ZARCLEAR HOLDINGS LIMITED

SUMMARISED AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE 15-MONTH PERIOD ENDED 30 JUNE 2020

ZARCLEAR HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2000/013674/06)
Share code: ZCL ISIN: ZAE000249645
("Zarclear" or "the Group" or "the Company")

SUMMARISED AUDITED CONSOLIDATED RESULTS FOR THE FIFTEEN MONTHS ENDED 30 JUNE 2020

- NAV per share at 30 June 2020 of 600 cps (31 March 2019: 537 cps), an increase of 11.7% over the year. Excluding intangible assets, NAV increased by 12.2% to 594 cps over the same measure at the end of the 2019 financial year.
- NAV per share at 30 June 2020 of GBP 28.09 pence per share (pps) (31 March 2019: GBP 28.46 pps), a decrease of 1.4%, reflecting the weakening of the Rand against the major world currencies but underlining the Rand hedge strength of the Company's share.
- Investment gains of R68,7 million (2019: R133,9 million) together with R52.1 million (2019: R8,2million) revenue from the market infrastructure and regulation technology investments as this segment was operational for the full financial year.
- Impairment of investment in and loans to Nala A2X and Nala Empowerment - R28,6 million (2019: R2,6m) as well as impairment of intangible assets relating to the uncertainty regarding the trade repository license application, R5,9 million.
- Operating expenses of R85,4 million, including R30,7 million performance fees and expenses related to the directly managed fund (previously reported within the net return (Fair Value adjustment) of the PNF Peregrine Fund) as well as R41,1 million operating expenses from the market infrastructure and regulation technology segment, now operational for the full year. 2019 reported operating expenses of R15,8m excluding investment advisory fees but including market infrastructure and regulation technology segment overhead of R6,3 million.
- Operating profits of R29,5 million, after impairments of R34,4 million (2019: R51,3 million, after impairments of R2,6 million).
- Basic profits attributable to ordinary shareholders of R45.6 million (2019: R26.9 million).
- A significant portion of the Group's operating profits relate to realised foreign currency translation gains and dividend income from listed equities. Losses were realised on the sale of listed equites and the redemption of a hedge fund investment, whilst unrealised gains were posted on the listed and unlisted investments as well as hedge funds and directly managed funds in which the Group remains invested.

Overall performance summary

Management and the board continued to focus on generating growth in net asset value ("NAV") per share. As such, NAV per share remained the Company's overarching key performance indicator and NAV per share is used as the measure of financial results for trading-statement purposes.

At 600 cents per share ("cps") at 30 June 2020, NAV reflected an increase of 11.7% over the 537 cps as at 31 March 2019. The discount to NAV at which the Company's shares traded widened slightly during the year, from 28% to 32% at year-end, this gap being driven more by the increase in NAV than the share price which increased by 5.7% from the close of the last reporting period to the current. Closing the discount further remains a priority of the board.

Considering the volatility of local and global economies and financial markets, particularly in the last four months of the reporting period, the board believed it prudent to increase liquidity and cash holdings. At 30 June 2020, cash accounted for some 55% of NAV compared to 46% at 31 March 2019. At R745 million, the closing balance of cash and cash equivalents represented a considerable increase over that of the year previously (2019: R558 million). This increase was derived partly from trading returns within our financial investments and a continued restructuring of the balance sheet and including further reduction in direct financial investments. The board has every confidence that the Company's investment strategy will utilise excess cash resources, to the benefit of shareholders.

Corporate activity update

On 21 January 2020, shareholders were advised that Zarclear Holdings Limited (“Zarclear” or “ZCL”) had changed its financial year from 31 March to 30 June. Accordingly, these results take the form of audited results for the 15 months ended 30 June 2020, whilst the comparative period represents the 12 months ended 31 March 2019. The change in financial year was in anticipation of a proposed merger between Zarclear and African Phoenix Investments Limited (“African Phoenix” or “AXL”).

On 28 February 2020, shareholders were further advised that whilst the board of Zarclear remained of the view that there were strong operational and capital market benefits to the proposed merger, following engagements with shareholders, the board determined not to progress the proposed merger. Instead the board decided to proceed with a voluntary share repurchase offer on a basis that would afford all shareholders an ability to monetise their Zarclear shares at R4.40 per share.

On 13 May 2020, shareholders were advised that, having regard to the impact that the COVID-19 pandemic has had and was anticipated to continue to have on equity capital markets for an extended period, the costs and expenses associated with the Company’s JSE listing were no longer justified. Accordingly, the board of Zarclear had resolved that, subject to securing the requisite shareholder and regulatory approvals, it would be in the best interests of Zarclear and its shareholders to seek a delisting of the Company’s shares from the Main Board of the JSE and A2X.

On 30 June 2020, shareholders were advised that Zarclear had received notification from Legae Peresec Capital Proprietary Limited (“Legae Peresec Capital”) that it had acquired additional ZCL shares such that Legae Peresec Capital’s total beneficial interest was 30.08% of Zarclear’s total issued ordinary shares. Legae Peresec Capital informed the board that whilst it was supportive of the delisting, it would not support the deployment of Zarclear’s balance sheet to fund the cash offer that would need to be made in order for Zarclear to effect the delisting. Legae Peresec Capital proposed that Zarclear proceed with the delisting on the basis that, subject to the delisting being approved in accordance with all regulatory requirements, Legae Peresec Capital would make the required cash offer to purchase ZCL shares from any shareholder who either cannot or does not wish to continue to hold ZCL shares in an unlisted structure, at an offer price of R4.40 cents per ZCL share.

On 5 August 2020, shareholders were advised that Legae Peresec Capital had made an offer to shareholders to acquire their shares at R4.40 cents per ZCL share and that the company be delisted. In accordance with the provisions of the Companies Act 71 of 2008 (the “Companies Act”) and the Takeover Regulations promulgated thereunder (the “Takeover Regulations”), an independent sub-committee of the Board (the “Independent Board”) was formed for purposes of considering the offer. The offer obligations require that the Independent Board must be advised by an independent expert that a proposed offer to accompany a delisting is fair and reasonable to the shareholders of the Company.

The Independent Board appointed Nodus Capital TS (Pty) Ltd. (“Nodus” or the “Independent Expert”) to provide the Independent Board with its opinion as to whether the terms of the general offer are fair and reasonable.

Nodus issued an opinion to the Independent Board in which it advised that, primarily as a result of the recent strong performance of certain of Zarclear’s portfolio investments and currency exchange rate gains made within Zarclear, an offer price of R4.40 would be below the bottom end of its fair value range for Zarclear shares and that accordingly an offer made at R4.40 per share, whilst being reasonable, would no longer be fair to shareholders.

Given that the Board was unable to procure an offer and that the Company itself is not able to make an offer to shareholders at a price that the Independent Expert had confirmed as being fair, the Board was not in a position to proceed with the proposed delisting.

Whilst Legae Peresec Capital had confirmed that it was still willing to make an offer to acquire Zarclear shares at R4.40 per share, it was not prepared to increase the proposed offer consideration.

On 31 August 2020 shareholders were advised that despite the withdrawal of the delisting, Legae Peresec Capital expressed its desire to the Board to further increase its strategic holding in the Company and informed the Board that Legae Peresec Capital will proceed with a general offer at an offer price of R4.40 per ZCL share. Although the offer price is below the bottom end of the Independent Expert’s fair value range, the Offeror is of the view that the general offer still presents those shareholders who wish to monetise their shareholding with an opportunity to do so at a price that reflects a meaningful premium to the recently traded price of Zarclear shares.

A combined offer circular (containing full details in respect of the general offer and incorporating the Independent Board’s view of the general offer and the offer consideration and the fair and reasonable opinion prepared by Nodus) was posted to Zarclear shareholders on Friday 11 September 2020.

Investment strategy

Zarclear's current investment strategy is premised on the understanding that the Company's portfolio carried with it the inherent likelihood of a persisting discount to NAV, which discount would be difficult to overcome without a clearly articulated, compelling investment case.

The Company's investment strategy comprises two legs. The first leg consists of managing a portfolio of assets including listed equities, contracts for difference, fixed-income and other investments which provide liquidity, transparency and market-related returns (and whose liquidity underpins the second strategic leg). The second leg is concerned with developing, investing in and managing market-infrastructure and regulation technology operations.

In the current period, the Company has continued to refine its focus, exiting its investment in the Flexible Opportunities hedge fund and supporting further divestment from Rinjani Holdings Limited ("Rinjani"), a property management Group which consisted of listed and unlisted property portfolios. A significant investment was acquired in African Phoenix, an investment holding company, which we believe complements our current portfolio investment segment and will unlock synergies in the future.

The board believes that the flexibility and liquidity of its capital and the returns offered by the funds' managers serve the broader strategy of the business. Stenprop Limited ("Stenprop"), albeit a legacy asset, remains a core part of the portfolio, however, during the latter part of the current financial year, we monetised approximately 31% of this investment to reduce our holding from 7.1% of the issued capital of this entity to 5.1%.

The second leg of the Company's investment strategy entails management actively and closely deploying financial and other resources to a few high conviction financial-market infrastructure and regulation technology investments in which the Company is able to actively engage with management while adding strategic, governance and other value.

Targeted investments are in regulated exchanges, trade repositories, clearing houses, securities depositories and investment and technology platforms within the financial markets sector in general and South Africa in particular. The Company had three investments in this area and during the year added to this segment with 5.47% shareholding acquired in Equity Express Securities Exchange Proprietary Limited ("Equity Express"). The other investment comprising a 28% holding in Nala A2X Proprietary Limited ("Nala A2X"), 100% of Zarclear Proprietary Limited ("Zarclear Proprietary"), providing infrastructure and regulation technology services to financial services companies, and 60% of Zarclear Securities Lending Proprietary Limited ("Zarclear Securities Lending"). All these businesses have required relatively low initial investments, rely heavily on new technologies and look to exploit the changing regulatory landscape by fulfilling market needs brought about by new legislation.

Due to the current economic environment and further investment of resources required in order to finalise the awarding of the trade repository license, as well as uncertainty around obtaining the trade repository license the costs incurred and previously capitalised relating to the trade repository have been impaired in full at 30 June 2020 and the board will continue to assess its position in this market.

In addition to the impairment recognised in Zarclear Proprietary, a difficult trading environment and depressed economy has resulted in the Company impairing the investments in Nala A2X Proprietary Limited in full.

The board of directors of Zarclear takes full responsibility for the preparation of this report.

Paul Baloyi	**Warren Chapman**	**Andrew Hannington**
Non-Executive Chairman	*Chief Executive Officer*	*Chief Financial Officer*

22 September 2020

Directors: Paul Baloyi* (Chairman); Warren Chapman (CEO); Andrew Hannington (CFO); Fatima Vawda*; Amanda Munro-Smith; Kgosie Matthews*

*(*Independent non-executive)*

Registered office: 9th Floor, Katherine Towers, 1 Park Lane, Wierda Valley, Sandton, 2196
(PO Box 55312, Northlands, 2116), Telephone: +27 11 722 7516

Company Secretary: CIS Company Secretaries Proprietary Limited

Transfer Secretaries: Computershare Investor Services Proprietary Limited

Sponsor: Java Capital Trustees and Sponsors Proprietary Limited

The audited annual financial statements are available on Zarclear's website on www.zarclear.com.

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2020

	2020 R'000s	2019 R'000s
Assets		
Non-current assets	**535,253**	497,577
Property, plant and equipment	**1,482**	435
Intangible assets	**–**	3,005
Goodwill	**14,944**	14,944
Financial investments	**382,202**	450,629
Investment in associates	**134,174**	28,517
Deferred tax	**2,451**	47
Current assets	**1,894,386**	777,644
Financial investments	**79,371**	160,732
Trade and other receivables	**1,069,774**	58,068
Taxation	**149**	550
Cash and cash equivalents	**745,092**	558,294
Total assets	**2,429,639**	1,275,221
Equity and liabilities		
Equity and reserves	**1,361,294**	1,214,213
Share capital	**474,400**	474,400
Foreign currency translation reserve	**147,728**	50,240
Accumulated profit	**734,808**	689,178
Total attributable to equity holders of the company	**1,356,936**	1,213,818
Non-controlling interests	**4,358**	395
Non-current liabilities	**96**	3,512
Deferred taxation	**96**	3,512
Current liabilities	**1,068,249**	57,496
Taxation payable	**604**	168
Trade and other payables	**1,067,645**	57,328
Total equity and liabilities	**2,429,639**	1,275,221

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the 15 months ended 30 June 2020

	2020 R'000s	2019 R'000s
Investment income	**68,713**	133,926
Fee income	**52,087**	8,153
Total income	**120,800**	142,079
Impairment charges	**(5,863)**	–
Operating expenses	**(85,420)**	(90,794)
Profit from operations	**29,517**	51,285
Net interest received/paid	**18,149**	755
Interest received	**29,042**	3,304
Interest paid	**(10,893)**	(2,549)
Profit before taxation	**47,666**	52,041
Taxation	**1,927**	(24,886)
Profit for the period/year	**49,593**	27,155
Items that will be subsequently classified to profit and loss		
Currency translation differences	**97,488**	85,201
Total comprehensive income for the period/year	**147,081**	112,356
Profit for the period/year attributable to:		
Equity holders of the Company	**45,630**	26,930
Non-controlling interests	**3,963**	225
	49,593	27,155
Total comprehensive income for the Period/year attributable to:		
Equity holders of the Company	**143,118**	112,131
Non-controlling interests	**3,963**	225
	147,081	112,356
Basic and diluted earnings per share (cents)*	**20.18**	11.91
Headline and diluted headline earnings per share (cents)*	**22.78**	11.91
Based on weighted average of 226 065 696 ordinary shares in issue (2019: 226 065 696)		

* *Zarclear has no dilutionary shares in issue.*

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the 15 months ended 30 June 2020

	Share capital R'000	Foreign currency translation reserve	Attributable to equity holders of the company R'000	Non-controlling interests R'000	Total equity R'000
Balance at 31 March 2018	474,400	(34,961)	662,248	–	1,101,687
Total comprehensive income for the year	–	85,201	26,930	225	112,356
Non-Controlling interest in subsidiary acquired				170	170
Balance at 31 March 2019	474,400	50,240	689,178	395	1,214,213
Total comprehensive income for the period	–	97,488	45,630	3,963	147,081
Balance at 30 June 2020	**474,400**	**147,728**	**734,808**	**4,358**	**1,361,294**

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS for the 15 months ended 30 June 2020

	2020 R'000s	2019 (restated) R'000s
Cash flows from operating activities	**177,055**	612,873
Cash(utilised) by operations	**(5,636)**	(76,631)
Interest received	**29,042**	3,304
Interest paid	**(10,893)**	(2,549)
Interest received from private equity investment	**–**	15
Dividend received from private equity investment	**23,705**	14,633
Investment in financial investments	**(2,669)**	–
Investment in associates	**(258,591)**	(4,933)
Dividend received from capital reduction distribution – associate	**130,719**	–
Proceeds from sale of financial investments	**132,804**	138,982
Proceeds from sale of financial investments (trading activity)	**101,803**	–
Proceeds on sale of financial investments (redemptions) – Hedge Funds	**39,903**	166,999
Proceeds from loans and receivables settled	**–**	98,622
Increase in loan receivables – associates	**(76)**	–
Cash reclassified in directly managed hedge fund (PNF Peregrine Fund)	**–**	268,659
Taxation refund received/(paid)	**(3,055)**	5,772
Cash flows (utilised) from investing activities	**(4,202)**	(18,637)
Acquisition of property, plant, equipment and intangible assets	**(4,202)**	(3,464)
(Investment) in subsidiaries	**–**	(15,173)
Cash flows (utilised) – financing activities	**–**	(120,000)
Decrease in loans and other payables	**–**	(120,000)
Net increase in cash and cash equivalents	**172,853**	474,236
Effects of exchange rate changes on cash and cash equivalents	**13,945**	7,628
Cash and cash equivalents beginning of the period/year	**558,294**	76,430
Cash and cash equivalents end of the period/year	**745,092**	558,294

SEGMENTAL INFORMATION

The Group manages the businesses and related strategies in two distinct, but related segments. A portfolio investment segment focussed on NAV and a market infrastructure and regulation technology segment which is earnings focussed. This latter segment houses the Groups interest in Zarclear Proprietary (100%) and Zarclear Securities Lending (60%), Nala A2X, (which houses the Group's investment in A2X) and the recently acquired shareholding in Equity Express.

Segments that are regularly reviewed by the board being the chief operating decision-makers in order to allocate resources to segments and to assess their performance are:

I. Market infrastructure and regulation technology investments (earnings focused)
   a. Zarclear Proprietary
   b. Zarclear Securities Lending
   c. Nala A2X
   d. Equity Express

II. Portfolio Investments (NAV focused)
   a. Stenprop
   b. Peregrine Capital managed portfolios
      i. Managed account
      ii. Flexible Yield Fund (redeemed in full during current year)
      iii. Peregrine Offshore Segregated Portfolio (USD) (formerly, SA Alpha Fund)
   c. Rinjani
   d. African Phoenix
   e. Cash

SEGMENTAL INFORMATION

Statement of comprehensive income

	Market infrastructure and regulation technology investments R'000s	Portfolio investments R'000s	Total R'000s
15 months ended 30 June 2020			
Investment income	**(28,565)**	**97,278**	**68,713**
Fee income	**52,087**	**–**	**52,087**
Total income	**23,522**	**97,278**	**120,800**
Impairment charges	**(5,863)**	**–**	**(5,863)**
Operating expenses	**(41,073)**	**(44,050)**	**(85,123)**
Depreciation and amortisation	**(297)**	**–**	**(297)**
(Loss)/profit from operations	**(23,711)**	**53,228**	**29,517**
Net interest received	**443**	**17,706**	**18,149**
Interest received	**596**	**28,446**	**29,042**
Interest paid	**(153)**	**(10,740)**	**(10,893)**
(Loss)/profit before taxation	**(23,268)**	**70,934**	**47,666**
Taxation	**(1,489)**	**3,416**	**1,927**
(Loss)/profit for the period	**(24,757)**	**74,350**	**49,593**
Profit for the period attributable to:			
Equity holders of the Company	**(28,720)**	**74,350**	**45,630**
Non-controlling interests	**3,963**	**–**	**3,963**
	(24,757)	**74,350**	**49,593**
12 months ended 31 March 2019			
Investment income	3,282	130,644	**133,926**
Fee income	8,153	–	**8,153**
Total income	11,435	130,644	**142,079**
Operating expenses	(6,291)	(84,479)	**(90,770)**
Depreciation and amortisation	(24)	–	**(24)**
Profit from operations	5,120	46,165	**51,285**
Net interest received	49	706	**755**
Interest received	402	2,902	**3,304**
Interest paid	(353)	(2,196)	**(2,549)**
Profit before taxation	5,169	46,871	**52,041**
Taxation	(526)	(24,360)	**(24,866)**
Profit for the year	4,643	22,511	**27,154**
Profit for the year attributable to:			
Equity holders of the Company	4,419	22,511	**26,930**
Non-controlling interests	225	–	**225**
	4,643	22,511	**27,154**

SEGMENTAL INFORMATION (CONTINUED)

Statement of financial position

	Market infrastructure and regulation technology investments R'000s	Portfolio investments R'000s	Total R'000s
30 June 2020			
Segment assets			
Non-current assets	21,065	514,188	535,253
Property, plant and equipment	1,482	–	1,482
Goodwill	14,944	–	14,944
Financial investments	2,188	380,014	382,202
Investment in associates	–	134,174	134,174
Deferred tax	2,451	–	2,451
Current assets	1,071,813	822,574	1,894,387
Financial investments	481	78,890	79,371
Trade and other receivables	1,064,216	5,559	1,069,775
Taxation	149	–	149
Cash and cash equivalents	6,967	738,125	745,092
Total assets	1.092.878	1,336,762	2,429,640
Segment liabilities			
Non-current liabilities	–	96	96
Deferred taxation	–	96	96
Current liabilities	1,055,151	13,099	1,068,250
Taxation payable	604	–	604
Trade and other payables	1,054,547	13,099	1,067,646
Total liabilities	1,055,151	13,195	1,068,346

SEGMENTAL INFORMATION (CONTINUED)

Statement of financial position

	Market infrastructure and regulation technology investments R'000s	Portfolio investments R'000s	Total R'000s
31 March 2019			
Segment assets			
Non-current assets	46,948	450,629	497,577
Property, plant and equipment	435	–	435
Intangible assets	3,005	–	3,005
Goodwill	14,944	–	14,944
Financial investments	–	450,629	450,629
Investment in associates	28,517	–	28,517
Deferred tax	47	–	47
Current assets	63,260	714,384	777,644
Financial investments	–	160,732	160,732
Trade and other receivables	48,465	9,603	58,068
Taxation	50	500	550
Cash and cash equivalents	14,745	543,549	558,294
Total assets	110,208	1,165,013	1,275,221
Segment liabilities			
Non-current liabilities	–	3,512	3,512
Deferred taxation	–	3,512	3,512
Current liabilities	49,959	7,537	57,496
Inter-segment balances	(134)	134	–
Taxation payable	168	–	168
Trade and other payables	49,925	7,403	57,328
Total liabilities	49,959	11,048	61,007

BASIS OF PREPARATION

These summarised financial statements have been extracted from the audited annual financial statements for the 15 months period ended 30 June 2020. They are prepared in accordance with, and comply with, IFRS, SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, and Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the JSE Listings Requirements and as a minimum contains the information required by IAS 34 Interim Financial Reporting. These financial statements are prepared in accordance with the going concern principle under the historical cost basis, other than financial assets designated as at fair value through profit or loss, which are measured at fair value.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or areas where assumptions and estimates are significant to the financial statements are disclosed in the financial statements.

The Group has adopted the following amendments to standards for the first time for the financial period commencing 1 April 2019:

- IFRS 16 – Leases (no material impact on the Group)
- IAS 28 – Investments in Associates and Joint Ventures (Revised) (no material impact on the Group)

These financial statements have been prepared under the supervision of Andrew Hannington CA (SA), Chief Financial Officer.

Auditor's report

This abridged report is extracted from audited information, but has not itself been audited. The directors take full responsibility for the preparation of the abridged report and for ensuring that the financial information has been correctly extracted from the underlying audited annual financial statements. The audited annual financial statements for the year ended 30 June 2020 have been audited by BDO South Africa Inc., who expressed an unmodified audit opinion. A copy of the auditor's report is available for inspection at the Company's registered office together with the financial statements identified in the auditor's report. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial statements at the Company's registered office or website at www.zarclear.com.

Acquisitions

The most significant investment during the year was the initial acquisition of approximately 22% interest in African Phoenix in August 2019 for a total acquisition cost of R249,4 million. Subsequently in January 2020, African Phoenix declared a capital reduction distribution as a return of contributed tax capital, which equated to 42.00 cents per ordinary share. Zarclear received a resulting cash inflow from this distribution of R130,7 million and applied these funds to paydown the gearing incurred on the original investments in African Phoenix. In March 2020 a further 2% of the shares in African Phoenix were acquired at a purchase price of 38 cents per AXL share for a cash consideration of R9,2 million such that Zarclear holds 24% of African Phoenix at a total net cost of R127,9 million as at 30 June 2020.

African Phoenix is an investment holding company which was listed on the Main Board of the JSE at the time of acquisition. 0n 23 April 2020 shareholders in African Phoenix were advised on SENS of the firm intention of Legae Peresec Proprietary Limited to make an offer to acquire AXL shares and proposed a delisting of African Phoenix from the Johannesburg Stock Exchange. The offer price at delisting was 40 cents per ordinary share. Zarclear voted in favour of the delisting and did not accept the offer. On 24 June 2020, African Phoenix was delisted from the JSE.

On 25 March 2020, Zarclear purchased a 5.47% shareholding in Equity Express for a total price paid of R2,2 million. Equity Express is a holding company incorporated in South Africa with interests in the financial services industry. The acquisition is complementary to and expands the Group's footprint into the market infrastructure and regulation technology space.

Disposals

The following disposals were made during the financial year under review:

- In May 2020, the Group, through its 100% holding in SCIL sold 31% of the holding in Stenprop shares for a total consideration of R127,9 million bringing the current holding to 5.1% of the issued share capital of Stenprop.
- In May 2020 Rinjani, an entity in which the Group holds a 79.41% interest, conducted a share buy-back exercise for 21.4% of the shares in issue for a price amounting to R4,8 million attributable to the Group. As with previous buy-backs, the transaction was performed pro rata to shareholdings, thereby resulting in no change to the Group's holdings in Rinjani.
- During the 2020 financial year, the Group redeemed its investment in the Peregrine Capital Flexible Opp H4 QI HF Class A Fund in full realising cash of R39,9 million.

The net result of these disposals enabled the Group to increase its cash holdings substantially, fully settle the gearing initially incurred on the African Phoenix and cements the solid footing of the group with significant cash to take advantage of opportunities in line with strategy.

INVESTMENT IN ASSOCIATES

	2020 R'000s	2019 R'000s
Nala Empowerment Investment Company Proprietary Limited (30%)	**–**	–
Nala A2X Proprietary Limited – ordinary shares (28%)	**–**	–
Nala A2X Proprietary Limited – preference shares (100%)	**–**	25,142
Nala A2X Proprietary Limited – loan account	**–**	92
Nala A2X Proprietary Limited – preference dividends capitalised	**–**	3,283
African Phoenix Investments Limited	**134,174**	–
	134,174	28,517

CASH AND CASH EQUIVALENTS

Cash and cash equivalent resources have been pledged as collateral in terms of Contracts for Difference which form part of financial investments.

Analysis of cash and cash equivalents

	2020 R'000s	2019 R'000s
Bank balances denominated in South African Rand	**716,444**	316,488
Bank balances denominated in US$, GBP and EUR	**28,648**	241,806
	745,092	558,294

NET ASSET VALUE PER SHARE

	2020 R'000	2019 R'000
Net asset value per share as at 30 June 2020		
Equity attributable to equity holders	**1,356,936**	1,213,818
Number of shares in issue at reporting date	**226,065,696**	226,065,696
Weighted average number of shares in issue	**226,065,696**	226,065,696
NAV per share (cents)	**600**	537
Tangible Net Asset Value	**1,341,992**	1,195,869
Net tangible asset value per share (cents)	**594**	529

INCOME FROM PORTFOLIO INVESTMENTS

	2020 R'000s	2019 R'000s
Investment income:		
Dividend income – listed equities	**23,704**	14,633
Dividend income – unlisted preference shares	**–**	3,283
Investment returns – hedge-funds	**(1,199)**	114,712
Investment returns – directly managed investment account	**31,493**	–
Interest paid – hedge-fund loans	**–**	(31,586)
Fair value adjustments – private equity	**5,691**	14,038
Fair value adjustments – listed equities	**(14,777)**	21,345
Net fair value adjustment – listed associate	**6,302**	–
Fair value adjustment – listed associate	**(124,417)**	–
Dividend income – associate – capital reduction distribution	**130,719**	–
Fair value adjustments – private equity fund	**–**	(7)
Profit (loss) on disposal of financial investments	**–**	142
Realised gain on foreign currency translation	**46,092**	–
Interest received – private equity loans	**–**	15
Impairment of investment in and loans to associates	**(28,593)**	(2,649)
	68,713	133,926

OPERATING EXPENSES

	2020 R'000s	2019 R'000s
Include:		
Auditors' remuneration	**2,429**	1,476
– Audit fees	**2,217**	1,041
– Reporting accountant	**–**	120
– Advisory fees	**212**	315
Executive directors' emoluments		
– Salaries and contributions	**5,454**	1,285
– Retirement benefit plans	**324**	–
– Bonus	**1,200**	–
Salary and related costs	**6,978**	1,285
Non-executive directors' fees	**1,767**	1,445
Investment management advisory fee	**–**	75,000
Operating lease rentals*		
– Premises	**848**	46
– Office equipment	**33**	

* *The operating leases for premises were short term in nature with no contractual obligations and hence no right of use asset nor related liability were recorded. Office equipment rental relates to low value assets and are recognised as an expense as incurred in terms of IFRS 16.*

TAXATION

	2020 R'000s	2019 R'000s
South African normal taxation		
– Current year	(3,892)	(573)
Deferred taxation	5,819	(24,313)
– Current year (SA)	11,331	(14,504)
– Current year (Foreign CFC)	(3,902)	1,270
– Prior year under provision (SA and CFC)	(1,610)	(11,079)
	1,927	(24,886)

EARNINGS AND HEADLINE EARNINGS PER SHARE

Basic and diluted earnings per share		
Earnings	**45,630**	26,930
Number of shares in issue at reporting date	**226,065,696**	226,065,696
Weighted average number of shares in issue	**226,065,696**	226,065,696
Basic and diluted earnings per share (cents)	**20.18**	11.91
Headline and diluted headline earnings per share		
Earnings	**45,630**	26,930
Adjustment for headline earnings – impairment of intangible assets	**5,863**	–
Headline earnings	**51,493**	26,930
Headline and diluted headline earnings per share (cents)	**22.78**	11.91

PRIOR PERIOD ERROR CORRECTION

A disclosure error within the annual financial statements presented for the year ended 31 March 2019 was identified through the JSE's Proactive Monitoring process and has been corrected in the form of a restatement of the 2019 statement of cash flows and subsequent similar treatment in the 2020 statement of cash flows.

The error related to a mismatch between the fair value gain on financial investments being presented as part of income in the statement of comprehensive income whilst cash proceeds from the sale of these investments have been presented under investing activities on the statement of cash flows.

The purpose of this restatement is to reflect cash flows from operating activities aligned to the income streams as reflected on the statement of comprehensive income.

The disclosure has been amended for 2019 as follows:

	2019 R'000s
As disclosed in 31 March 2019 Statement of Cash Flows	
Cash flows from operating activities	**(55,456)**
Cash flows from investing activities	**649,692**
Total of above cash flow streams	**594,236**
Revised Comparatives for year ended 31 March 2019	
Cash flows from operating activities	**612,873**
Cash flows from investing activities	**(18,637)**
Total of above cash flow streams	**594,236**

FAIR VALUE HIERARCHY

The fair value of a financial instrument is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is a presumption that an entity is a going concern without any intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distressed sale.

The fair value of financial instruments traded in active markets is based on unadjusted quoted market prices at reporting date. A market is regarded as active if quoted prices for identical assets or liabilities are readily available from an exchange, dealer, broker, industry Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the mid-price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to determine the fair value of the instrument are observable, the instruments are included in level 2.

If one or more significant inputs are not based on observable market data, the instrument is included in level 3.

The following table presents the Group's assets that are measured at fair value as at 30 June 2020 and 31 March 2019:

	Level 1 R'000	**Level 2 R'000**	**Level 3 R'000**	**2020 Total R'000**
Financial assets at fair value though profit or loss				
Designated at inception:				
Listed equities	**361,938**	**–**	**–**	**361,938**
Listed equities, fixed income and other instruments	**17,975**	**–**	**–**	**17,975**
Private equity investments	**–**	**18,076**	**2,669**	**20,745**
Hedge-fund investments	**–**	**60,915**	**–**	**60,915**
Investment in associates	**–**	**134,174**	**–**	**134,174**
Total financial assets carried at fair value	**379,913**	**213,165**	**2,669**	**595,747**

	Level 1 R'000	**Level 2 R'000**	**Level 3 R'000**	**2019 Total R'000**
Financial assets at fair value though profit or loss				
Designated at inception:				
Listed equities	431,384	–	–	431,384
Listed equities, fixed income and other instruments	65,905	–	–	65,905
Private equity investments	–	19,244	–	19,244
Hedge-fund investments	–	94,827	–	94,827
Investment in associates (preference shares)	–	–	25,142	25,142
Total financial assets carried at fair value	497,289	114,071	25,142	636,502

Analysis of movement in fair value of Level 3 category assets:

	2020 R'000s	2019 R'000s
Opening value of level 3 category assets	**25,142**	22,857
Acquisition of unlisted investment – Equity Express	**2,188**	–
Acquisition of unlisted investment – Catalyst preference shares	**481**	–
Share subscription – Nala A2X	**–**	2,285
Impairment of investment in Nala A2X	**(25,142)**	–
Closing value of level 3 category assets	**2,669**	25,142

The closing balance of the assets categorised in level 3 are effectively valued at cost, representing the investment in Equity Express acquired in March 2020, the Catalyst preference shares in June 2020 and Nala A2X (2019). The investment in Nala A2X has been fully impaired in the current financial year.

Valuation techniques applied and inputs to valuation techniques:

Financial assets at fair value though profit or loss	**Valuation technique used to determine fair value**	**Description of significant observable inputs used in valuation technique**	**Description of significant unobservable inputs used in valuation technique (not applicable for level 1)**	**Value of significant unobservable inputs used in valuation technique (not applicable for level 1)**	**Recurring or non-recurring fair value measurement**
Private equity investments – Listed equities, fixed income, other instruments and listed associates	Quoted market prices	Unadjusted quoted prices in an active market of underlying investments	N/A	N/A	Recurring
Private equity investments – unlisted/ Investments in associates	Technique used includes amortised cost of loans receivable and independent valuations and cost	Market-related interest rate	Unobservable inputs are mostly directors valuations based on shareholder financial information available and interactions with management of the investee.	R154,919 million	Recurring
Hedge-fund investments – unlisted	Quoted market prices	The fair value is determined by an independent administrator, based on the quoted market prices of the underlying investments held by the hedge funds	Unobservable inputs are mostly expense accruals of the hedge-fund entities that are deducted from the sum of the fair values of net investments held by the hedge funds	R12 thousand	Recurring

RELATED-PARTY BALANCES AND TRANSACTIONS

Transactions with Legae Peresec Proprietary Limited (Legae Peresec)

The current CEO of the Company Mr Warren Chapman is a director of Legae Peresec Holdings, part of a financial services Group which provides a range of trading, custodial and prime broking services. The Group utilises the services of Legae Peresec in relation to its ongoing investment portfolio operations and is also a client/ service provider to Legae Peresec as part of its market infrastructure and regulatory technology services.

During the period, the Group borrowed funds from Legae Peresec to fund the acquisition of the African Phoenix shares. All borrowings from Legae Peresec were repaid by 30 June 2020, interest of R10,739,786 was paid on these borrowings during the period.

OFF-BALANCE SHEET CREDIT RISK EXPOSURE

Zarclear Securities Lending engages in securities lending activities whereby it borrows securities (scrip) from lenders (typically banks and large security holders) and simultaneously lends those borrowed securities to borrowers. Zarclear Securities Lending does not borrow any securities for proprietary purposes. Borrowers must provide sufficient collateral to Zarclear Securities Lending against the loan of the securities.

Collateral may be provided in the form of either scrip or cash. Cash collateral provided by its borrowers is reflected on balance sheet within Trade and other Payables and in relation to cash collateral provided by Zarclear Securities Lending to its' lenders within Trade and other Receivables. Any scrip collateral provided is transferred outright and thus does not reflect on balance sheet.

Given that any scrip provided as collateral to lenders does not reflect on the Zarclear Securities Lending balance sheet this results in off balance sheet credit risk exposure. The lender is obliged to return any collateral provided by Zarclear back to the company on the return of the borrowed securities (closure of the loan). The lender also has the right to realise any collateral provided by Zarclear Securities Lending in the event that Zarclear Securities Lending's borrowers are unable to return any of the borrowed securities.

Zarclear Securities Lending assumes a remote credit risk in that some of the securities lending transactions are offered to lenders (typically banks and large securities holders) with an indemnification of the borrowers' (typically short sellers) obligations arising under the transaction in terms of a Global Master Securities Lending Agreement. It is standard practice that the borrower must provide collateral greater than the value of the scrip loaned in the form of cash or scrip and therefore the risk of a claim is remote. To date there have been no defaults.

As the return of the borrowed securities and the collateral provided must happen simultaneously (one cannot take place without the other), Zarclear Securities Lending only assumes credit risk to the extent that the collateral provided (R8 356 807 thousand) exceeds the loan book value (R7 391 029 thousand).

EVENTS SUBSEQUENT TO REPORTING DATE AND GOING CONCERN

Apart from the considerations with regard to the impact of the COVID-19 pandemic and the proposed general offer as detailed above, there have been no other matters which may have a material impact on the Group subsequent to the reporting date.

It is the directors' assessment that, while the current market situation remains extremely unpredictable and volatile, there is no reason to believe that the Group does not have the ability to continue as a going concern.

SCHEDULE OF INVESTMENTS

Investment	Proportion owned	Fair value 30 June 2020 R'000s	Fair value 31 March 2019 R'000s
Listed equities			
Stenprop Limited	5.10%	**361,938**	431,383
Private equity – Unlisted			
African Phoenix Investments Limited	23.50%	**134,174**	–
Rinjani Holdings Limited	79.40%	**18,075**	19,244
Nala A2X Proprietary Limited	28.00%	**–**	25,142
Nala Empowerment Investment Company Proprietary Limited	30.00%	**–**	–
Equity Express Securities Exchange Proprietary Limited	5.47%	**2,188**	–
Firefly Investments 61	50.00%	**1**	1
Catalyst Advisory Proprietary Limited	n/a	**481**	–
Listed Equities, Fixed Income and other instruments			
Directly managed portfolio	100.00%	**17,975**	65,905
Hedge-funds			
Peregrine Capital Flexible Opp H4 QI HF Class A	0.00%	**–**	46,330
Peregrine Capital High Growth Offshore Segregated Portfolio (USD)	6.97%	**60,915**	48,497
		595,747	636,501