AFRICAN PHOENIX INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1946/021193/06)
(Ordinary share code: AXL) (ISIN: ZAE000221370)
("African Phoenix" or "Phoenix" or "the Group" or "the Company")

CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

HIGHLIGHTS

Net asset value per ordinary share: 90.1 cents (FY2018: 52.0 cents)

Cash and financial assets available for investment: R1.19 billion (FY2018: R1.96 billion)

Total equity: R1.29 billion (FY2018: R1.87 billion)

(Loss)/Earnings per share: (5.5) cents (FY2018: 3.2 cents)

Headline (Loss)/earnings per share: (5.5) cents (FY2018: 3.7 cents)

Return of capital to shareholders: R0.42 (FY2018: RNil)

The board of directors ("Board") is pleased to present the Condensed Consolidated Financial Results for the year ended 30 September 2019. The condensed consolidated annual financial results do not include all the information and disclosures required in the audited annual financial statements and should be read in conjunction with the Group's audited annual financial statements for the year ended 30 September 2019. The current financial year reported 73% growth in Net Asset Value per ordinary share from 52.0c per share to 90.1c per share should be read in the context of progress made to achieve the Group's long-term strategy.

FINANCIAL PERFORMANCE

The Group reported net asset value per share at 30 September 2019 of 90.1 cents per share (30 September 2018: 52.0 cents), an increase of 73% for the year.

The Company and the API Capital Fund have cash equivalents available for investment of R1.2 billion and therefore the Group remains both liquid and solvent. Notwithstanding the increase in retained reserves, the operating loss after tax of R79 million for the year ending 30 September 2019 ("FY2019") was mainly attributable to:

- Fair value losses relating to the write-down of the Company's investment in Stangen, see Operations note below;
- An increase in transaction costs attributed to the transformative transactions proposed in the circular issued to shareholders on 18 February 2019 (the "Circular"); and
- An increase in legal costs attributed to legal proceedings in terms of section 115 and 164 of the Companies Act.

Total shareholder's equity at 30 September 2019 amounted to R1.3 billion (30 September 2018: R1.9 billion) primarily due to the repurchase of the preference shares during the year.

OPERATIONS

Investment in the API Capital Fund

The API Capital Fund was established on 4 April 2019 (Investment Date) with African Phoenix as the Limited Partner and API Capital Proprietary Limited ("the GP", "the General Partner" or "API Capital") as the General Partner. The composite management arrangements with the General Partner as well as the investment mandate, strategy and policy as set out in the Circular were approved by c.89% of shareholders who voted at the meeting on 20 March 2019.

During the period the General Partner – API Capital purchased 20 million African Phoenix A shares (1.4% of the issued shares) in the open market as required in terms of the Black Fund Manager ("BFM") structure detailed in the Circular. API Capital also subscribed for 300 million B shares based on the terms and conditions per the Memorandum of Incorporation of the Company ("MOI").

The API Capital investment team had made significant progress in implementing its investment plan. The detailed investment pipeline including details of deal structures, investment thesis, deal status and proposed entry pricing were shared by the General Partner with the African Phoenix Board. As detailed in the announcement released on 30 September 2019, the General Partner had, as requested by the Board of African Phoenix, undertaken to temporarily cease investment activities in terms of the Partnership Agreement. This was pending the shareholder demand for a meeting to terminate the mandate of the General Partner at an Extraordinary General Meeting of shareholders on 13 November 2019. See the Outlook section of this report for further details.

Sale of Stangen investment

The sale of Stangen to King Price Financial Services Proprietary Limited is based on a purchase price of R140 million on the basis that the net asset value of Stangen at 30 September 2019 is at least R140 million. The Company has received dividends from Stangen during FY2019 of c. R340 million such that the net asset value of Stangen does equate to the required R140 million at 30 September 2019. Regulatory approval remains the final condition precedent remaining for the closing of the sale transaction.

Stangen reported a net loss after tax of R49 million for FY2019 (FY2018: profit after tax R30.5 million). Stangen experienced a R64.3 million decline in investment income due to a reduction in cash investments following the dividend distribution of R900 million to African Phoenix in September 2018.

Furthermore, Stangen reported R84.7 million in insurance policy maintenance operating costs (FY2018: R44.2 million), the R40.5 million increase primarily relating to additional capacity when Stangen increased head count to improve the underwriting margins. The increase in costs and decline in investment income was partially mitigated by a R36.1 million increase in insurance premiums and reinsurance income.

Legacy investments

The Company is considering exiting its investments in Residual Debt Services ("RDS") and Ellerine Holdings Limited ("EHL"). While the equity value of both investments is carried at Rnil on balance sheet at 30 September 2019, there is value attributed to the RDS senior stub instruments. During the year, the Company also received R68 million of proceeds from its investment in Gilt Edged Management Services Proprietary Limited ("GEMS") in the form of dividends of R32 million, return of capital of R14 million and intercompany loans of R23 million. GEMS remains as a dormant Company with an effectively Rnil balance sheet at 30 September 2019.

Preference share repurchase

One of the key legacy matters that received significant time and attention of the Board in the current year was the repurchase of the non-cumulative, non-participating, non redeemable preference shares ("Scheme Repurchase"). These shares were inherited from the old African Bank structure and were not suited in an investment entity. Both ordinary and preference shareholders requested the Board to urgently resolve the impasse between the shareholder groups. The Board obtained the requisite legal and expert advice and proposed a repurchase of preference shares at R37.50 per share, a premium of c.40% to the 30-day Volume Weighted Average Price ("VWAP") up to and including 6 September 2018, being the last trading day prior to the first transaction announcement. The Circular was issued to shareholders for a meeting held on 20 March 2019 to approve the required resolutions.

The Scheme Repurchase resolution was supported by more than 75% of ordinary and preference shareholders voting together in accordance with the terms attaching to the ordinary and preference shares as set out in the MOI, including by 78% of ordinary shareholders and 76% of preference shareholder's voting at the shareholder's meeting. As detailed in the announcements released on SENS on 4 April 2019 and 5 April 2019, a shareholder that voted against the resolutions requested that the Company seek court approval for the Scheme Repurchase in accordance with section 115(3)(a) of the Companies Act.

The Scheme Repurchase became unconditional following the granting of a court order on 5 June 2019 approving the special resolution pertaining to the Scheme Repurchase. The scheme was implemented in June 2019 per the timetable released on SENS on 7 June 2019. The Scheme Repurchase consideration was paid to preference shareholders, excluding dissenting shareholders who have exercised their appraisal rights in accordance with section 164 of the Companies Act.

As announced on 24 July 2019, the Company received a notice of motion in which a Dissenting Shareholder made an application to court in terms of section 164(14) of the Companies Act for, among others, a determination of the fair value of the preference shares held by the dissenting shareholder. The Board has considered the application and has filed a notice to oppose the application on 2 August 2019 and files an answering affidavit on 11 September 2019. As required in terms of the Companies Act, the remaining Dissenting Shareholders must be joined to the main court application and this was done on 6 December 2019.

GOVERNANCE

African Phoenix is committed to good corporate governance as expressed in the King IV Report on Corporate Governance for South Africa (2016) ("King IV") as well as established principles of best governance practice. In line with the principles outlined in King IV, the Company had increased its Board in the course of the year, but following the resignation of the independent non-executive directors on 6 November 2019 and the change in strategy announced by the Company on 3 December 2019, the Company is considering the Board composition as a priority and shareholders will be updated in due course.

As a governing body, the Board ensures that African Phoenix complies with the Listing Requirements of the JSE Limited ("JSE") and all applicable legislation. The Board is responsible for the Company's strategic direction and performance, and is accountable to both regulators and shareholders.

Following the scheduled FTSE Committee review of the Company's FTSE classification, shareholders are advised that with effect from 23 December 2019, African Phoenix will change FTSE classification from the Consumer Finance subsector to the Specialty Finance subsector of the JSE.

African Phoenix continues to evaluate the composition of its Board on an ongoing basis and will appoint additional members as and when necessary. The Board will seek appropriate external advice as required in discharging its duties.

CHANGES IN DIRECTORS

The following appointments/resignations were made during this financial year.

	Appointment	Resignation
Siyabonga Nhlumayo	1 March 2018	25 March 2019
Shafiek Rawoot	1 July 2018	25 March 2019
Mahlatse Kabi	16 August 2018	25 March 2019
Morris Mthombeni	16 September 2013	25 March 2019
Nonzukiso Siyotula	22 September 2017	8 May 2019
Samuel Sithole	22 September 2017	11 June 2019
Monde Nkosi	11 June 2019	6 August 2019
Thiru Pather	28 May 2019	6 November 2019
Alton Solomons	11 June 2019	6 November 2019
Reshma Mathura	16 August 2018	6 November 2019
Alethea Conrad	6 September 2016	6 November 2019
Oyama Mabandla	22 September 2017	–
Warren Chapman	16 August 2019	–
Andrew Hannington	13 November 2019	–
Koketso Mabe	15 November 2019	–

STRATEGY

As a publicly listed investment entity, African Phoenix's primary aim is to create and sustain long-term value as measured by consistent growth in net asset value per share, before distributions to shareholders.

Accordingly, the Board has chosen to position African Phoenix as an investment entity, managed by investment professionals who have a proven track record of deploying capital in a manner that generates long-term economic value.

It is the Company's intention to reach its long-term goal by owning meaningful equity interests in a range of diverse businesses that have either a proven track record or a proven business concept. These businesses should demonstrably generate or be able to generate cash and should earn acceptable returns in relation to the initial capital invested.

The performance of deployed capital is actively assessed against the investment criteria on an ongoing basis to make sure that African Phoenix meets its long-term objective of growing the Company's net asset value by more than the cost of capital at portfolio level.

DISTRIBUTION TO SHAREHOLDERS

Shareholders were advised on 3 December 2019 that on 29 November 2019, the Board resolved to declare a distribution to shareholders as a return of contributed tax capital ("Distribution"). The Distribution amount of R599 million, which equates to 42.00 cents per ordinary share, is not subject to dividend withholdings tax as the Distribution is paid out of contributed tax capital. As the Distribution will be regarded as a return of capital and may have potential capital gains tax consequences, shareholders are advised to consult their tax advisers regarding the impact of the Distribution. As at the date of declaration there were 1.427 billion ordinary shares (or "A Shares") and 300 million unlisted B ordinary no par value shares in issue. The timetable for the Distribution is as follows:

Declaration and finalisation date:
Tuesday, 3 December 2019

Last day to trade "cum-Distribution":
Tuesday, 7 January 2020

First day to trade "ex-Distribution":
Wednesday, 8 January 2020

Record date: Friday, 10 January 2020

Payment date: Monday, 13 January 2020

Share certificates will not be able to be rematerialised or dematerialised between Wednesday, 8 January 2020 and Friday, 10 January 2020 (both days inclusive).

OUTLOOK

Following the demand for a shareholders meeting, a Notice for an Extraordinary General Meeting ("EGM") was sent to shareholders. C.90% of Shareholders voted in favour of terminating the GP's mandate to act as the GP of the API Capital Fund on 13 November 2019. The shareholders also voted to appoint one new director to the Board.

Shareholders were updated in the announcement released on 3 December 2019 regarding the proposed strategy of the Company. This includes the purchase of all the ordinary shares and loan claims of the GP (the "API Capital acquisition") with effect from 31 December 2019.

The key benefits of this outcome are summarised as follows:

- Provides certainty in relation to the final handover API Capital's responsibilities to African Phoenix and allows African Phoenix flexibility in the use of API Capital for potential future strategies of African Phoenix.
- Provides certainty in relation to the amounts due to API Capital, whilst reducing the aggregate cost of the exit for African Phoenix shareholders.
- Provides a suitable mechanism for API Capital's exit of the A shares it holds at a discount to African Phoenix's net asset value.
- Early settles the gearing facility used to acquire API Capital's A shares, reducing African Phoenix's guarantee exposure for approximately half of this facility.
- Provides a suitable mechanism for the internalisation of the outstanding B shares issued to the management team.

To the extent that all conditions of the API Capital acquisition are met and the terms are fulfilled, African Phoenix will own 100% of the GP and will thereafter review the GP's rights to Termination Fees and the Performance Participation as detailed in Schedule 1 of the MOI.

In addition to the API Capital acquisition, the Company also announced the respective boards of directors of the Company and Zarclear Holdings Limited ("Zarclear") have, in principle, agreed to the implementation of a series of transactions to give effect to a merger of Zarclear and African Phoenix (the "proposed merger"). The respective boards of directors of Zarclear and African Phoenix have considered the capital base and structure, the cost base, the empowerment credentials and the strategic options of both companies and are of the view that there are strong operational and capital markets rationale for the proposed merger. A proposed merger will position the merged entity as an investment holding company that is able to execute on its strategies of private equity and market infrastructure investments where management and shareholders are closely aligned. Full details of the proposed merger, implementation terms and conditions and transaction timetable and pro forma financial effects will be communicated to shareholders of the respective companies in due course.

Oyama Mabandla
Executive Chairman

11 December 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2019

R thousand	Notes	2019	2018
Assets			
Non-current assets		**503 114**	57 291
Investments	2	**501 386**	16 462
Equipment		**1 555**	5 207
Intangible assets		**173**	16 377
Deferred tax asset		**–**	18 608
Reinsurance assets		**–**	637
Current assets		**897 209**	2 013 401
Other assets		**31 645**	55 205
Investments held for sale: RDS stub instruments	3	**34 409**	–
Investment held for sale: Stangen	2	**140 000**	–
Taxation		**–**	1 622
Financial assets		**–**	300 127
Cash and cash equivalents	4	**691 155**	1 656 447
Total assets		**1 400 323**	2 070 692
Liabilities and equity			
Non-current liabilities		**–**	141 016
Borrowings		**–**	23 377
Policyholders' liabilities under insurance contracts		**–**	117 639
Current liabilities		**114 445**	57 849
Other liabilities		**42 196**	40 391
Creditor – Appraisal Rights claims	5	**46 972**	–
GEMS liability		**23 568**	–
Reinsurance creditor		**–**	272
Taxation		**1 709**	17 186
Total liabilities		**114 445**	198 865
Ordinary share capital and share premium	6	**14 649 959**	14 649 929
Reserves		**(13 364 081)**	(13 907 905)
Ordinary shareholders' equity		**1 285 878**	742 024
Preference shareholders' equity	7	**–**	1 129 803
Total equity (capital and reserves)		**1 285 878**	1 871 827
Total liabilities and equity		**1 400 323**	2 070 692
Number of A ordinary shares in issue (in thousands)		**1 427 005**	1 427 005
Net asset value per ordinary share (NAV) (cents)		**90.1**	52.0

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 September 2019

R thousand	Notes	2019	2018
Insurance premium and reinsurance income		**41 638**	66 711
Interest income		**108 989**	155 977
Dividend Income		**382 044**	–
Fair value gains and losses on investments	8	**(427 203)**	–
Fair value losses due to dividends received		**(382 044)**	–
Other fair value gains or losses		**(45 159)**	–
Other income		**1 893**	17 598
Net income		**107 361**	240 286
Net insurance claims		**(4 368)**	(9 424)
Operating expenses	9	**(148 362)**	(151 143)
Interest expense (SARS)		**–**	(308)
(Loss)/Profit before capital items and equity accounted items		**(45 369)**	79 411
Capital items		**(11 884)**	(5 367)
(Fair value loss)/Reversal of impairment of RDS Stub note instruments		**(11 884)**	1 977
Impairment of goodwill		**–**	(2 555)
Deemed loss on stepped acquisition of associate		**–**	(4 789)
Share of profit/(loss) from associate		**158**	(205)
(Loss)/Profit before taxation		**(57 095)**	73 839
Tax expense		**(21 770)**	(28 261)
(Loss)/Profit for the year		**(78 865)**	45 578
Other comprehensive income		**–**	–
Total comprehensive (loss)/income for the year		**(78 865)**	45 578
Basic (loss)/earnings per share (cents)	10	**(5.53)**	3.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2019

R thousand	Ordinary share capital and premium	Accumulated loss	Preference share capital and premium	Total
Balance at 30 September 2017	14 649 929	(13 953 483)	1 129 803	1 826 249
Total comprehensive income for the year	–	45 578	–	45 578
Balance at 30 September 2018	14 649 929	(13 907 905)	1 129 803	1 871 827
Total comprehensive loss for the year	–	(78 865)	–	(78 865)
Issue of B Shares	30	–	–	30
Preference Share repurchase	–	622 689	(1 129 803)	(507 114)
Balance at 30 September 2019	**14 649 959**	**(13 364 081)**	**–**	**1 285 878**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2019

R thousand	Notes	2019	2018
Cash inflow from operations		**350 132**	72 414
Cash receipts from policyholders and investments		**494 378**	240 159
Cash paid to policyholders, suppliers and employees		**(144 246)**	(167 745)
Direct taxation paid		**(39 200)**	(31 951)
Interest paid		**–**	(308)
Net cash inflow from operating activities		**310 932**	40 155
Cash flows from investing		**(816 113)**	(265 041)
Acquisition of equipment		**(601)**	(3 022)
Acquisition of intangible assets		**(141)**	(7 535)
Acquisition of investment in Different Life		**–**	(1 456)
Acquisition from business combination		**–**	(4 435)
Other investing activities		**300 000**	(300 000)
Loan received from GEMS		**23 568**	–
Return of capital from GEMS		**13 743**	–
RDS stub instrument capital received		**2 255**	–
Investment in API Capital Fund		**(500 000)**	–
Proceeds from other assets		**–**	51 407
Adjustment on becoming an investment entity – Stangen and GEMS*		**(654 937)**	–
Net cash outflow from investing		**(816 113)**	(265 041)
Cash flows from financing activities			
Preference share repurchase		**(460 141)**	–
Issue of B ordinary shares		**30**	–
Net cash outflow from financing activities		**(460 111)**	–
Decrease in cash and cash equivalents		**(965 292)**	(224 886)
Cash and cash equivalents at the beginning of the year		**1 656 447**	1 881 333
Cash and cash equivalents at the end of the year	**4**	**691 155**	1 656 447

* *African Phoenix became an investment entity as defined in IFRS 10 during the current period, and therefore ceased to consolidate Stangen and GEMS from 31 March 2019. This results in the cash held at Stangen and GEMS no longer being consolidated but rather being included in the value of investments on the statement of financial position at 30 September 2019. The cash held in Stangen and GEMS at 31 March 2019 was R654 937 000.*

AUDITOR'S REPORT ON THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

for the year ended 30 September 2019

AUDITOR'S REPORT

These condensed consolidated financial results for the year ended 30 September 2019 have been extracted from the audited annual financial statements for the year ended 30 September 2019 but is itself not audited. The underlying annual financial statements have been audited by the Group's external auditor BDO South Africa Incorporated (BDO) who expressed an unmodified audit opinion.

The auditors audit report does not necessarily conclude on all the information contained in these condensed consolidated financial statements. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's audit report together with the accompanying financial information from the issuer's registered office.

The Board takes full responsibility for the preparation of these financial results.

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL RESULTS

for the year ended 30 September 2019

BASIS OF PREPARATION

The condensed financial results contained herein has been prepared in accordance with the measurement and recognition requirements of the International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB), Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa (Act 71 of 2008), as amended, as well as the Listings Requirements of the JSE Limited.

These financial statements were prepared under the supervision of Andrew Hannington the Chief Financial Officer of the Company.

The condensed consolidated annual financial results do not include all the information and disclosures required in the audited annual financial statements and should be read in conjunction with the Group's audited annual financial statements for the year ended 30 September 2019.

BASIS OF CONSOLIDATION: IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS-INVESTMENT ENTITY

IFRS 10: Consolidated Financial Statements sets out the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 also sets out the requirements for applying an exception to consolidation for investment entities.

The determination of whether an entity meets the definition per IFRS 10 requires significant judgement. We note that Phoenix:

a. obtains funds from multiple shareholders, who trade using the platform provided by the JSE, for the purposes of making investments;

b. commits to investors that its objective is to invest funds using the new BFM Structure for returns from capital appreciation and investment income (this commitment was included in the Circular and resolutions approved by shareholders on 20 March 2019); and

c. measures and evaluates the performance of the BFM Structure and its investments on a fair value basis.

Management and the Board therefore conclude that the definition of investment entity per IFRS 10 is applied appropriately with regard to Phoenix. As such Phoenix has consolidated the income and expenses for subsidiaries (mainly Stangen) up until 31 March 2019 and has applied the Investment Entity exception from 1 April 2019.

The current year consolidated income statement only includes six months of subsidiary income and expenses with the remaining movements being processed as fair value gains or losses.

1. ACCOUNTING POLICIES

1.1 NEW AND REVISED IFRS AFFECTING AMOUNTS REPORTED IN THE CURRENT YEAR

The new standards and interpretations that came into effect during the current year are listed below as part of the new and revised IFRS in issue.

The standards were adopted in the current year, but none were material to the financial statements.

IFRS effective for periods beginning on or after 1 January 2018 (applicable to the annual financial statements for the year ended 30 September 2019)

IFRS/IAS/ IFRIC	Title and details	Impact
IFRS 4	**Insurance contracts** Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. Two amendments to IFRS 4 to address the interaction between IFRS 4 and IFRS 9: • A temporary exemption from IFRS 9 has been granted to insurers that meet specified criteria; and • An optional accounting policy choice has been introduced to allow an insurer to apply the overlay approach to designated financial assets when it first applies IFRS 9.	The Group holds an investment in Stangen. Stangen had not previously applied IFRS 9 and its activities are predominately connected with insurance. Stangen has elected the deferral option and will continue applying IAS39: Financial Instruments. IFRS 4 therefore does not have a material impact on the results of Stangen. Phoenix measures the investment in Stangen at fair value. The amendments to IFRS 4 did not have a material impact on the Group during the current financial period.
IFRS 15	**Revenue contracts from customers** • The new standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers. • The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.	The Group earned revenue predominantly through insurance income measured in terms of IFRS 4 and interest income generated from cash and cash equivalents measured in terms of IFRS 9. The adoption of IFRS 15 did not have a material impact on the Group during the current financial period.

1. ACCOUNTING POLICIES *continued*

1.1 NEW AND REVISED IFRS AFFECTING AMOUNTS REPORTED IN THE CURRENT YEAR *continued*

IFRS effective for periods beginning on or after 1 January 2018 (applicable to the annual financial statements for the year ended 30 September 2019)

IFRS/IAS/ IFRIC	Title and details	Impact
IFRS 9	**Financial Instruments** A final version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition. • IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. • The new model introduces a single impairment model being the "expected credit loss" model for the measurement of financial assets. • IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. • IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39. • Prepayments Features with Negative Compensation. The narrow-scope amendments allows companies to measure particular prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met.	The Group holds financial assets predominantly in the form of cash and cash equivalents and investments held at fair value. The initial recognition of the investments at fair value occurred during the current period and therefore have not been reclassified. These investments are categorised as financial assets at fair value through profit and loss which are not subjected to the expected credit loss model. Cash and cash equivalents as well as other financial assets held at the beginning of the reporting period were not reclassified and the application of the expected loss model did not result in a material adjustment. The limited retrospective transition method was applied. The adoption of IFRS 9 resulted in the RDS stub instruments previously held at amortised cost per IAS 39 being reclassified to fair value through profit and loss per IFRS 9. The adoption of IFRS 9 did not have a material impact on the Group during the current financial period.

1. ACCOUNTING POLICIES *continued*

1.2 NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

IFRS effective for periods beginning on or after 1 January 2019.

IFRS 16: Leases

Please refer to the accounting policies included in the Group's 30 September 2019 annual financial statements.

IFRS 17: Insurance contracts

Please refer to the accounting policies included in the Group's 30 September 2019 annual financial statements.

1.3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY AND SIGNIFICANT ACCOUNTING POLICIES

The following are the critical judgements and key estimation uncertainties that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

1.3.1 Going concern

As stated in the directors' responsibility section on page 2, the consolidated annual financial statements have been prepared on the going-concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

In performing the going-concern assessment, the directors have considered available information about the future, the possible outcomes of events and the changes in conditions and the realistically possible responses to such events and conditions that would be available to the directors.

The directors have also considered the following specific factors in determining whether the Group is a going concern:

- The Group has sufficient cash resources to pay its creditors as and when they fall due and meet its operating costs for the ensuing 12 months.
- The Company's investment in Stangen is a going concern.
- The Group has available cash resources to deploy in developing existing or new investment opportunities.
- The board and management are not aware of any significant pending legislation that will threaten the going-concern status of the Group.
- It is management's view that sufficient risk mitigants are in place for key financial risks facing the Group in the new financial year.

The going-concern assessment is a matter of judgement. In making this judgement, the directors have considered the uncertainties arising from their assessment, both individually and collectively.

Based on the above, the directors consider the preparation of the consolidated annual financial statements on a going-concern basis as appropriate given that the Group is able to realise its assets and settle its commitments in the normal course of business for a period of not less than one year from the date of approval of these annual financial statements.

1.4 OTHER ACCOUNTING POLICIES

All other accounting policies applicable to these condensed consolidated annual financial results are consistent with the accounting policies included in the Group's 30 September 2019 annual financial statements.

2. INVESTMENTS

The adoption of the investment policy by Phoenix on 20 March 2019, along with other requirements per IFRS 10, results in Phoenix meeting the definition of an Investment Entity per IFRS 10. The investment entities exception to consolidation requires that investments in subsidiaries are measured at fair value through profit and loss in accordance with IFRS 9: Financial Instruments (IFRS 9). IFRS 13: Fair Value Measurements (IFRS 13) defines fair value, sets out a framework for measuring fair value and details the required fair value disclosures. For practical reasons (and noting that there is no material impact to the financial statements), the Company has applied 31 March 2019 as the date it became an investment entity for accounting purposes.

The current year consolidated income statement only includes six months of subsidiary income and expenses with the remaining movements being processed as fair value gains or losses.

BASIS OF VALUATION

Fair value is defined as the price that would be received for an asset in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that a hypothetical transaction to sell an asset takes place in the principal market or in its absence, the most advantageous market for the asset.

VALUATION APPROACHES

A consistent valuation approach will be applied unless there is a change in the circumstances in relation to an investment. In selecting the most appropriate valuation technique, the board considers the specific terms of the investment which may impact its fair value.

Valuations techniques considered include but are not limited to:

i) Income approach – Discounted Cash Flow (DCF);

ii) Market approach – Price of recent investment or Earnings multiples; and

iii) Net Assets approach.

INVESTMENTS: NET ASSETS APPROACH

The Net Assets approach has been applied to the valuation of the investments in API Capital and GEMS. It is noted that the API Capital Fund investment consists of cash and cash equivalents. An income or market approach is therefore not considered appropriate. Phoenix is of the view that a Net Assets approach is more reflective of the current value of the API Capital Fund.

R thousand	Notes	2019	2018
API Capital Fund	2.1	**501 196**	–
GEMS	2.2	**190**	–
Different Life*		**–**	16 462
Investments (non-current assets)		**501 386**	16 462
Stangen	2.3	**140 000**	–
RDS stub instruments	3	**34 409**	–
Investments held for sale (current assets)		**174 409**	–
Total investments		**675 795**	16 462

* *The investment relates to a 25% shareholding in Different Life held by Stangen at 30 September 2018. The investment was sold by Stangen during the current year. A loan receivable from Different Life is included in the Stangen Net Asset Value.*

The fair value of the investments in EHL and RDS have also been determined using the net asset value approach. Both these entities' liabilities exceed their assets and therefore the fair value remains nil at 30 September 2019.

2.1 INVESTMENT IN API CAPITAL FUND

Following shareholder approval received on 20 March 2019, African Phoenix commited R500 million to acquire a 99.99% stake in API Capital Fund, a South African en commandite partnership. On 4 April 2019, the Initial Capital Contribution of R10 000 was invested in the API Capital Fund. The remaining R499.99 million commitment was drawn and invested on 7 May 2019. Net income of R1.196m was earned during the current year.

2. INVESTMENTS *continued*

2.1 INVESTMENT IN API CAPITAL FUND *continued*

Please see below the details of the net asset value for API Capital Fund which is reflective of the fair value of the investment in API Capital Fund:

R thousand	2019
Cash and cash equivalents	501 343
TOTAL ASSETS	**501 343**
Other liabilities	97
TOTAL LIABILITIES	**97**
Share capital and share premium	500 050
Retained earnings	1 196
TOTAL EQUITY	**501 246**
TOTAL EQUITY & LIABILITIES	**501 343**
Phoenix Contribution	99.99%
Fair value:	**501 196**

2.2 INVESTMENT IN GEMS

The movement in the investment in GEMS during the current year is due to dividends received and fair value adjustments processed. A reconcilation of movements in the investment balance has been included below:

R thousand	2019
Opening investment value (Fair value of GEMS 1 October 2018)	42 731
Dividend declared to Phoenix	(32 044)
Cash dividend	(28 689)
Dividend in specie (RDS stub instruments)	(3 355)
Return of Capital	(13 743)
Fair value adjustments due to net interest income earned	3 246
Closing fair value	190

2. INVESTMENTS *continued*

2.2 INVESTMENT IN GEMS *continued*

Please see below the details of the net asset value for GEMS which is reflective of the fair value of the investment in GEMS:

R thousand	2019
Loan to African Phoenix	23 568
TOTAL ASSETS	**23 568**
Borrowings	23 378
TOTAL LIABILITIES	**23 378**
Share capital and share premium	100
Retained earnings	90
TOTAL EQUITY	**190**
TOTAL EQUITY & LIABILITIES	**23 568**
Phoenix shareholding	100%
Fair value:	190

2.3 INVESTMENT HELD FOR SALE: STANGEN

The Company has entered into a sale and purchase agreement ("Agreement") for the sale of its 100% holding in Stangen to King Price Financial Services Proprietary Limited ("King Price") for a sale consideration of R140 million on the basis that the NAV of Stangen is at least R140 million at 30 September 2019. The effective date of the Disposal is 1 October 2019 provided that all conditions precedent to the disposal have been fulfilled by 28 February 2020. The investment is therefore held for sale per IFRS 5 at 30 September 2019.

R thousand	2019
Investment Held For Sale: Stangen	140 000

The movement in the investment in Stangen during the current year is due to dividends received and fair value adjustments processed due to losses incurred at Stangen. A reconciliation of movements in the investment balance has been included below:

Opening investment value (Fair value of Stangen 1 October 2018)	539 013
Dividend declared to Phoenix	(340 445)
Cash dividend	(310 000)
Dividend receivable	(30 445)
Fair value loss on investment	(58 568)
Closing fair value	140 000

2. INVESTMENTS *continued*

2.3 INVESTMENT HELD FOR SALE: STANGEN *continued*

Please see below the details of the net asset value for Stangen which is reflective of the fair value of the investment in Stangen:

R thousand	2019
Cash and cash equivalents	266 516
Reinsurance debtors	9 777
Other assets	52 806
TOTAL ASSETS	**329 099**
Policy holder liabilities	111 848
Other liabilities	46 806
Dividend payable to Phoenix	30 445
TOTAL LIABILITIES	**189 099**
Share capital and share premium	26 500
Retained earnings	113 500
TOTAL EQUITY	**140 000**
TOTAL EQUITY & LIABILITIES	**329 099**
Phoenix shareholding	100%
Fair value:	**140 000**

3. INVESTMENTS HELD FOR SALE: RDS STUB INSTRUMENTS

R thousand	2019	2018
Investments held for sale: RDS stub instruments	**34 409**	–

Residual Debt Services Limited ("RDS") restructuring

On 10 August 2014, the South African Reserve Bank ("SARB") announced that it is placing African Bank Limited ("ABL") (now Residual Debt Services Limited) under curatorship with effect from that day. The announcement contained a proposal for the restructuring of the liabilities of African Bank. As per the proposal, senior debt instruments and wholesale deposits (excluding subordinated debt holders) would be transferred at 90% of the face value following the restructuring. Thus, in 2016, the amounts receivable from ABL were recorded in the manner reflecting the measures proposed by SARB (the wholesale deposits were recorded at 90% of face value).

The Offering Information Memorandum ("OIM") was issued on 4 February 2016 and implemented on 4 April 2016. The OIM provided that 80% of the debt was to be transferred to "New African Bank Limited", 10% was to be paid out in cash in April 2016 and senior stub notes in RDS issued for the remaining 10%. Phoenix negotiated an early settlement agreement with New African Bank Limited in terms of which most of the 80% transferred to New African Bank Limited was also paid out in cash.

RDS – senior stub instruments

Phoenix had previously impaired its deposit with RDS by the initial 10% "haircut", which 10% was subsequently issued as the senior stub instrument in terms of the OIM (number of units: 59.5 million), as the recoverability was indeterminate.

Phoenix has now recorded the senior stub at a value of 55.8 cents (2018: 76 cents) in the rand. The 2019 value has been based on the valuation prepared by the RDS Curator in June 2019 The over the counter trading price at 30 September 2019 was 73 cents and at 30 September 2018 was 76 cents. Due to the low volume of trades, the Curator's valuation has been used as the basis for the valuation of the financial instrument. This results in fair value losses of R11.9 million during the current year. The stub instrument is classified as a financial asset at fair value through profit or loss in terms of IFRS 9. The Company has initiated a process for the sale of the investments in RDS and Ellerines (to include the sale of the RDS Stub Instruments). The investment is therefore held for sale at 30 September 2019.

4. CASH AND CASH EQUIVALENTS

R thousand	2019	2018
Current accounts	**31 124**	90 202
Call accounts	**444 548**	31 606
Fixed and notice deposit accounts	**215 483**	1 534 639
Cash and cash equivalents	**691 155**	1 656 447

Current and call accounts are all with South African banks, bear interest at market related rates and are withdrawable on demand.

Notice deposits are placed with South African banks withdrawable in 32 days and bears interest at market related rates for such deposits. Cash equivalents represents units held in the Stanlib Money Market Fund withdrawable in 24 hours.

Fixed and notice deposits are all with South African banks bearing market related rates.

5. CREDITOR – APPRAISAL RIGHTS

R thousand	2019	2018
Appraisal Rights	**46 972**	–

The Company received objection notices in terms of section 164(3) of the Companies Act from three Preference Shareholders holding in aggregate 1 252 598 Preference Shares. The Company the received a notice of motion in which a Dissenting Shareholder made an application to court in terms of section 164(14) of the Companies Act for, among others, a determination of the fair value of the preference shares held by the dissenting shareholder. The Board has considered the application and has filed a notice to oppose the application on 2 August 2019 and filed an answering affidavit on 11 September 2019. The appraisal rights claims have been valued at R37.50 per claim (total liability of R46 972 425) in the financial statements. The applicants have *inter alia* claimed the fair value of the Preference Shares which the applicants allege is R83.55 per share, which results in a claim of R104 654 563, excluding legal and other costs. Refer to note 12.

6. ORDINARY SHARE CAPITAL AND PREMIUM

	2019		2018	
	Number of shares	R thousand	Number of shares	R thousand
Authorised:				
A Ordinary shares of 2.5 cents each	**2 000 000 000**	**50 000**	2 000 000 000	50 000
B Ordinary shares of 0.01 cents each	**1 400 000 000**	**140**	–	–
Issued:				
A Ordinary shares of 2.5 cents each	**1 427 005 272**	**35 675**	1 427 005 272	35 675
B Ordinary shares of 0.01 cents each	**300 000 000**	**30**	–	–
Ordinary share premium	**n/a**	**14 614 254**	n/a	14 614 254
Total	**1 727 005 272**	**14 649 959**	1 427 005 272	14 649 929

SHARES IN ISSUE

300 000 000 unlisted, non-voting, non-participating B ordinary shares were issued to the Participation Partnership on 20 March 2019. The Participation Partnership is the vehicle for facilitating the long term alignment of the Investment Team.

Please refer to Note 13 – Events After Reporting Period for details on the Without Cause Termination of the General Partner as voted by the shareholders on 13 November 2019.

7. PREFERENCE SHAREHOLDERS' EQUITY

	2019		2018	
	Number of shares	**R thousand**	**Number of shares**	**R thousand**
Authorised:				
Preference shares of 1 cent each	**20 000 000**	**200**	20 000 000	200
Issued:				
Preference shares at par value of 1 cent each	**–**	**–**	13 523 029	135
Preference share premium	**–**	**–**	–	1 129 668
Total	**–**	**–**	13 523 029	1 129 803

13 523 029 non-redeemable, non-cumulative, non-participating preference shares with a par value of R0.01 were in issue during the period. Five million shares were issued on 23 March 2005 at a premium of R99.99 per share and share issue expenses of R23 million were set-off against the preference share premium. A further 3 042 251 shares were issued during the 2011 financial year and 5 480 778 shares were issued in the 2012 financial year. The shares were issued at a premium of R76.13 per share and share expenses of R6 million were set off against the preference share premium. These shares rank pari passu with the 8 042 251 preference shares already in issue.
During the 2019 financial year, Company proposed a scheme of arrangement in terms of the Companies Act, 2008 ("scheme repurchase") in terms of which all the issued preference shares would be repurchased from preference shareholders for a consideration of R37.50 per preference share. The implementation of the scheme repurchase required, among other things, shareholder approval by special resolution, which special resolution was adopted at the shareholders meeting held on 20 March 2019 by the requisite majority of shareholders. At the shareholders meeting, the resolution to approve the scheme repurchase was supported an excess of 75% of ordinary and preference shareholders voting together in accordance with the terms attaching to the ordinary and preference shares as set out in the memorandum of incorporation of the Company, including by 78% of ordinary shareholders and 76% of preference shareholders voting at the shareholders meeting.

The Scheme Repurchase became unconditional following the granting of a court order on or about 5 June 2019 approving the Special Resolution relating to the Scheme Repurchase. The scheme was implemented in June 2019 per the timetable released on SENS on 7 June 2019. The repurchase consideration of R460 141 162 was paid to the Scheme Repurchase Participants and the listing on the JSE was terminated.

The Company received objection notices in terms of section 164(3) of the Companies Act from three Preference Shareholders holding in aggregate 1 252 598 Preference Shares. The Company received a notice of motion in which a Dissenting Shareholder made an application to court in terms of section 164(14) of the Companies Act for, among others, a determination of the fair value of the preference shares held by the dissenting shareholder. The Board has considered the application and has filed a notice to oppose the application on 2 August 2019 and filed an answering affidavit on 11 September 2019. Refer to Note 5 – Creditor appraisal rights.

8. INVESTMENT INCOME

R thousand	2019	2018
Fixed deposit and call interest received	**108 989**	155 847
Dividend income	**382 044**	–
Fair value gains of losses on investments	**(427 203)**	–
Fair value losses due to dividends received	**(382 044)**	–
Other fair value losses	**(45 159)**	–
Accrued interest income from Stanlib Extra Income Fund (EIF)	**–**	130
	63 830	155 977

9. OPERATING EXPENSES

R thousand	2019	2018
Stangen operating expenses:		
Maintenance and other expenses	**39 586**	54 416
New business acquisition costs	**37 196**	61 825
Total Stangen operating expenses[1]	**76 782**	116 241
Phoenix operating expenses:		
Staff remuneration	**12 134**	4 823
Basic remuneration	**4 714**	4 562
Short term incentive[2]	**7 420**	–
Other fees – business rescue practitioner	**–**	261
Transaction costs[3]	**28 375**	7 196
Non-executive Directors remuneration	**2 093**	6 387
Performance Participation expense[4]	**14 685**	–
Other costs	**14 293**	22 882
Total Phoenix Group excluding Stangen	**71 580**	34 902

1 *FY2019 reflects operating expenses for the six-month period up to 31 March 2019 as thereafter Stangen's Net Asset Value is accounted for as investments at Fair Value in accordance with IFRS 10 (refer to note 2).*

2 *Staff remuneration cost for Phoenix includes R4 million (after taxes) paid to the Investment Team as a short-term incentive on for the period up to 31 March 2019. All staff utilised 100% of this incentive to purchase A shares in Phoenix to meet the requirements of the BFM structure approved by shareholders on 20 March 2019.*

3 *Transaction costs include fees related to the transactions as proposed in the 18 February 2019 circular. These costs include, fees for independent expert, financial advisory, legal advisor, sponsor, etc. Costs also include attorney and senior counsel fees related to the litigation processes for claims in terms of Section 115 of the Companies Act as heard in court in June 2019 as well as the ongoing Section 164 Appraisal Rights Claims.*

4 *The expense accrual for R14.685 million represents the Performance Participation calculation due to the General Partner in accordance with the Company's MOI. This calculation is based on the terms of B shares per the MOI and is calculated for the performance period from 4 April 2019, being the Investment Date into the API Capital Fund, until 30 September 2019, Given the shareholder vote for the termination of the General Partner without cause on 13 November 2019, this Performance Participation has become due and payable to the General Partner based on an Independent Expert's determination. At the time of issuing this report, no Independent Expert's report has yet been issued.*

10. RECONCILIATION BETWEEN BASIC (LOSS)/EARNINGS AND HEADLINE (LOSS)/EARNINGS

R thousand	2019	2018
Basic (loss)/earnings attributable to ordinary shareholders	**(78 865)**	45 578
Adjusted for:		
Impairment of goodwill	**–**	2 555
Deemed loss on stepped acquisition of associate	**–**	4 789
Headline (loss)/earnings	**(78 865)**	52 922
Total number of shares in issue (thousand)	**1 427 005**	1 427 005
Weighted number of shares in issue (thousand)	**1 427 005**	1 427 005
Basic earnings per ordinary share (cents)		
Basic (loss)/earnings per ordinary share – total	**(5.53)**	3.20
Headline earnings per ordinary share (cents)		
Headline (loss)/earnings per ordinary share – total	**(5.53)**	3.70

11. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. Information reported to the Group's chief operating decision-maker for the purpose of resources allocation and assessment of segment performance is more specifically focused on the category of each type of service provided. Effective 20 March 2019 African Phoenix became an investment entity per the requirements of IFRS 10: Consolidated Financial Statements. As such the Company only has one operational segment at 30 September 2019. The income and expenses relating to the Stangen Insurance Company have been consolidated into the Group statement of comprehensive income and are shown below.

Segment revenue and results

R thousand	Insurance	Corporate	Total
2019			
Income	**65 058**	**42 303**	**107 361**
Loss before taxation	**(15 934)**	**(41 161)**	**(57 095)**
Total Assets	**–**	**1 400 323**	**1 400 323**
Total Liabilities	**–**	**114 445**	**114 445**
Net Asset Value	**–**	**1 285 878**	**1 285 878**
2018			
Income (continuing operations)	176 785	63 501	240 286
Profit before taxation	45 759	28 080	73 839
Total Assets	685 632	1 385 060	2 070 692
Total Liabilities	146 619	52 246	198 865
Net Asset Value	539 013	1 332 814	1 871 827

12. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

R thousand	2019	2018
Rental commitments due within one year	**933**	2 760
Rental commitments due two to five years	**2 858**	5 924
Total commitments	**3 791**	8 684

Contingent liabilities

Appraisal rights S164 claims

The Company received objection notices in terms of section 164(3) of the Companies Act from three Preference Shareholders holding in aggregate 1 252 598 Preference Shares. The Company received a notice of motion in which a Dissenting Shareholder made an application to court in terms of section 164(14) of the Companies Act for, among others, a determination of the fair value of the preference shares held by the dissenting shareholder. The Board has considered the application and has filed a notice to oppose the application on 2 August 2019 and filed an answering affidavit on 11 September 2019. The appraisal rights claims have been valued at R37.50 per claim in the financial statements. The Board is however of the view that the offers made by the Company to the dissenting shareholders represent a fair value for these claims. The applicants have *inter alia* claimed the fair value of the Preference Share which the applicants allege is R83.55 per share, which may result in claims of up to R104 654 563, excluding interest, legal and other costs. Given that R46 972 425 of the claim has been recognised as a liability at reporting date, the remaining amount of R57 682 138 remains contingent upon the results of the courts proceedings. Refer to note 5.

Guarantee provided to RMB for API Capital loan

African Phoenix provided a guarantee to RMB (Rand Merchant Bank, a division of FirstRand Bank Limited, a third party funder) on or about 15 April 2019 for the loan issued by RMB to API Capital for an amount of R4 million plus accrued interest thereon. This loan was used by API Capital for the purchase of A shares in the Company as required by the JSE dispensations received. This financial assistance to acquire shares was approved by shareholders as part of the resolutions proposed in the 18 February 2019 Circular.

13. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any matter arising since the end of the financial year, not otherwise dealt with in the Group's condensed consolidated annual financial statements, which significantly affects the financial position at 30 September 2019. On the 13th of November 2019, the shareholders passed a resolution to terminate the agreement between the Company and the General Partner of the API Capital Fund, effective 31 December 2019. Shareholders also voted to appoint one new director to the board.

Following the GP termination, API Capital and African Phoenix discussed the implementation of the shareholder resolution. The most favourable outcome for both API Capital and African Phoenix was agreed as the purchase by African Phoenix of 100% of API Capital ("the API Capital acquisition"). The key benefits of this outcome are summarised as follows:

- Provides certainty in relation to the final handover API Capital's responsibilities to African Phoenix and allows African Phoenix flexibility in the use of API Capital for potential future strategies of African Phoenix.
- Provides certainty in relation to the amounts due to API Capital, whilst reducing the aggregate cost of the exit for African Phoenix shareholders.
- Provides a suitable mechanism for API Capital's exit of the African Phoenix A shares it holds at a discount to African Phoenix's net asset value.
- Early settles the gearing facility used to acquire API Capital's A shares, reducing African Phoenix's guarantee exposure for approximately half of this facility.
- Provides a suitable mechanism for the internalisation of the outstanding B shares issued to the API Capital management team.

13. EVENTS AFTER THE REPORTING PERIOD *continued*

To the extent that all conditions of the API Capital acquisition are met and the terms are fulfilled, African Phoenix will own 100% of the GP and will thereafter review the GP's rights to Termination Fees and the Performance Participation as detailed in Schedule 1 of the MOI.

In addition to the API Capital acquisition, the Company also announced that the respective boards of directors of the Company and Zarclear have, in principle, agreed to the implementation of a series of transactions to give effect to a merger of Zarclear and African Phoenix (the "proposed merger"). The respective boards of directors of Zarclear and African Phoenix have considered the capital base and structure, the cost base, the empowerment credentials and the strategic options of both companies and are of the view that there are strong operational and capital markets rationale for the proposed merger. A proposed merger will position the merged entity as an investment holding company that is able to execute on its strategies of private equity and market infrastructure investments where management and shareholders are closely aligned. Full details of the proposed merger, implementation terms and conditions and transaction timetable and *pro forma* financial effects will be communicated to shareholders of the respective companies in due course.

COMPANY INFORMATION

SPONSOR
Merchantec Capital

BOARD OF DIRECTORS
Executive Chairperson: O Mabandla
Lead Independent Director: K Mabe
Non-executives: W Chapman
Chief Financial Officer: A Hannington

AFRICAN PHOENIX INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1946/021193/06)
(Ordinary share code: AXL) (ISIN: ZAE000221370)

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