



SUMMARISED FINANCIAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2021

2021



STELLAR
CAPITAL PARTNERS



STELLAR CAPITAL PARTNERS LIMITED

Incorporated in the Republic of South Africa | Registration number: 1998/015580/06

Share code: SCP | ISIN: ZAE000198586

INTRODUCTION

INTRODUCTION

Stellar Capital Partners Limited (“Stellar”, the “Company” or the “Group”) presents its summarised results for the year ended 30 June 2021.

SUMMARY: YEAR ENDED 30 JUNE 2021

- R1.29 net asset value per share (“NAVPS”) as at 30 June 2021 (unchanged from 31 December 2020 and 2 cents decrease from R1.31 at 30 June 2020)
- Acquisition and internalisation of the Manco structure effective 31 March 2021
- Disposal of the Tellumat Air Traffic Management and Defence & Security business units effective 31 December 2020
- Disposal of Inyosi Solutions effective 30 June 2021

COMMENTARY

Prescient

Prescient is a leading diversified financial services group, with a 23-year track record of providing solutions in Asset Management, Investment Administration and Platform Services, Retirement Solutions and Stockbroking. Prescient has established operating businesses in the following main jurisdictions: 23 years in South Africa, 10 years in Ireland and the UK, and 8 years in China.

Prescient has been able to withstand the impact of COVID-19 and the national lockdown on the economy. As at 30 June 2021, assets under management have grown to R103.8 billion and assets under administration have grown to R668.1 billion.

Growth in average AUM and AUA combined with high trading levels over the past year, relative to the prior year, supported revenue growth across the Prescient group. Revenue increased across all the major entities compared to the prior year. The total operating expenses from operations increased broadly in line with revenues related to the higher volumes of business and increased staff costs. Heightened volatility and trading levels across asset classes since the start of the global COVID-19 crisis also lead to a strong year for Prescient Securities however its remains to be seen how sustainable these increased trading levels are for the business.

Sithega Fund

The Sithega Financial Services Fund, led by Mr. Thabo Dloti, is invested in Prescient and remains firm on its intention to expand its investment portfolio into life and short-term insurance markets, although progress in this respect has been hindered by the global pandemic. Stellar’s 30% investment in the fund grew primarily as a result of the revaluation of its investment and reduction of acquisition debt.

AHI Asset Management

AHI Asset Management (“AHI”) continues to look for opportunities to grow its investment offerings, either by supporting the activities of the current portfolio of managers or by expanding into other alternative asset classes.

During the year under review, Stellar injected further equity of R14.1 million into AHI by subscribing for ordinary shares and excess capital of R30.0 million was distributed to Stellar. Stellar also holds preference A Shares in AHI, which reflects AHI’s investment in the Greenpoint Funds.

Praxis Financial Services

The national lockdown, particularly in the second quarter of 2020, severely impacted the panel beating industry and therefore also Praxis, a short-term finance provider to the industry. The industry continues to show a slow recovery and, as such, the profitability of the leveraged business remains under pressure.

INTRODUCTION

Greenpoint

Despite the pandemic and the resultant lockdown, the Greenpoint Funds fared reasonably well, but the impairment provision in Greenpoint Special Opportunities Fund was not able to fully absorb losses, resulting in decreases in this fund's fair value at 31 December 2020 and again at 30 June 2021.

As the appointed manager of the Greenpoint Funds, Greenpoint Capital Proprietary Limited was able to significantly grow the credit portfolios during the period under review. Growth of the funds remains a priority in order to diversify risk and improve the sustainability of the manager.

GPC Investments invests balance sheet capital into its own funds to demonstrate its commitment to its credit decision making process and to its fund investors.

Stellar Capital remains an investor in both funds with R124.9 million held indirectly via AHI Asset Management at 30 June 2021. A portion of the A Share dividends received are reinvested in A Shares so as to match the GSL Fund and GSO Fund returns reinvested by AHI.

Inyosi Solutions

The investment, which was initially acquired for R3.6 million, was sold on 30 June 2021 for R8.8 million, which included R1.8 million relating to Stellar's share of June 2021 year-end profits not yet declared as a dividend.

Tellumat

Tellumat disposed of its Air Traffic Management and Defence & Security business units with effect from 31 December 2020 and has materially reduced its operations as at 30 June 2021. The investment value (including the value attributed to the empowerment partner, Amalinde Technologies) is based on the unwind of the remaining assets and liabilities.

OUTLOOK

The COVID-19 pandemic continues to have a fundamental impact on the world, and business in general. It is uncertain whether the current vaccination drive will bring the pandemic under control.

As communicated to shareholders in the announcements first released on the Stock Exchange News Service ("SENS") on 18 November 2020 and after the internalisation of the Manco structure in March 2021, the Stellar Board has considered various strategic objectives and has finalised its direction.

A combination of the inability to raise further capital on reasonable terms and the significant costs and expenses associated with the listing on the JSE, together with the discount being applied by investors to investment holding companies, has led the Board to conclude that an investment holding company like Stellar is more suited to an unlisted environment and that its continued listing provides little benefit to its stakeholders.

The Board has thus proposed that Stellar use its available internal cash resources to repurchase all of the shares other than from those who wish to remain shareholders and to subsequently delist the Company from the JSE. Further information is included in the Firm Intention Announcement released on SENS on 27 August 2021.

CHANGES TO THE BOARD OF DIRECTORS AND BOARD COMMITTEES

There have been no changes to the Board of Directors and Board Committees during the financial year and up to the date of this report.

SUM-OF-THE-PARTS (SOTP) VALUATION

AS AT 30 JUNE 2021

R'000	% of portfolio	As at 30 June 2021	As at 30 June 2020
Financial Services			
Prescient	30%	342 304	318 496
Sithega Fund	7%	84 671	54 037
AHI Asset Management	9%	103 978	146 726
Praxis Financial Services	0%	-	-
Greenpoint Holdings	1%	10 417	10 998
Inyosi Solutions	-	-	7 724
Friedshelf	1%	14 019	18 769
Industrials and technology			
Tellumat ¹	1%	15 200	26 862
Corporate Assets			
Financial assets	-	1 240	1 179
Loan portfolio ²	11%	124 866	124 482
Venture capital portfolio ³	2%	21 347	30 499
Cash and cash equivalents	37%	421 845	400 986
Other assets ⁴	1%	11 720	403
Total Assets		1 151 607	1 141 161
Trade and other payables		(1 197)	(1 164)
SOTP value		1 150 410	1 139 997
Less: Cost of treasury shares held in subsidiary		(28 456)	(64 026)
Adjusted SOTP value		1 121 954	1 075 971
Net shares in issue ('000) ⁵		872 617	822 617
SOTP value per share (Rand) ⁶		1.29	1.31

Notes:

1. The value comprises the sum of the investments in Tellumat and Amalinde Technologies
2. Investments in the Greenpoint Funds are held indirectly via a preference share
3. Held in Stellar International
4. Other assets at 30 June 2021 primarily comprises the receivable for the Inyosi disposal proceeds that was receipted subsequent to year-end
5. Net shares in issue exclude 40.0 million (2020: 90.0 million) treasury shares held by AHI Asset Management
6. SOTP value per share, accounts for the effect of 40.0 million (2020: 90.0 million) treasury shares acquired by AHI Asset Management at an average acquisition price of 71 cents per share
7. The current investment fair values in the above SOTP do not result in a net tax liability upon disposal

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

R'000	Notes	Audited as at 30 June 2021	Audited as at 30 June 2020
Non-current assets		680 500	682 660
Unlisted investments at fair value	7	680 255	681 232
Other financial assets		-	1 179
Deferred taxation		245	249
Current assets		471 107	458 501
Unlisted investments at fair value	7	36 547	57 361
Other financial assets		1 240	-
Current tax receivable		22	34
Trade and other receivables		11 453	120
Cash and cash equivalents		421 845	400 986
Total assets		1 151 607	1 141 161
Equity		1 150 410	1 139 997
Ordinary share capital	8	2 229 084	2 229 084
Accumulated loss		(1 078 674)	(1 089 087)
Current liabilities		1 197	1 164
Trade and other payables		1 197	1 164
Total equity and liabilities		1 151 607	1 141 161

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

R'000	Notes	Audited year ended 30 June 2021	Audited year ended 30 June 2020
Fair value adjustments	9	(30 777)	(74 641)
Fair value adjustments on unlisted investments		4 275	(74 641)
Fair value adjustments resulting from capital distributions		(35 052)	-
Dividend income	10	75 236	35 117
Capital distributions		35 052	-
Earnings distributions		40 184	35 117
Interest income		18 513	33 726
Gross profit /(loss) from investments		62 972	(5 798)
Other income		350	813
Net profit/(loss) before operating expenses		63 322	(4 985)
Management fee		(4 811)	(11 471)
Operating expenses		(7 229)	(7 315)
Effective settlement of pre-existing contract	11	(35 570)	-
Transaction costs		(1 006)	(192)
Profit /(loss) before tax		14 706	(23 963)
Taxation		(4 293)	(7 224)
Profit/(loss) for the year		10 413	(31 187)
Weighted number of shares in issue ('000)		835 220	1 009 411
Basic and diluted earnings/(loss) per share (cents)		1.25	(3.09)
Basic and diluted headline earnings/(loss) per share (cents)		1.25	(3.09)

There are no known current or future items or events which could result in dilution and as such basic and headline earnings per share are not impacted in this regard.

RECONCILIATION BETWEEN PROFIT / (LOSS) AND HEADLINE PROFIT / (LOSS)

FOR THE YEAR ENDED 30 JUNE 2021

R'000	Audited year ended 30 June 2021	Audited year ended 30 June 2020
Profit/(loss) for the year	10 413	(31 187)
Headline profit/(loss) for the year	10 413	(31 187)
Shares in issue at the beginning of the period	912 617	1 075 032
Weighted effect of holding treasury shares and share repurchases	(77 397)	(65 621)
Weighted average number of shares in issue	835 220	1 009 411

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

R'000	Audited year ended 30 June 2021	Audited year ended 30 June 2020
Balance at the beginning of the year	1 139 997	1 289 906
Profit/(loss) for the year	10 413	(31 187)
Repurchase and cancellation of ordinary shares	-	(118 722)
Acquisition of treasury shares ~	(35 570)	-
Shares issued to acquire the Manco	35 570	-
Balance at the end of the year	1 150 410	1 139 997

- These treasury shares were previously held by AHI, a subsidiary held at fair value, and which is not consolidated.

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

R'000	Audited year ended 30 June 2021	Audited year ended 30 June 2020
Operating activities	38 669	445 330
Cash (utilised in)/generated from operations	(18 142)	383 101
Capital distributions received	5 052	-
Dividends received	39 117	35 117
Interest received	16 919	33 649
Tax paid	(4 277)	(6 537)
Investing activities	(17 810)	2 251
Acquisitions of investments	(17 810)	(24 739)
Disposals of other financial assets	-	31
Loans advanced to portfolio companies	-	(30 644)
Loans repaid by portfolio companies	-	57 603
Financing activities	-	(118 722)
Repurchase of ordinary shares	-	(118 722)
Cash and cash equivalents at the beginning of the year	400 986	72 127
Cash and cash equivalents at the end of the year	421 845	400 986
Net increase in cash and cash equivalents	20 859	328 859

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Stellar is a South African domiciled investment holding company listed on the main board of the JSE Limited. The summarised consolidated financial statements of the Group as at and for the year ended 30 June 2021 comprise the Company and its Consolidated Subsidiaries, Stellar Management Services Proprietary Limited and Thunder Securitisations Proprietary Limited.

The Company has significant interests in unlisted investments, which are more fully set out in note 7. As an investment holding company, Stellar has applied the investment entity exception and accounts for its investments on a fair value basis, in accordance with IFRS 10 *Consolidated Financial Statements*.

2. FINANCIAL PREPARATION AND REVIEW

The summarised consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including the disclosure requirements of IAS 34 *Interim Financial Reporting* and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the JSE Listings Requirements and the Companies Act, No 71 of 2008. Amounts are presented in South African Rands.

The results include, as a minimum, the information required by IAS 34 and do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding to the changes in the Group's financial position and performance.

These summarised consolidated financial statements have been prepared under the supervision of S Graham CA(SA), the Chief Financial Officer, and were approved by the Board of Directors on 27 August 2021. The directors take full responsibility for the preparation of these results, which are not themselves audited, but which have been correctly extracted and condensed from the audited financial statements of the Group approved on 27 August 2021.

The unmodified audit opinion of the auditors, BDO South Africa Incorporated in respect of the consolidated financial statements of the Group as at and for the year ended 30 June 2021 is available for inspection at the Company's registered office and on the Company's website, <http://www.stellarcapitalpartners.co.za/financial-results/>.

3. ACCOUNTING POLICIES

The accounting policies applied by the Group in these summarised consolidated financial statements are consistent with those applied in the consolidated annual financial statements for the year ended 30 June 2020.

All subsidiaries classified as portfolio investments are accounted for at fair value through profit or loss ("FVTPL") in terms of IFRS 9 *Financial Instruments* and all associates classified as portfolio investments are accounted for at FVTPL in terms of the exemption from applying the equity method of accounting provided in IAS 28 *Investments in Associates and Joint Ventures*.

4. JUDGMENTS AND ESTIMATES

Management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In preparing these summarised consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 30 June 2020, but included the acquisition of Thunder Securitisations Proprietary Limited (the "Manco" for Stellar), which has been treated as a consolidated subsidiary (refer to note 11). Management was required to use judgment in applying the requirements of IFRS 3 *Business Combinations*, particularly with respect to the allocation of the amount of the purchase consideration to the settlement of a pre-existing contract being the management agreement between Manco and Stellar. In applying judgment, the key aspects of the transaction that were considered by management were the terms of the management agreement and the assets and liabilities of the Manco on the acquisition date.

5. SEGMENT INFORMATION

As the Group has only one business segment which is managed as a single pool of capital irrespective of the sector in which the Group's investees trade, segmental reporting is not applicable.

6. DIVIDENDS

No ordinary dividends were declared during the year ended 30 June 2021.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENTS HELD AT FAIR VALUE

All subsidiaries, associates and investments have a principal place of business in South Africa with the exception of Stellar International, which has a principal place of business in Mauritius.

Unlisted investments

UNLISTED INVESTMENTS	NATURE OF OPERATIONS	% HELD 30 JUNE 2021	% HELD 30 JUNE 2020
Prescient	Diversified financial services group offering investment management, fund services, administration, stockbroking and retail and institutional products	19%	19%
Sithega Fund ¹	Empowered investment holding entity	30%	30%
AHI Asset Management	Alternative asset manager	100%	100%
Praxis Financial Services	Provider of short term finance to the panel beating industry to address motor body repairers' working capital needs	37%	37%
Greenpoint Holdings	Provision of management services	51%	51%
Inyosi Solutions	Provision of management services	-	75%
Friedshelf	Financial services group	100%	100%
Tellumat	Technology solutions and services in manufacturing, air traffic control systems, defence and security and turnkey infrastructure solutions for the telecommunications industry	49%	49%
Amalinde Technologies (previously Masimong Technologies) ²	A subsidiary of a diversified B-BBEE investment holding company and B-BBEE partner of Stellar for Tellumat	100% preference shares ²	100% preference shares ²
Stellar International	Holding company for international venture capital investments	100%	100%
Preference shares (investment in GSL and GSO Funds)	Preference share investment in AHI Asset Management	Sole preference shareholder	Sole preference shareholder

¹ Stellar Capital is an initial investor as Limited Partner in an *En Commandite* Partnership Agreement of the Sithega Fund and is entitled to 30% of the economic interests of the Fund as at 30 June 2021.

² The preference shares held in Amalinde Technologies are non-cumulative and redeemable at the instance of the issuer.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

R'000	Opening balance	Acquisitions	Proceeds from disposals	Fair value adjustments	Fair value adjustments resulting from capital distributions	Closing balance
Unlisted investments						
Prescient	318 496	-	-	23 808	-	342 304
Sithega Fund	54 037	-	-	30 634	-	84 671
AHI Asset Management	146 726	14 120	-	(26 868)	(30 000)	103 978
Praxis Financial Services	-	-	-	-	-	-
Greenpoint Holdings	10 998	-	-	(581)	-	10 417
Inyosi Solutions	7 724	-	(8 824)	1 850	(750)	-
Friedshelf	18 769	-	-	(448)	(4 302)	14 019
Tellumat *	13 136	-	-	(5 703)	-	7 433
Amalinde Technologies *	13 726	-	-	(5 959)	-	7 767
Stellar International *	30 499	-	-	(9 152)	-	21 347
Greenpoint Funds	124 482	3 690	-	(3 306)	-	124 866
Total	738 593	17 810	(8 824)	4 275	(35 052)	716 802
Non-current unlisted investments	681 232					680 255
Current unlisted investments *	57 361					36 547
Total	738 593					716 802

Prescient

Stellar holds preference shares in Prescient Empowerment Trust Proprietary Limited ("PET"), the 56% shareholder of Prescient, which give Stellar the rights and economic benefits attributable to 19.4% of Prescient and which was acquired for an effective price of R327.7 million in April 2019.

Stellar has also entered into an agreement whereby PET has the option to call its preference shares from Stellar (the "Call") and Stellar has the option to put the preference shares to PET (the "Put"). These options can only be exercised, on a cumulative basis, in thirds, on 30 September 2022 (first third, if exercised), 30 September 2023 (second third or first two thirds, if exercised) and 30 September 2024 (last third or last two thirds or all, if exercised). The strike price of both the Put and the Call are variable to the average of the 2-year trailing and 1-year forecast net profit, as at the exercise date, multiplied by a fixed multiple. The Put strike multiple is lower than the current market multiple of Prescient and therefore the Put is out of the money and will also be out of the money on the exercise dates and therefore has no value. The Call strike multiple falls within a range of market multiples calculated with reference to Prescient public peer set. The Call strike price approximates the market value of the underlying asset and will also approximate the market value of the underlying asset in the future and therefore has no value. The key input in assessing the Call and the Put option is the net profit market multiple range of 10.7 to 12.8 (2020: 11.4 to 13.2).

As at 30 June 2021 the fair value of the indirect investment in Prescient has been estimated by management using the sustainable earnings model, which is consistent with the valuation method used in the previous financial year. Management considers the P/E multiple to be the most appropriate valuation method.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Significant unobservable inputs/assumptions	2021	2020
Estimated sustainable net profit after tax	R126.6 million	R114.0 million
P/E multiple	11.9 times	12.3 times

The effect on the statement of financial position of any assets and liabilities recognised by Prescient at 30 June 2021, which are not related to the business operations, has been included in the valuation, the effect of which R50.2 million is attributable to Stellar as Preference shareholder in PET (2020: R47.1 million).

Sithega Fund

Stellar invested R54 million into the Sithega Financial Services Fund in April 2019. The fair value of the investment is derived from the fund's unit value, as determined by the fund manager, and equals Stellar's 30% proportionate share of the total net asset value of the Sithega Fund.

AHI Asset Management

In the current financial year, Stellar subscribed for additional ordinary shares for R14.1 million (2020: R20.3 million). Excess capital of R30.0 million was distributed to Stellar in the current financial year, resulting in a downward fair value adjustment of the same amount.

As at 30 June 2021, the estimated fair value of the investment has been determined using the net asset valuation method, which is consistent with the valuation method used in the previous financial year.

Praxis Financial Services

In March 2018, Praxis Financial Services issued ordinary share capital for R56.3 million in which Stellar subscribed for R20.9 million.

Praxis is still recovering from the impact of the national lockdown as at 30 June 2021 and management does not consider the determination of the inputs to the sustainable earnings model to be feasible. Although the business cash flows are materially break-even, the high-cost debt levels remain high and it is therefore still not considered prudent to recognise any equity value.

The shares held in Praxis Financial Services have been pledged and ceded in *securitatem debiti* to the GSL Fund as a continuing general covering security in respect of amounts owing by the investee to the Fund.

Greenpoint Holdings

Greenpoint Holdings is the sole shareholder of both Greenpoint Capital Proprietary Limited, the appointed manager of the Greenpoint Funds, and GPC Investments Proprietary Limited, which holds units/shares in the Greenpoint Funds.

As at 30 June 2021, the fair value of Greenpoint Capital has been estimated by management using the sustainable earnings model, which is consistent with the valuation method used in the previous financial year. Management considers the P/E multiple to be the most appropriate valuation method.

Significant unobservable inputs/assumptions	2021	2020
Estimated sustainable net profit after tax	R2.5 million	R2.8 million
P/E multiple	4.9 times	4.8 times

The valuation of Greenpoint Holdings comprises Stellar's share of the estimated fair value of Greenpoint Capital of R12.3 million (2020: R13.4 million) and R8.3 million in respect of both a working capital adjustment for Greenpoint Capital and the net asset value of GPC Investments (2020: R8.2 million).

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Inyosi Solutions

Inyosi Solutions was incorporated in the 2018 financial year and Stellar acquired 75% of the ordinary share capital for R3.6 million, with the other 25% being held by management.

Stellar sold its 75% shareholding effective 30 June 2021 for R8 824 000. The proceeds included R1 850 000 relating to Stellar's share of Inyosi's 30 June 2021 year-end profits not yet declared as a dividend.

Friedshelf

As at 30 June 2021, Cadiz Life Limited is the only operational investment held by Friedshelf (under AHI Asset Management Holdings Proprietary Limited) and the estimated fair value of the investment has been determined using the realisable net asset valuation method, which is consistent with the valuation method used in the previous financial year.

Tellumat

Stellar is in the final stages of exiting the investment as materially all of the operations have been disposed of or wound-down as at 30 June 2021 and therefore the estimated fair value of the investment has been determined using the realisable net asset valuation method.

Amalinde Technologies

As Tellumat is the only significant asset held by Amalinde Technologies as at 30 June 2021, the fair value of the investment in Amalinde Technologies has been determined with reference to its share of the estimated fair value of Tellumat that will determine the agreed redemption price of the preference shares.

Stellar International

The functional currency of Stellar International is the US Dollar. It was incorporated with \$2.2 million ordinary share capital and holds investments in LifeQ, denominated in US Dollars, which was acquired for \$1 million, and Tictrac, denominated in British Pounds, which was initially acquired for £696 000 with an additional £160 000 being acquired in the previous financial year.

As at 30 June 2021, the fair value of the investment in Stellar International has been estimated by management using the price of recent investment valuation method, which is consistent with the valuation method used in the previous financial year. Management considers this to be the most appropriate valuation method as both LifeQ and Tictrac are still in the development stage with no sustainable positive cash flows or profit history. Because Stellar has decided to exit the investments in LifeQ and Tictrac in the short term, discounts of 25% and 50% respectively have been applied to the respective acquisition prices to reflect the price risk associated with exiting during a global pandemic. The discounted values have therefore been converted to Rands using the foreign exchange spot rates on 30 June 2021.

Stellar continues to seek opportunities to exit this investment and it has therefore been classified as current.

Greenpoint Funds

Stellar indirectly invests in B Units of the Greenpoint Specialised Lending (GSL) Fund and in B Shares of the Greenpoint Special Opportunities (GSO) Fund via preference shares in AHI. The fair values of the GSL and GSO Fund investments are derived from the B Unit and B Share values respectively, based on the respective net asset values, as determined by the manager of the funds (Greenpoint Capital).

A portion of the combined GSL and GSO returns of R3.7 million were reinvested into the funds during the current financial year (2020: R4.4 million).

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Level 3 investments

All portfolio companies are classified as Level 3 and all investments into funds are classified as Level 2 because any investors entering or exiting these funds will do so at the fund unit/share values.

The Board of Directors has approved the valuation methodologies used by management for Level 3 investments. The Company receives the latest available reports from portfolio companies at each reporting date, either in the form of audited financial statements or unaudited management accounts, which are then used in the valuation techniques. The table below shows the reconciliation of Level 3 movements:

R'000	Audited 30 June 2021	Audited 30 June 2020
Opening balance	560 074	614 452
Additions	14 120	20 300
Disposals	(8 824)	-
Fair value adjustments	(23 053)	(74 678)
Fair value adjustments resulting from capital distributions	(35 052)	-
Total	507 265	560 074

Transfers to Level 3 occur in instances where management assesses that the quoted market price of a listed investment is not representative of fair value at the measurement date. Similarly, transfers from Level 3 occur where previously management assessed that the quoted market price of a listed investment was not representative of fair value, but where a change in factors results in management concluding that the quoted market price is considered to be an appropriate basis for estimating fair value. There were no transfers between levels during the year under review.

As at 30 June 2021, the potential effect of using reasonably possible alternative assumptions in the valuation, based on a change in the most significant input, while holding all other variables constant, is shown in the following table:

R'000	Estimated fair value	Significant unobservable inputs	Reasonable possible variation	Reasonable possible change
Prescient	342 304	Sustainable profit	10%	29 212
		P/E multiple	5%	14 606
AHI Asset Management	103 978	Net asset value	10%	10 398
Praxis Financial Services	-	n/a	n/a	n/a
Greenpoint Holdings	10 417	Sustainable profit	10%	620
		P/E multiple	10%	620
Friedshelf	14 019	Net asset value	20%	2 804
Tellumat	7 433	Net asset value	20%	1 487
Amalinde Technologies	7 767	Net asset value	20%	1 553
Stellar International	21 347	Liquidity discount	10%	3 410

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. ORDINARY SHARE CAPITAL

There has been no change to the number of authorised shares during the year under review. At 30 June 2021, there were 912 616 841 (2020: 912 616 841) issued ordinary shares and 1 087 383 159 (2020: 1 087 383 159) unissued ordinary shares.

The unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

As at 30 June 2021 the Company held 40 000 000 treasury shares via its wholly owned subsidiary, AHI Asset Management (2020: 90 000 000). In the previous financial year, 93 701 459 shares were acquired by AHI at an average price of 71.14 cents per share and 3 701 459 were transferred to Stellar and cancelled. In the current financial year, 50 000 000 shares were transferred to settle the acquisition of the Manco (refer to note 11). Because AHI is not a Consolidated Subsidiary, these treasury shares are not deducted in the calculation of shares in issue.

Stellar Capital directly acquired 158 713 456 ordinary shares in the previous financial year, at an average price of 73.14 cents per share. These shares were cancelled and delisted.

9. FAIR VALUE ADJUSTMENTS

R'000	Audited year ended 30 June 2021	Audited year ended 30 June 2020
Fair value adjustments on unlisted investments	4 275	(74 641)
Prescient	23 808	-
Sithega Fund	30 634	37
AHI Asset Management	(26 868)	(5 234)
Praxis Financial Services	-	(24 450)
Greenpoint Holdings	(581)	(1 262)
Inyosi Solutions	1 850	-
Friedshelf	(448)	(4 661)
Tellumat	(5 703)	(19 373)
Amalinde Technologies	(5 959)	(20 245)
Stellar International	(9 152)	547
Greenpoint Funds	(3 306)	-
Fair value adjustments resulting from capital distributions	(35 052)	-
Total	(30 777)	(74 641)

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. DIVIDEND INCOME

R'000	Audited year ended 30 June 2021	Audited year ended 30 June 2020
Capital distributions	35 052	-
AHI Asset Management	30 000	-
Inyosi Solutions	750	-
Friedshelf	4 302	-
Earnings distributions	40 184	35 117
Prescient	27 337	19 451
Inyosi Solutions	1 848	1 020
Greenpoint Funds	10 999	14 646
Total	75 236	35 117

11. MANCO INTERNALISATION

As communicated to shareholders in the announcement released on SENS on 5 February 2021, the Stellar Board of Directors concluded its evaluation of the Manco structure and resolved to terminate the Manco structure through the acquisition of all the issued shares in the Manco ("Manco Internalisation") for 50 000 000 Stellar shares previously held in treasury. The Manco Internalisation was approved by Stellar shareholders on 30 March 2021 and Manco became a wholly-owned subsidiary of Stellar from 31 March 2021, giving Stellar control of the Manco.

The entire acquisition price has been allocated to the settlement of a pre-existing contractual relationship, in accordance with IFRS 3 Business Combinations, because of the cancellation clause of the contract and no value was allocated to the identifiable assets and liabilities of the Manco. This resulted in Stellar incurring a loss of R35.57 million to internalise the management agreement, which has been determined using the fair value of the shares on the date of the transaction.

Manco is treated as a Consolidated Subsidiary in accordance with the Group's accounting policy. The investment is categorised as Level 3 in the fair value hierarchy in accordance with IFRS 13 and has a carrying value of Rnil in the Company, which approximates its fair value based on net asset value.

The Manco did not generate revenue for the three months ended 30 June 2021 and incurred a small immaterial loss after tax over that period. Had the Manco been acquired at the start of the financial year, revenue of R5.8 million (of which R4.2 million would have been eliminated on consolidation) and a profit after tax of R2.5 million would have been included in the Group financial statements.

12. RELATED PARTY TRANSACTIONS

Related party transactions are entered into in the ordinary course of business and comprise (i) transactions with portfolio companies including loans advanced/repaid, interest income, dividends received and amounts received or paid in respect of services provided; and (ii) management fees paid to Thunder Securitisations Proprietary Limited of R4.8 million (2020: R11.5 million). Refer to note 11 for details of the acquisition of the Manco, which was classified as a related party transaction in terms of the JSE Listings Requirements.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. GUARANTEES

At the reporting date, the Company has issued limited corporate guarantees in favour of the creditors of Praxis Financial Services for R36.0 million (2020: R48.5 million), which can be cancelled with 3 months' notice by either party. Management accounts are obtained from Praxis on a monthly basis and analysed in conjunction with the monitoring of the purchases from suppliers for which guarantees have been issued. Stellar is also a second Guarantor, after Praxis, to funding provided by the Inyosi Enterprise Development Fund to panel beater clients of Praxis. At 30 June 2021, the loan outstanding is R3.3 million. At 30 June 2021, no amounts due to guaranteed suppliers, or the Inyosi Enterprise Development Fund, are in default, and therefore Stellar does not have any obligations to reimburse the counterparties. Management has performed an expected credit loss assessment on the guarantees and estimates a nil loss allowance.

14. EVENTS AFTER THE REPORTING PERIOD

Management have assessed the ongoing impact of COVID-19 on its operating, financing and investing activities. As part of this assessment, the Board has considered the impact of the national lockdowns (at various risk-adjusted levels) and weakened economy post 30 June 2021 on the underlying funds and investee operations and is not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the Company.

Please also refer to the Outlook section that provides additional information on the strategic initiatives considered by the Board, especially the proposal, subsequent to year-end, that Stellar use its available internal cash resources to repurchase all of the shares other than from those who wish to remain shareholders and to subsequently delist the Company from the JSE. The repurchase, if approved, will cost Stellar a maximum capped amount of R400 million (excluding transaction costs) in order for the Company to satisfy the Solvency and Liquidity requirements immediately after the implementation of the repurchase. Further information is included in the Firm Intention Announcement released on SENS on 27 August 2021.

By order of the Board



CJ Roodt

Chairman of the Board

27 August 2021

FORWARD LOOKING STATEMENTS

Any forward-looking statements included in this results announcement involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Group to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Any reference to forecast information included in this results announcement does not constitute an earnings forecast and has not been reviewed or reported on by the Group's external auditors.

DIRECTORS

CJ Roodt (Chairman)*, PJ Van Zyl (Chief Executive Officer),
S Graham (Chief Financial Officer), L Potgieter#,
DD Tabata*, MVZ Wentzel*, HC Steyn^, PJ Bishop^

Lead Independent non-executive

* Independent non-executive

^ Non-executive

COMPANY SECRETARY

W Dreyer

REGISTERED OFFICE AND BUSINESS ADDRESS

Fourth Floor
The Terraces
25 Protea Road
Claremont
Cape Town
7708

POSTAL ADDRESS

Suite 229
Private Bag X1005
Claremont
Cape Town
7735

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)