July 2018 to 30 June 2019, as set out below, is hereby approved."

| Directors' remuneration | Year to 30 June 2019 Rand | Year to 30 June 2018 Rand |
|---|---|---|
| Derek Prout-Jones | 1 575 000 | 1 500 000 |
| Kevin Allagapen | 336 000 | 320 000 |
| Michael Pfaff | 1 240 000 | 1 180 000 |
| Yuvraj Juwaheer | 336 000 | 320 000 |
| Yvonne Stillhart | 630 000 | 600 000 |

#### *Reason for and effect of ordinary resolution number 9*

The reason for the passing of the resolution is that section 18.5.1 of the Company's Constitution provides that, notwithstanding anything to the contrary contained in the Constitution or any agreement, understanding or arrangement with a Director, the Company shall not be obliged or entitled or required to pay any remuneration to a Director for their services as Directors (which shall exclude salaries of executive Directors) except such remuneration as has been approved by and in terms of an ordinary resolution.

Accordingly, the reason for this resolution is, *inter alia*, to approve the remuneration and basis for compensation of the non-executive Directors for the ensuing year.

The effect of this resolution is that the non-executive Directors' remuneration and basis for compensation will be authorised for the period 1 July 2018 until 30 June.

## 7 Non-binding endorsement of the remuneration policy

### *Ordinary resolution number 10*

"**Resolved that** the shareholders, by way of a non-binding advisory vote, endorse the Company's remuneration policy as detailed on page 53 of the Integrated Annual Report."

#### *Reason for and effect of ordinary resolution number 10*

The reason for the passing of the resolution is that it is a requirement of the JSE Listings Requirements to table the remuneration policy for a non-binding advisory vote by shareholders at each AGM, as suggested by King IV.

Accordingly, the reason for this resolution is to endorse the remuneration policy of the Company.

The effect of this resolution will be for the shareholders to endorse the Company's remuneration policy. This is an advisory vote only, and the failure to pass this resolution will not impact the current remuneration agreements; however, the Board will take the outcome of the vote and any views raised in consideration when making or considering changes to the current remuneration policy.

## 8 Non-binding endorsement of the implementation report of the Company's remuneration policy

*Ordinary resolution number 11*

"**Resolved that** the shareholders, by way of a non-binding advisory vote, endorse the Company's implementation report in relation to the remuneration policy as detailed on page 53 of the Integrated Annual Report."

*Reason for and effect of ordinary resolution number 11*

The reason for the passing of the resolution is that it is a requirement of the JSE Listings Requirements to table the implementation report for a non-binding advisory vote by shareholders at each AGM, as suggested by King IV.

Accordingly, the reason for this resolution is to endorse the implementation report in relation to the Company's remuneration policy.

The effect of this resolution will be for the shareholders to endorse the Company's implementation report in relation to the remuneration policy. This is an advisory vote only, and the failure to pass this resolution will not impact the current remuneration agreements; however, the Board will take the outcome of the vote and any views raised into consideration when making or considering changes to the current remuneration policy and its implementation.

## 9 Approval of general authority to the Board to issue A Ordinary Shares of the Company and/or convertible securities for cash

*Ordinary resolution number 12*

"**Resolved that** the Directors of the Company be and they are hereby authorised by way of a general authority to issue A Ordinary Shares and/or any options/convertible securities that are convertible into A Ordinary Shares of the Company for cash, as and when they in their discretion deem fit, subject to the Company's Constitution, the provisions of the Mauritius Companies Act 2001, the JSE Listings Requirements, when applicable, and the following limitations, namely that:

- the equity securities that are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- in respect of securities which are the subject of the general issue of shares for cash, it may not exceed the cumulative number of shares of the Company that were repurchased and held in treasury at such time which are limited to 18 105 000 A Ordinary Shares, representing c.10% of the Company's A Ordinary Shares in issue at the date of the notice of the AGM, (excluding current treasury shares held) and, provided that:
  - › any equity securities issued under this authority during the period must be deducted from the number above;
  - › in the event of a sub-division or consolidation of issued equity securities during the period contemplated above, the existing authority must be adjusted accordingly to represent the same allocation ratio; and
  - › the calculation of the listed equity securities is a factual assessment of the listed equity securities as at the date of the notice of AGM, excluding treasury shares;
- the authority is valid until the Company's next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
- any such general issues are subject to exchange control regulations and approval at that point in time;
- an announcement giving full details will be published at the time of any issue representing, on a cumulative basis within the period of this authority, 5% (five percent) or more of the number of shares in issue prior to the issue, in accordance with section 11.22 of the JSE Listings Requirements;

- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities. The JSE should be consulted for a ruling if the applicant's securities have not traded in such 30 business-day period; and
- approval of the general issue for cash resolution achieving 75% majority of the votes cast in favour of such resolutions by all equity securities present or represented by proxy at the AGM convened to approve such resolution."

***Reason and effect of ordinary resolution number 12***

The reason for this resolution is to authorise the Board to issue for cash A Ordinary Shares and/or any options/convertible securities that are convertible into A Ordinary Shares, up to a maximum of the cumulative number of shares of the Company that were repurchased and held in treasury at such time which are limited to 18 105 000 A Ordinary Shares, representing c.10% of the Company's A Ordinary Shares in issue at the date of the notice of the AGM, (excluding current treasury shares held)

## 10 Approval of general authority to acquire or repurchase the A Ordinary Shares in the Company

***Special resolution number 1***

"**Resolved that** the general authority of the Company to repurchase its A Ordinary Shares, upon such terms and conditions and in such amounts as the Directors may from time to time decide at their discretion, but subject to the Company's Constitution, the provisions of the Mauritius Companies Act 2001, ("the Mauritius Companies Act") and the JSE Listings Requirements, is hereby approved, provided that:

- any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between Ethos Capital and the counterparty (reported trades are prohibited);
- authorisation for the repurchase is given by the Company's Constitution;
- at any point in time, Ethos Capital may only appoint one agent to effect any repurchase(s) on Ethos Capital's behalf;
- this general authority will be valid until Ethos Capital's next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date of passing this resolution;
- an announcement will be published on the Stock Exchange News Service ("SENS") as soon as Ethos Capital has acquired any of its securities of a relevant class constituting, on a cumulative basis, 3% (three percent) of the initial number of securities of that relevant class in issue at the time that the general authority was granted, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases, such announcement to be published as soon as possible and not later than 08:30 (South African standard time) on the second business day in South Africa and Mauritius following the day on which the relevant threshold is reached or exceeded, and the announcement shall comply with the requirements of the JSE Listings Requirements in this regard;
- repurchases by Ethos Capital of its securities may not, in aggregate in any one financial year, exceed 5% (five percent) of Ethos Capital's issued share capital of that class as at the beginning of the financial year ending 30 June 2019 (excluding treasury shares);
- in determining the price at which the Company's securities are acquired by the Company in terms of this general authority, the maximum premium at which such securities may be acquired will be 10% (ten percent) of the weighted average of the market value at which such securities are traded on the JSE as determined over the 5 (five) business days immediately preceding the date of repurchase of such securities by Ethos Capital. The JSE will be consulted for a ruling if such securities have not been traded during the course of such five business-day period;

- Ethos Capital may not repurchase any of its securities in terms of this authority during a "prohibited period" (as such term is defined in the JSE Listings Requirements), unless it has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and have been submitted to the JSE in writing prior to the commencement of the prohibited period. Ethos Capital must instruct an independent third party, which makes its investment decisions in relation to Ethos Capital's securities independently of, and uninfluenced by, Ethos Capital, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- any such repurchase may be subject to exchange control regulations and approval at that time; and
- a resolution has been passed by the Board authorising the repurchase and confirming that Ethos Capital passed the solvency and liquidity test in terms of the Mauritius Companies Act and that, from the time the test was done there have been no material changes to the financial position of the Company."

### *Reason for and effect of special resolution number 1*

The reason for the passing of this resolution is to grant the Company a general authority in terms of the JSE Listings Requirements for the acquisition by the Company of its securities, which authority shall be valid until the next AGM, provided that the general authority shall not extend beyond 15 months from the date of this special resolution number 1.

The effect of special resolution number 1 is to enable Ethos Capital, by way of a general authority, to acquire its securities from the holders of such securities.

Information in respect of major shareholders, share capital and material changes is contained in the Notes to the Annual Financial Statements, which information is required by the JSE Listings Requirements with regard to the resolution granting a general authority to Ethos Capital to repurchase its securities.

The Directors collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution, to the extent required by law, and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the above special resolution contains all relevant information required by the JSE Listings Requirements.

### *Statement by the Directors*

The Directors will not commence a general repurchase of shares, as allowed for in this resolution, unless the following can be met:

- Ethos Capital will be able in the ordinary course of business, to pay its debts for a period of 12 months following the date of the general repurchases.
- Ethos Capital's assets will be in excess of the liabilities of Ethos Capital for a period of 12 months following the date of the general repurchase. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited Annual Financial Statements which comply with the Mauritius Companies Act.
- Ethos Capital will have adequate share capital and reserves for ordinary business purposes for a period of 12 months following the date of the general repurchase.
- The working capital of Ethos Capital will be adequate for ordinary business purposes for a period of 12 months following the date of the general repurchase.
- The Board will pass a resolution authorising the repurchase, confirming that Ethos Capital has passed the solvency and liquidity test in terms of the Mauritius Companies Act 2001 and further confirming that, since the test was performed, there have been no material changes to the financial position of Ethos Capital and its subsidiaries.
- The intention of the general authority sought is to provide the Directors with the ability to, when they deem it appropriate, to repurchase the Company's A Ordinary Shares for the purpose of, but not limited to, holding such shares in treasury.
- In the event that the repurchase was made during a prohibited period through a repurchase programme pursuant to paragraph 5.69(h) and/or 14.9(e) of Schedule 14 of the JSE Listings Requirements, a statement will be issued confirming that the repurchase was put in place pursuant to a repurchase programme prior to a prohibited period in accordance with the JSE Listings Requirements.

## Approvals required for resolutions

Ordinary resolutions numbers 1 to 11 contained in this Notice of AGM require the approval by more than 50% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM convened to approve these resolutions, subject to the provisions of the Company's Constitution, the Mauritius Companies Act 2001 and the JSE Listings Requirements.

Ordinary resolution number 12 and Special resolution number 1 contained in this Notice of AGM require the approval of at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM convened to approve these resolutions, subject to the provisions of the Company's Constitution, the Mauritius Companies Act 2001 and the JSE Listings Requirements.

Equity securities held by a share trust or scheme, and unlisted securities will not have their votes taken into account at the AGM for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

## Proof of identification required

Any shareholder or proxy who intends to attend or participate at the AGM must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the AGM. A green bar-coded identification document or identification card issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted at the AGM as sufficient identification.

## Record dates

The record date for shareholders to be recorded on the securities register of the Company in order to receive this Notice of the AGM is 5 October 2018.

The record date for shareholders to be recorded on the securities register of the Company in order to be able to attend, participate and vote at the AGM is 2 November 2018, and the last date to trade in the Company's shares in order to be recorded on the securities register of the Company in order to be able to attend, participate in and vote at the AGM is 30 October 2018.

# FORM OF PROXY

**EPE Capital Partners Ltd**

(The "Company" or "Ethos Capital")

(Incorporated in the Republic of Mauritius)

(Registration number: C138883 C1/GBL)

JSE Share Code: EPE ISIN: MU0522S00005

Annual General Meeting to be held at 14:00 on 13 November 2018

Dear Sir/madam

I/We _______________________________________________________________________ (please print) of ___________ _________________________________________________________________ (address), being a shareholder of EPE Capital Partners Ltd, hereby appoint:

1. __________________________________ of _________________________________ or failing him/her,

2. __________________________________ of __________________________________ or failing him/her, the Chairperson

   of the Annual General Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday, 13 November 2018, at 14:00 at Cellars-Hohenort Hotel, 93 Brommersvlei Road, Constantia, Cape Town, South Africa, and at any adjournment thereof in the manner indicated below.

| **I/We desire my/our vote(s) to be cast on the resolutions as follows:** | FOR | AGAINST | ABSTAIN |
|---|---|---|---|
| Ordinary resolutions | | | |
| 1. RESOLVED THAT the audited Annual Financial Statements of the Group and Company, including the Auditor's Report for the year ended 30 June 2018, be hereby considered and approved and the Integrated Annual Report for the year ended 30 June 2018 be considered. | | | |
| 2. RESOLVED THAT Deloitte South Africa be reappointed as independent auditor of the Company and Mr Dinesh Munu as the designated auditor partner, to hold office until the conclusion of the next Annual General Meeting. | | | |
| 3. RESOLVED THAT Deloitte Mauritius be reappointed as independent auditor of the Company and Mr Twaleb Butonkee as the designated auditor partner, to hold office until the conclusion of the next Annual General Meeting. | | | |
| 4. RESOLVED TO re-elect Mr Derek Prout-Jones as Director. | | | |
| 5. RESOLVED TO re-elect Mr Yuvraj Juwaheer as Director. | | | |
| 6. RESOLVED TO re-elect Mr Derek Prout-Jones as a member of the Audit and Risk Committee, subject to the approval of ordinary resolution number 4 above. | | | |
| 7. RESOLVED TO re-elect Mr Kevin Allagapen as a member and chairperson of the Audit and Risk Committee. | | | |
| 8. RESOLVED TO re-elect Mr Yuvraj Juwaheer as a member of the Audit and Risk Committee, subject to approval of ordinary resolution number 5 above. | | | |
| 9. RESOLVED THAT the Directors' remuneration for the year ending 30 June 2019 be hereby approved. | | | |
| 10. RESOLVED THAT the remuneration policy of the Company be hereby endorsed. | | | |
| 11. RESOLVED THAT the implementation report on the Company's remuneration policy be hereby endorsed. | | | |
| 12. RESOLVED THAT the general authority of the Company to issue A Ordinary Shares of the Company and/or other convertible securities for cash be hereby approved. The issue may not exceed the number of the Company's shares that were repurchased and held in treasury at such time and is limited to c.10% of the A Ordinary Shares in issue at the date of the notice of the AGM. | | | |
| Special resolution | | | |
| 1. RESOLVED THAT the general authority of the Company to acquire or repurchase up to 5% of the A Ordinary Shares of the Company in issue at the beginning of the June 2019 financial year, be hereby approved. | | | |

Dated this ______________________________________________ day of _________________________________ 2018.

**Name:** ___________________________________________________________________________________________

**Designation:** ______________________________________________________________________________________

**For and on behalf of:** _______________________________________________________________________________

# NOTES TO FORM OF PROXY

1. Shareholders who have not dematerialised their shares, or who have dematerialised their shares with "own name" registration, are entitled to attend and vote at this meeting, and are entitled to appoint a proxy or proxies to attend, speak and vote on their behalf.
2. Every person entitled to vote who is present at the AGM shall be entitled to:
    a. one vote on a show of hands irrespective of the number of shares such person holds or represents, provided that a proxy shall, irrespective of the number of shareholders she/he represents, have only one vote; or
    b. that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by the shareholder bears to the aggregate amount of the nominal value of all shares issued by the Company in respect of every matter that may be decided by polling.
3. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatory/ies.
4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company or Computershare Investor Services (Pty) Ltd or waived by the Chairperson of the AGM.
5. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Computershare Investor Services (Pty) Ltd.
6. This form of proxy may be used at any adjournment or postponement of the AGM, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.
7. Forms of proxy must be lodged at or posted to Computershare Investor Services (Pty) Ltd or Ocorian (Mauritius) Limited, to be received not later 17:00 on 9 November 2018. Any forms of proxy not lodged by this time must be handed to the Chairperson of the AGM immediately prior to the AGM.
8. Completing and lodging this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person to the exclusion of any appointed proxy.
9. If any shares are jointly held, all joint shareholders must sign this form of proxy. If more than one of those shareholders is present at the AGM, either in person or by proxy, the person whose name first appears in the register will be entitled to vote.
10. Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, must contact their CSDP or broker in the manner and time stipulated in their agreement to furnish them with their voting instructions and, in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

# CORPORATE INFORMATION

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

## Senior Advisors (Officers)
Jean-Pierre van Onselen (CFO)
Peter Hayward-Butt (CEO)

## Investment Advisor
Ethos Private Equity (Pty) Limited
35 Fricker Road
Illovo
Johannesburg, 2196

## Company Secretary and registered office
Ocorian (Mauritius) Ltd
6th Floor, Tower A
1 Cybercity
Ebene
Mauritius

## Auditors
Deloitte
Level 7, Standard Chartered Tower
19 Cybercity
Ebene
Mauritius

Deloitte
20 Woodlands Drive
Woodmead
Sandton
Johannesburg, 2196

## Listing
JSE Ltd
Abbreviated name: ETHOSCAP
JSE code: EPE
Sector: Financials – Speciality Finance

## Transfer Secretary
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196

## Sponsor
Rand Merchant Bank (A division of FirstRand Bank Limited)
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton
Johannesburg, 2196

EPE CAPITAL PARTNERS LTD ("ETHOS CAPITAL" OR "THE COMPANY") INCORPORATED IN THE REPUBLIC OF MAURITIUS
REGISTRATION NUMBER: C138883 C1/GBL ISIN: MU0522S00005 SHARE CODE: EPE

GREYMATTER & FINCH # 11619

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