Zarclear Holdings Limited

(formerly Sandown Capital Limited)

Registration number 2000/013674/06

Audited Annual Financial Statements

for the year ended 31 March 2019

Contents

Directors' responsibility statement

The directors are responsible for the preparation, integrity and fair presentation of the consolidated and separate annual financial statements of Zarclear Holdings Limited, comprising the statements of financial position at 31 March 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of the principal accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and comply with the requirements of the Companies Act of South Africa and the Listings Requirements of the JSE Limited.

In addition, the directors are responsible for preparing the directors' report. The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all statements of IFRS that they consider to be applicable to the Group have been followed.

The directors are also responsible for maintaining an adequate and effective system of accounting records, for the safeguarding of assets and for developing and maintaining a system of internal controls that, among other things, will ensure the preparation of financial statements that are free from material mis-statement including the preparation of the supplementary schedules included in these financial statements, whether due to fraud or error.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as a going concern and have no reason to believe that the businesses will not be a going concern in the year ahead.

The independent auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of annual financial statements

The consolidated and separate annual financial statements of Zarclear Holdings Limited, as identified in the first paragraph, were approved by the board of directors on 12 June 2019 and signed by:

Warren Chapman
Chief Executive Officer

Andrew Hannington
Chief Financial Officer

Sandton
12 June 2019

Declaration by the company secretary

Declaration

In accordance with the provisions of section 88(2)(e) of the South African Companies Act 71 of 2008. I certify that for the year ended 31 March 2019 the Company has lodged with the Registrar of Companies all such returns as are required of a company in terms of the Act, and that all such returns are true, correct and up to date.

For and on behalf of CIS Company Secretaries Proprietary Limited
Company Secretary

Sandton
12 June 2019

Directors' report

for the year ended 31 March 2019

The directors present their report which forms part of the financial statements for the year ended 31 March 2019. The financial statements set out fully the financial position, results of operations and cash flows for the Company and the Group for the financial year ended 31 March 2019. The financial statements have been prepared under the supervision of AJ Hannington CA (SA), the Group Chief Financial Officer.

Overview

The year reported, to 31 March 2019, is the second since the Group's shares were listed on the JSE Limited and A2X on 29 November 2017. As was the case in the previous 12 months, in the year here reported, Zarclear Holdings Limited ("Zarclear", "the Company" or "the Group") underwent considerable restructuring and corporate action, not the least of which entailed a change in name, from Sandown Capital Limited to Zarclear Holdings Limited.

As was communicated on SENS on 19 September 2018, shareholders were asked to approve the name change, a revised investment strategy and the termination of an investment advisory agreement between the Company and Sandown Capital International Limited ("SCIL") and its advisors, Sandown Management Ltd. Shareholders subsequently (on 15 November 2018) assented to these changes at the Company's special general meeting. At the same meeting, shareholders endorsed a reconstitution of the board of directors ("the board").

The revised investment policy, which came into effect immediately following the 15 November 2018 special general meeting, is discussed below, under **Investment strategy**.

Notwithstanding the changes to Zarclear's investment strategy, 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. NAV per share is used as the measure of financial results for trading-statement purposes.

At 537 cents per share ("cps") at 31 March 2019, NAV reflected an increase of 10% over the 487 cps as at 31 March 2018. The discount to NAV at which the Company's shares traded narrowed during the year, from 35% to 28% at year-end, there being no change in the Company's share capital during the year. Closing the discount further remains a priority of the board.

At 31 March 2019, cash accounted for some 46% of NAV. At R558 million, the closing balance of cash and cash equivalents represented a considerable increase over that of the year previously (2018: R76 million). This increase derived mostly from a restructuring of the balance sheet and included a reduction in the value of financial investments. The cash balances support the Company's hedge-fund investments and are encumbered in part. The board has every confidence that the Company's revised investment strategy will utilise excess cash resources, to the benefit of shareholders.

As a result of the new, revised, strategic approach, the board considered it appropriate to include in this set of annual financial statements segmental information with which to aid stakeholders' evaluation of the Company's execution against declared strategy, including resource allocation.

Investment strategy

In November 2018 shareholders approved a new investment policy for Zarclear.

Zarclear's revised investment strategy was 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 revised policy's focus is on financial-market infrastructure investments and managing a liquid and flexible capital base that generates market-related returns, in South Africa and elsewhere. The Company's listed-governance structures, its broad shareholder base and sector expertise as well as access to networks offered by the Company's management and its liquid and flexible capital support this strategy.

To this end, the Company exited its full investments in Capital Step Limited ("Capital Step"), a UK-based specialist finance Group, and began exiting its investments in Rinjani Holdings Limited ("Rinjani"), a property management Group which consisted of listed and unlisted property portfolios. The Company also reduced its gearing and restructured its hedge-fund assets. The board believes that the flexibility and liquidity of this 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 and any exit from this investment will be with the support of Stenprop management and in a manner that is efficient and to the benefit of Zarclear shareholders.

The Company's revised investment strategy entails management actively and closely deploying financial and other resources to a few high conviction financial-market infrastructure investments offering exceptional returns in which the Company will be 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 has three investments in this area: a 28% holding in Nala A2X Proprietary Limited ("Nala A2X"); 100% of Zarclear Proprietary Limited, providing infrastructure and regulation technology services to financial services companies, and 60% of Zarclear Securities Lending Proprietary Limited ("Zarclear Securities Lending"). All of 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. All have high growth prospects.

To give an indication of the South African policy agenda and the complexities facing both regulators and financial services firms going forward, we direct shareholders to the executive summary of the Financial Market Review of 2018 compiled by the South African Reserve Bank and the Financial Services Conduct Authority **(http://www.treasury.gov.za/publications/other/2018_FMR_07.pdf** and the corresponding opportunities for market infrastructure providers in this space.

Share capital

Authorised shares

As at 31 March 2019 the authorised share capital of the Company comprised 500,000,000 (2018: 500,000,000) ordinary shares of no par value.

Issued shares

As at 31 March 2019 the issued share capital of the Company comprised 226,065,696 (2018: 226,065,696) ordinary shares of no par value.

Unissued shares

The directors may only issue unissued shares if such shares are offered to existing shareholders in proportion to their shareholding on such terms and in accordance with such procedures as the directors may determine, unless such shares are issued for the acquisition of assets by the Company. Notwithstanding the foregoing, shareholders may authorise the directors to issue unissued shares and/or grant options to subscribe for unissued shares as the directors, in their discretion, see fit.

The directors will ask shareholders for authority to place authorised, but unissued shares, under their control, at the forthcoming annual general meeting. In terms of the requested authority and subject to the provisions of the Companies Act and the rules and the JSE Listings Requirements, the directors will not issue, in any one financial year, more than 5% of the Company's issued ordinary share capital less the aggregate number of shares, if any, held by the Company and its subsidiaries from time to time, as treasury shares.

Financial results

The Group's results for the financial year were positively impacted by a weakening in Rand exchange rates against the major world currencies. A significant portion of the Group's assets, either directly or indirectly, are denominated in GBP, EURO or USD, against which the Rand weakened over the course of the year, by 13.6%, 11.2% and 22.1% respectively.

A number of corporate actions were executed during the year to exit certain investments which were either deemed an inappropriate fit with our revised investment strategy or to lock in profit and realise the cash to enable the same strategy. These are detailed further in this report. In addition, the performances of the hedge funds over the year, both in South Africa and offshore, were positive overall, from an underlying net asset value perspective while also being positively impacted by Rand weakening in relation to the offshore-listed hedge funds.

Due to the large offshore (non-Rand) component of the investment portfolio, the board tracks Zarclear's key performance indicator (NAV per share) in both Rands and GBP, the latter the functional reporting currency of its largest subsidiary, SCIL.

Salient financial highlights for the year ended and as at 31 March 2019 are:

- NAV per share at 31 March 2019 of 537 cps (31 March 2018: 487 cps), an increase of 10.3% over the year. Excluding intangible assets, NAV increased by 8.6% to 529 cps over the same measure at the end of the 2018 financial year.
- NAV per share at 31 March 2019 of GBP 28.46 pence per share (pps) (31 March 2018: GBP 29.33 pps), a decrease of 3.0%, 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 R133.9 million (2018: R44.1 million losses) together with R8.2 million revenue from the newly-acquired market infrastructure and regulation technology investments.
- Operating expenses excluding investment advisory fees of R15.8 million (2018: R7.0 million excluding R8 million investment advisory fees as well as excluding R8.9 million related to once-off restructure and listing expenses).
- Investment advisory management fees of R75 million including a R63 million termination fee (2018: R8 million for the six months since the initial restructure).
- Operating profits of R51.3 million (2018: R68 million losses).
- Headline and basic profits attributable to ordinary shareholders of R26.9 million (2018: R51.4 million loss).
- A significant portion of the Group's operating profits related to realised fair value adjustments on financial investments (in particular, with respect to unlisted private equity investments and hedge funds) while the unrealised portion lay predominantly within listed equities.

Acquisitions

The Group identified and implemented two portfolio investments during the second half of the year, in line with the investment strategy outlined above:

- A 60% shareholding in Envisionit Stock Lending Solutions (RF) Proprietary Limited was acquired from Envisionit Capital Solutions Proprietary Limited with effect from 1 March 2019 for a total consideration of R15.2 million. The name of the acquired Company was subsequently changed to Zarclear Securities Lending.
- Zarclear subscribed for 100% of the issued share capital of Zarclear Proprietary for a total consideration of R15 million with the purpose of obtaining control and capitalising the entity. Zarclear Proprietary conducts operations providing trading technology, infrastructure, software development and advisory support and implementation services and has also made application for a trade repository licence which is in the process of being evaluated.

These acquisitions, together with the portfolio investment that had previously been made in Nala A2X, which houses Zarclear's investment in A2X Proprietary Limited, expand the Group's footprint into the market infrastructure and regulation technology space.

Disposals

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

- Zarclear, through its holding in SCIL, exited its investments in Capital Step by way of a sale of all of its shares at par value and the repayment of its subordinated loans to Capital Step in an amount of

R92.7 million. SCIL has been released from all future funding obligations to Capital Step and SCIL has written off its working capital loans and accrued interest on loans to Capital Step (R8.1 million).

- In September 2018 Rinjani, an entity in which the Group holds a 79.41% interest, conducted a share buy-back exercise for 68.33% of the shares in issue for a price amounting to R89.8 million attributable to the Group and a further share buy-back was conducted in February 2019 for 21.59% of the shares in issue at the beginning of the financial year, releasing funds to the Group of R36.9 million. All share buy-backs were performed pro rata to opening shareholdings, thereby resulting in no change to the Group's holdings in Rinjani.
- The Group has a 50% interest in a private equity fund, Firefly Investments 61. During 2019 the main investment of the fund was sold, translating in the Group's share of profit of R8.2 million.
- Zarclear made three hedge-fund redemptions during the year under review, including its entire holding in the Peregrine Greenoak Fund (R51.8 million), a partial redemption of the Peregrine Capital Flexible Opp H4 QI HF Class A Fund (R80 million) and a final redemption from the Stenham Targeted Skills II Fund (R35.2 million).

The net result of these disposals enabled the Group to fully settle the vendor loan created out of the initial restructure, fund the acquisition of the subsidiaries intended to expand the Group footprint in the market infrastructure and regulation technology fields as well as place the Group on a solid footing with significant cash to take advantage of opportunities in line with the revised strategy.

Directorate and company secretary

CIS Company Secretaries Proprietary Limited were appointed as company secretary on 1 October 2017.

Lawrie Brozin, Sean Melnick, Sean Jelley, Duncan Randall and Cindy Hess resigned from the board on 5 September 2018

Warren Chapman, Paul Baloyi, Mandy Munro-Smith and Fatima Vawda were appointed to the board on 5 September 2018. Andrew Hannington (CFO) and Warren Chapman (CEO) were appointed as executive directors while the balance of the directorship is made up of independent non-executive directors.

Directors' shareholding

On 31 March 2019, the current and former directors held in aggregate 79,470,602 Zarclear shares (2018: 37,188,139), representing 35.2% (2018: 16.5%) of the issued share capital of the Company.

The direct and indirect beneficial interests of the directors in the Company are set out in the table below. This includes the interests of persons who are no longer directors but resigned during the last 18 months. There was no change in the interests of directors and/or their associates between the end of the financial year and the date of the approval of the annual financial statements.

	2019			
Director	**Direct Beneficial**	**Indirect Beneficial[1]**	**Total**	**% of issued share capital**
Lawrie Brozin^		6,000,000	**6,000,000**	2.7
Sean Melnick^	250,881	25,436,394	**25,687,275**	11.4
Sean Jelley^		1,750,000	**1,750,000**	0.8
Andrew Hannington	864		**864**	0.0
Mandy Yachad*	80,264	1,974,169	**2,054,433**	0.9
Paul Baloyi#		3,498,300	**3,498,300**	1.5
Warren Chapman#		33,719,730	**33,719,730**	14.9
Fatima Vawda#		6,760,000	**6,760,000**	3.0
Total	**332,009**	**79,138,593**	**79,470,602**	**35.2**

^Resigned as a director of the Company with effect from 5 September 2018.
 # appointed as a director of the Company with effect from 5 September 2018.
** Resigned as a director of the Company with effect from 29 November 2017.*
[1] Denotes shares held via *a trust, Company and associates.*

	2018			
Director	**Direct Beneficial**	**Indirect Beneficial**	**Total**	**% of issued share capital**
Lawrie Brozin	–	6,000,000	**6,000,000**	2.7
Sean Melnick	29,437,275	–	**29,437,275**	13.0
Sean Jelley	1,750,000	–	**1,750,000**	0.8
Andrew Hannington	–	864	**864**	0.0
Total	**31,187,275**	**6,000,864**	**37,188,139**	**16.5**

Subsidiaries

The Group has three operating subsidiaries, namely:

- SCIL, a wholly-owned investment holding Company registered and operating in Guernsey.
- Zarclear Proprietary, a wholly-owned operating company registered in South Africa.
- Zarclear Securities Lending in which the Group has a 60% interest operating and registered in South Africa.

Sandown Ventures Limited ("SVL"), an investment holdings entity registered and operating in Guernsey, which is a wholly-owned subsidiary of SCIL, held the Group's interest in Capital Step which has been disposed of and therefore is currently dormant. A submission for voluntary strike-off of the company from the Guernsey Registry was submitted on 29 April 2019.

Portfolio investments in which the Group has a majority non-controlling interest – currently Rinjani but previously also including Capital Step (now disposed) – are fair value accounted as financial investments, through profit and loss designated at inception.

The aggregate profits after taxation attributable to Group companies amounted to R7.9 million (2018: loss of R16,5 million).

Independent auditor

As announced on SENS on 8 March 2019, BDO South Africa Inc. were appointed with effect from 6 March 2019 and will continue in office in accordance with the provisions of the Companies Act, subject to the approval of shareholders at the upcoming annual general meeting.

Dividends

The Company did not declare nor pay any dividends (2018: R2.5 million) in respect of the current financial year. The board does not expect to declare dividends for the foreseeable future, the intention being to reinvest income derived from investments into new investment opportunities.

Borrowing limitations

In terms of the Memorandum of Incorporation, the borrowing powers of directors are unlimited and directors may exercise all powers of the Company to borrow money, as they may consider appropriate.

Events subsequent to reporting date

Directors are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the annual financial statements, which significantly affect the financial position of the Group or the results of its operations.

Audit and Risk Committee report

The audit and risk committee ("the committee") comprises three independent non-executive directors: Mandy Munro-Smith, (chair), Fatima Vawda and Paul Baloyi. In accordance with the committee's terms of reference, at the upcoming annual general meeting, all three will be eligible for re-election as members of the committee.

A short resume of each of these directors, demonstrating their suitable skills and experience to serve on this committee, will be published in the 2019 integrated annual report and will be accessible on the Company's website.

The committee meets at least four times per year. Special meetings are convened as required.

An internal effectiveness evaluation is performed annually in terms of which the board satisfies itself that each committee member has the suitable skills and experience to serve on the audit and risk committee.

The responsibilities of the committee, as set out in its terms of reference, include:

- Financial governance oversight.
- Reviewing the external audit annual work plan and reports.
- Reviewing the Group's risk framework and assessing risk-mitigation strategies.
- Reviewing legal and compliance matters that could have a significant impact on the financial statements.
- Monitoring internal control frameworks and procedures, including accounting policies, legislative compliance, regulatory matters and governance.
- Reviewing the effectiveness of internal controls and financial reporting procedures, including IT and information controls and risk management, based on reports from the chief financial officer.
- Recommending the appointment of the external auditor, who in the opinion of the committee, is independent of the Company, for approval by the shareholders at the annual general meeting.
- Approving the remuneration of the external auditor and an assessment of their performance.
- Performing an annual assessment of the independence and suitability of the external auditor;
- Setting the principles for recommending the use of external auditor for non-audit services.
- Advising and updating the board on issues ranging from accounting standards to published financial information and risk-management systems.
- Reviewing the consolidated and separate financial statements, and results SENS announcements.
- Assessing the quality and effectiveness of combined assurance from the external auditor and the executive directors and ensuring that the combined assurance received is adequate to address all material risks, and
- Monitoring compliance with laws and regulations.

In accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements, the committee has assessed the suitability of the appointment of the external auditor and the designated audit partner. As a result of non-agreement over proposed audit fees and in an effort to reduce Company operating costs, the audit services of Deloitte & Touche were terminated by mutual agreement in March 2019. With effect from 6 March 2019, BDO South Africa Inc. with Rudi Huiskamp as designated audit partner, was appointed as the external auditor.

The committee is satisfied, in line with paragraph 3.84(g)(ii) of the JSE Listings Requirements that the Company has established appropriate financial reporting procedures and that these procedures are operating effectively.

In the year to 31 March 2019, the committee was reconstituted, the new members adopting a revised committee mandate. In addition to executing the responsibilities stipulated in its terms of reference, the committee approved a process which will lead to the appointment of an internal auditor.

The committee considered, and adopted, an enterprise risk management framework aligned to the COSO enterprise risk management 2017 framework. In addition, it approved an own risk and liquidity assessment compiled by management. The committee also undertook a self-assessment of its effectiveness.

The committee has considered, and is satisfied with, the key audit matter reported by the external auditor.

Following a review of the annual financial statements, the committee is of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act of South Africa and IFRS, the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the JSE Listings Requirements, and that they fairly present in all material respects, the results of operations, cash flows and financial position of the Company and the Group for the year-ended 31 March 2019.

The audit and risk committee is of the opinion that it has discharged its functions in terms of its terms of reference and as prescribed by the Companies Act of South Africa.

The committee has considered and is satisfied that the tenure of the external auditor has not compromised their independence and that no change be recommended, particularly considering their recent appointment. The committee has further considered, and is satisfied with, the expertise and experience of the chief financial officer, Andrew Hannington, and that of the finance function.

Mandy Munro-Smith
Audit and Risk Committee chairperson
Sandton
12 June 2019

Independent Auditor's Report
To the shareholders of
Zarclear Holdings Limited

Report on the audit of the consolidated and separate financial statements

Opinion
We have audited the consolidated and separate financial statements of Zarclear Holdings Limited (the group and company) set out on pages 15 to 71, which comprise the consolidated and separate statements of financial position as at 31 March 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Zarclear Holdings Limited as at 31 March 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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

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

The following key audit matters relate to the consolidated and separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of financial investments	
The group and company's financial investments make up approximately 48% and 18% of the group's and company's total assets. The valuation of financial investments was considered a key audit matter for the following reasons: • The significance of the financial investments balance (group: R611 million; company: R112 million), comprising listed investments (group: R431 million; company: Rnil) and unlisted investments (group: R180 million; company:	In response to the significant risk identified, we have performed the following audit procedures, amongst others: • Obtained the ISAE 3402 reports addressing the operating effectiveness of the controls at the various service organisations (investment administrators). We satisfied ourselves as to the service auditor's professional competence and independence from the service organisations. We also evaluated the reports to conclude on its sufficiency and appropriateness;

R112 million);

- The degree of judgment around the valuation of the investments, specifically the unlisted investments, results in a risk that the financial investments are not valued appropriately, having a consequential impact on profit or loss;
- The allocation of audit effort to this account balance is significant in relation to the overall audit; and
- The disclosures of financial investments are extensive.

- Obtained a schedule of the various investments valuations making up the total amount of investments and related returns and agreed the schedule to the amounts per the financial statements;
- Obtained third-party statements for each investment, and compared the amounts per the statements to the schedule of financial investments;
- Agreed listed securities to broker notes and published market values; recalculated fair value adjustments and compared the amounts to the schedule of financial investments;
- Evaluated and substantively audited key reconciliations performed by management between the third-party statements and the general ledger and performed tests of detail on reconciling items;
- Recalculated the profit and loss on redemptions that occurred during the current financial year, and
- Evaluated the accuracy and completeness of disclosures in terms of IFRS 7 Financial Instruments: Disclosures, IFRS 9: Financial Instruments Classification and IFRS 13 Fair Value Measurement (refer notes 4; 23 and 29).

Other information
The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period detailed as key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Zarclear Holdings Limited for 1 year.

BDO South Africa Incorporated
Registered Auditors

R M Huiskamp
Director
Registered Auditor

12 June 2019

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

Statements of financial position
as at 31 March

		Group		Company	
		2019	2018	**2019**	2018
	Notes	**R'000s**	R'000s	**R'000s**	R'000s
Assets					
Non-current assets		**497,577**	632,747	**185,529**	171,450
Property, plant and equipment	*2*	**435**	-	**-**	-
Intangible assets	*3*	**3,005**	-	**-**	-
Goodwill	3	**14,944**	-	**-**	-
Financial investments	*4*	**450,629**	588,949	**1**	841
Investment in subsidiaries	*5*	**-**	-	**157,011**	126,811
Investment in associates	*6*	**28,517**	22,949	**28,517**	22,949
Deferred tax	*10*	**47**	20,849	**-**	20,849
Current assets		**777,644**	590,358	**424,080**	457,638
Financial investments	*4*	**160,732**	507,094	**112,235**	440,973
Inter-company balances	25	**-**	-	**-**	1,812
Trade and other receivables	*7*	**58,068**	162	**9,602**	162
Taxation		**550**	6,672	**500**	6,672
Cash and cash equivalents	*8*	**558,294**	76,430	**301,743**	8,019
			-		-
Total assets		**1,275,221**	1,223,105	**609,609**	629,087
Equity and liabilities					
Equity and reserves		**1,214,213**	1,101,687	**567,516**	507,932
Share capital	*9*	**474,400**	474,400	**474,400**	474,400
Foreign currency translation reserve		**50,240**	-34,961	**-**	-
Accumulated profit		**689,178**	662,248	**93,116**	33,532
Total attributable to equity holders of the company		**1,213,818**	1,101,687	**567,516**	507,932
Non-controlling interests		**395**	-	**-**	-
Non-current liabilities					
Deferred taxation	*10*	**3,512**	-	**3,512**	-
Current liabilities		**57,496**	121,418	**38,581**	121,155
Loans and other payables	*11*	**-**	120,000	**-**	120,000
Inter-company balances	25	**-**	-	**31,265**	-
Taxation payable		**168**	-	**-**	-
Trade and other payables	*12*	**57,328**	1,418	**7,316**	1,155
Total equity and liabilities		**1,275,221**	1,223,105	**609,609**	629,087

Statements of comprehensive income
for the year ended 31 March

		Group		Company	
		2019	2018	**2019**	2018
	Notes	**R'000s**	R'000s	**R'000s**	R'000s
Income (losses) from portfolio investments	13	**133,926**	(44,103)	**126,625**	(344)
Fee income	13	**8,153**			
Total income		**142,079**	(44,103)	**126,625**	(344)
Operating expenses	14	**(90,794)**	(23,932)	**(42,544)**	(16,625)
Profit/(loss) from operations		**51,285**	(68,035)	**84,081**	(16,969)
Net interest received/(paid)		**755**	(5,636)	**(136)**	(6,133)
Interest received	15.1	**3,304**	736	**2,060**	237
Interest paid	15.2	**(2,549)**	(6,372)	**(2,196)**	(6,370)
Profit/(loss) before taxation		**52,041**	(73,671)	**83,944**	(23,102)
Taxation	16	**(24,886)**	22,236	**(24,361)**	22,236
Profit/(loss) for the year		**27,155**	(51,435)	**59,584**	(866)
Items that can be subsequently classified to profit and loss					
Currency translation differences		85,201	(34,961)	-	-
Total comprehensive income/(loss) for the year		**112,356**	(86,396)	**59,584**	(866)
Profit (loss) for the year attributable to:					
Equity holders of the Company		**26,930**	(51,435)	**59,584**	(866)
Non-controlling interests		**225**	-	**-**	-
		27,155	(51,435)	**59,584**	(866)
Total comprehensive income (loss) for the year attributable to:					
Equity holders of the Company		**112,131**	(86,396)	**59,584**	(866)
Non-controlling interests		**225**	-	**-**	-
		112,356	(86,396)	**59,584**	(866)
Basic and diluted earnings /(losses) per share (cents)	18	**11.91**	(26.56)		

Statements of changes in equity
for the year ended 31 March

Group	Share capital	Foreign currency translation reserve	Attributable to equity holders of the Company	Non-controlling interests	Total equity
	R'000		R'000	R'000	R'000
Balance at 31 March 2017	127,374	–	37,494	–	164,868
Total comprehensive loss for the year	–	(34,961)	(51,435)	–	(86,396)
Transactions with owners recorded directly in equity:					
- Restructure transactions	347,026	–	679,284	–	1,026,310
- Disposal of Peregrine treasury shares for no consideration	–	–	(595)	–	(595)
- Dividends paid	–	–	(2,500)	–	(2,500)
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
Transactions with owners recorded directly in equity:					
- Non-controlling interest in subsidiary acquired	–	–	–	170	170
Balance at 31 March 2019	**474,400**	**50,240**	**689,178**	**395**	**1,214,213**

Company	Share capital	Foreign currency translation reserve	Attributable to equity holders of the Company	Non-controlling interests	Total equity
	R'000		R'000		R'000
Balance at 31 March 2017	127,374	–	37,494	–	164,868
Total comprehensive loss for the year	–	–	(866)	–	(867)
Transactions with owners recorded directly in equity:					
- Restructure transactions	347,026	–	–	–	347,026
- Disposal of Peregrine treasury shares for no consideration	–	–	(595)	–	(595)
- Dividends paid	–	–	(2,500)	–	(2,500)
Balance at 31 March 2018	**474,400**		**33,532**		**507,932**
Total comprehensive income for the year	–	–	59,584	–	59,584
Balance at 31 March 2019	**474,400**	**–**	**93,116**	**–**	**567,516**

Statements of cash flows
for the year ended 31 March

		Group		Company	
		2019	2018	**2019**	2018
	Notes	**R'000s**	R'000s	**R'000s**	R'000s
Cash flows from operating activities		**(55,456)**	(15,949)	**5,009**	8,783
Cash utilised by operations	*20*	**(76,631)**	(25,760)	**(41,370)**	(18,716)
Interest received	*15.1*	**3,304**	736	**2,060**	237
Interest paid	*15.2*	**(2,549)**	(6,372)	**(2,196)**	(6,370)
Interest received from private equity investments		**15**	1,507	**15**	41
Dividend received from subsidiary		**–**	–	**40,328**	34,057
Dividend received from private equity investment		**14,633**	14,440		34
Taxation refund received / (paid)	*21*	**5,772**	(500)	**6,172**	(500)
Cash flows from investing activities		**649,692**	(37,312)	**375,638**	21,599
Proceeds from sale of financial investments		**305,981**	87,965	**142,112**	44,680
Acquisition of property, plant, equipment and intangible assets	2,3	**(3,464)**			
Investment in financial investments		**–**	(102,328)	**–**	(132)
Proceeds from loans and receivables settled		**98,622**	–	**–**	–
Investments in subsidiaries	5	**(15,173)**		**(30,200)**	
Investment in associates		**(4,933)**	(22,949)	**(4,933)**	(22,949)
Cash reclassified in directly managed hedge fund (PNF Peregrine Fund)		**268,659**	–	**268,659**	–
Cash flows from financing activities		**(120,000)**	(26,056)	**(86,923)**	(22,806)
Increase in inter-company balances	25	**–**	–	**33,077**	3,250
Cash Dividends paid			(2,500)		(2,500)
Decrease in loans and other payables	11	**(120,000)**	(23,556)	**(120,000)**	(23,556)
Net increase/(decrease) in cash and cash equivalents		**474,236**	(79,317)	**293,724**	7,576
Net cash acquired in the restructure			170,567	**–**	–
Effects of exchange rate changes on cash and cash equivalents		**7,628**	(15,263)	**–**	–
Cash and cash equivalents at beginning of year		**76,430**	443	**8,019**	443
Cash and cash equivalents at end of year		**558,294**	76,430	**301,743**	8,019

Segmental information

During the 2019 financial year, with a change in management of the Group came an expansion of the investment and capital allocation philosophy. From having a purely portfolio investment strategy, Zarclear's strategy changed to include market infrastructure and regulation technology investments – as evidenced by the acquisition of interests in Zarclear Proprietary (100%) and Zarclear Securities Lending (60%) and the previous investment in Nala A2X, which houses the Group's investment in A2X.

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)
II. a. Zarclear Proprietary
    b. Zarclear Securities Lending
    c. Nala A2X
III. Portfolio Investments (NAV focused)
    a. Stenprop
    b. Peregrine Capital hedge funds
        i. Managed account
        ii. Flexible Yield Fund
        iii. SA Alpha Fund
    c. Rinjani
    d. Cash

Segmental Information	**Group**		
Statement of Comprehensive Income	**Market infrastructure and regulation technology investments**		
2019	**R'000s**	**Portfolio investments R'000s**	**Total R'000s**
Investment income from portfolio activities	3,282	130,644	**133,926**
Fee income	8,153		**8,153**
Total income	11,436	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	**27,155**
Profit for the year attributable to:			
Equity holders of the Company	4,419	22,511	**26,930**
Non-controlling interests	225	-	**225**
	4,644	22,511	**27,155**

Segmental information (continued)

Segmental information	**Group**		
Statement of financial position			
2019	**Market infrastructure and regulation technology investments R'000s**	**Portfolio investments R'000s**	**Total R'000s**
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**

2018 comparatives have not been presented as, effectively, the Group was managed as a portfolio investment business in that year and there was then no differentiated focus between segments.

Notes to the financial statements

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements incorporate the following principal accounting policies for the Group financial statements of Zarclear Holdings Limited, which are consistent with those applied in the previous year, except for the adoption of International Financial Reporting Standard (IFRS) 9 and IFRS 15. All relevant IFRS standards and interpretations effective 31 March 2019 have been applied in the preparation of these financial statements, except for those standards and amendments to standards, discussed below, that have been adopted for the first time in the 2019 financial year.

Basis of preparation

These financial statements 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. 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 note 24.

The Group has adopted the following amendments to standards that were effective for the first time for the financial period commencing 1 April 2018:

- IFRS 15 – Revenue from contracts with customers (no material impact on the Group or company).
- IFRS 9 - Financial instruments (no material impact on the Group or company).
- IAS 7 - Statement of cash flows (appropriate disclosures have been updated).
- IAS 12 – Taxation (appropriate disclosures have been updated)

1.1 Principles of consolidation

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

Zarclear has two majority-held external private equity investments which, in the ordinary course, would meet the definition of subsidiary as set out above, but which, together with the Company, meet the definition of an Investment Entity (IFRS 10). The Group has applied the exception to consolidation to these subsidiaries, in line with *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*, and classifies these investments as "fair value through profit and loss". These entities are identified in Note 2.

With respect to subsidiaries that either provide administrative or investment services in the group and are therefore not consolidated, the acquisition method of accounting is used to account for the acquisition of subsidiaries. In these instances the cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus the value of any non-controlling interest measured in accordance with IFRS 3 plus the acquisition-date fair value of the Group's previously held equity interest in the acquiree. Costs attributable to such acquisitions are expensed when incurred. Identifiable assets acquired (including intangible assets) and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values, with the exception of those assets held for sale in terms of IFRS 5, which are recognised at their fair value less costs to sell, at the acquisition date, irrespective of the extent of any non-controlling interest. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Notes to the financial statements

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.1 Principles of consolidation (continued)

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. Investments in subsidiaries are accounted for at cost less impairment where considered necessary. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments arising from additional information about facts and circumstances that existed at acquisition date. However, if the change is due to any other reason, the change is recognised consistent with the classification of the contingent consideration.

Transactions with non-controlling interest holders are accounted for as transactions with external third parties. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

1.2 Equity-accounted associates

Where an investment which meets the definition of an associate is acquired and held for purposes of the Group's investment activities, it is not accounted for under the equity method but is classified as held at fair value through profit and loss as a result of the investment entity exemption and accounted for on the basis set out in accounting policy note 17.

1.3 Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in South African Rand which is the Company's functional currency and the Group's presentation currency. All amounts are rounded off to the nearest thousand Rand.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at year-end exchange rates, of monetary assets and liabilities denominated in foreign currency are recognised in profit and loss.

Non-monetary assets and liabilities, measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rates at the dates the fair value was determined.

Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

- Assets and liabilities are translated at the foreign exchange rate ruling at the financial year-end date, and
- Income and expenses are translated at average exchange rates for the year, to the extent that such average rates approximate rates ruling at the dates of the transactions.

Exchange differences arising on the translation are recognised directly in a separate component of other comprehensive income and presented in equity (as a foreign currency translation reserve). The relevant proportionate share of the translation difference is allocated to non-controlling interest, where applicable. When a foreign operation is sold, such exchange differences are recognised on profit and loss as part of the gain or loss on sale.

Notes to the financial statements

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.4 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment is initially measured at cost. Cost includes all expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measured reliably. Day-to-day servicing costs are included in profit or loss in the year in which they are incurred. Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged to write off an asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Computer hardware	Straight line	5

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

1.5 Other intangible assets

Initial recognition of other intangible assets

Internally developed software
Expenditure on the research phase of projects to develop new customised software for IT systems is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- The development costs can be measured reliably.
- The project is technically and commercially feasible.
- The Group intends, and has sufficient resources, to complete the project.
- The Group has the ability to use or sell the software.
- The software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

Notes to the financial statements

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.5 Other intangible assets (continued)

Trade repository licence

The direct costs incurred to secure a trade repository licence for entities within the Group have been capitalised as an intangible asset as it is anticipated that such a licence will generate probable future economic benefits.

Subsequent measurement

All finite-lived intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described below.

The useful lives and amortisation periods for software and licences are currently being assessed with a final assessment to be made when the assets are brought into use.

Any capitalised, internally developed, software that is not yet complete is not amortised but is subject to impairment testing.

Impairment tests are performed on intangible assets on an annual basis or when there is an indicator that they may be impaired. When the carrying amount of an intangible asset is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the value-in-use. To determine the value-in-use, management estimates expected future cash flows from the cash-generating unit(s) to which the asset relates and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

1.6 Goodwill

Goodwill represents the future economic benefits arising from a business combination which are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

Goodwill is tested annually for impairment and whenever there is an indicator of impairment.

1.7 Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss or asset valued at amortised cost. The classification is dependent on business the model and contractual cash flow characteristics of the asset. Management determines the classification of its investments at the time of purchase.

Financial assets at fair value through profit or loss

This includes the Group's investment into hedge-funds and other investments, including loans to private equity portfolio companies, held as part of the Group's investment activities.

Notes to the financial statements

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.7 Financial assets (continued)

Assets values at amortised cost

Amortised cost classification assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market – other than those which the Group has classified upon initial recognition as at fair value through profit or loss. Included in this category are trade and other receivables, non-investment-related loans and receivables and cash and cash equivalents.

Measurement

Purchases and sales of 'regular way' financial assets are recognised on the trade date, which is when the Group commits to purchase or sell the assets. Other financial assets are recognised when the entity becomes a party to the contractual provisions of the agreement.

All financial assets are initially measured at fair value plus – in the case of a financial asset not measured at fair value through profit or loss – transaction costs that are directly attributable to their acquisition. Transaction costs incurred in the acquisition of financial assets measured at fair value through profit or loss are expensed in profit or loss.

After initial recognition, the Group measures financial assets held-for-trading or designated at fair value through profit or loss, at fair value without any deduction for transaction costs it may incur on their disposal.

The fair value of quoted financial assets is their mid-price at the financial year-end. If the market for a financial asset is not active or the instrument is an unlisted instrument, the fair value is estimated using valuation techniques. These include the use of prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or a Group of assets and liabilities and discounted cash flow analysis. Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate at the financial year-end for a financial asset with similar terms and conditions. Where other pricing models are used, inputs are based on observable market indicators at the financial year-end. If the value of unlisted equity instruments cannot be reliably measured, which would be the case in very limited circumstances, they are measured at cost.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in profit and loss in the period in which they arise.

Impairment

Financial assets, other than those designated as at fair value through profit and loss, are reviewed at each financial year-end to determine whether there is objective evidence of impairment. If any such indication exists, the recoverable amount is estimated and the carrying value is reduced to the estimated recoverable amount and the impairment loss is recognised in profit or loss.

Impairment provisions for current and non-current loans and trade receivables are recognised based on the general approach within IFRS 9. Under the general approach an entity calculates expected credit losses for long-term loans and receivables at initial recognition by considering the consequences and probabilities of possible defaults only for the next 12 months, rather than the life of the asset. It continues to apply this method until a significant increase in credit risk has occurred, at which point the loss allowance is measured based on lifetime expected credit losses. A significant increase in credit risk is defined as when the debt is past due or when other objective evidence was received that a specific counterparty will default.

Notes to the financial statements

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.7 Financial assets (continued)

De-recognition

Financial assets are derecognised if the Group's contractual rights to cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all of the risks and rewards of the asset or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control over the financial asset.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the statement of financial position only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Transfers

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

1.8 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents. Cash and cash equivalents are initially recognised at fair value including transaction costs and subsequently measured at amortised cost using the effective interest method.

1.9 Financial liabilities

All financial liabilities are initially recognised at fair value plus transaction costs incurred other than financial liabilities classified as at fair value through profit or loss at inception.

Classification and measurement

Financial liabilities at fair value through profit or loss

Includes financial liabilities designated at fair value through profit or loss at inception.

Financial liabilities at amortised cost

These comprise loans and payables and trade and other payables. These financial liabilities are initially recognised at fair value, net of transaction cost and subsequently measured at amortised cost using the effective interest method. In the case of short-term payables, the impact of discounting is not material and cost approximates amortised cost.

De-recognition

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

1.10 Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds, net of tax.

Notes to the financial statements

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.11 Income

Group income comprises two high-level categories.

a. Investment income from portfolio activities:

The fair value of the consideration received or receivable as a result of investment activities performed in the ordinary course of the Group's activities.

Principal sources of income comprise:

- gain on sale of financial investments.
- changes in the fair value of assets classified as at fair value through profit or loss.
- interest earned on loans made as part of the Group's investing activities.
- interest paid on hedge-fund gearing, and
- dividend income.

Interest income is recognised on a basis that reflects the effective yield on the underlying instruments. Dividends are brought into account as at the last date of registration in respect of listed shares and when declared in respect of unlisted shares.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates the cash flows considering all contractual terms of the financial asset and does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. When it is not possible to estimate reliably the cash flows or the expected life of a financial asset, the Group uses the contractual cash flows over the full contractual term of the financial asset.

b. Fee income:

Fee income arising in the course of the segment entity's ordinary activities related to market infrastructure and regulation technology investments which principally earn revenue from fees charged for technology services provided as well as securities lending.

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A contract with a customer is recognised when all of the following criteria are met:

- The contract has been approved and all parties to the contract are committed to performing their respective obligations.
- Each party's rights regarding the goods or services to be transferred are identifiable.
- Payment terms for the goods or services to be transferred are identifiable.
- The contract has commercial substance, and
- It is probable that the consideration in exchange for the goods or services that will be transferred will be collected.

Revenue is recognised when or as the performance obligation is satisfied by transferring a promised good or service to a customer.

Measurement

When a performance obligation is satisfied, revenue is recognised as the amount of the transaction price that is allocated to the performance obligation but excluding estimates of variable consideration that are constrained and any amounts collected on behalf of third parties. The transaction price may include fixed amounts, variable amounts, or both. The Company allocates the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer.

Notes to the financial statements

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.11 Income (continued)

Management has made an assessment of the impact of IFRS 15, determining this as minimal given the nature of the business and the fact that the fee-earning segments of the Group were acquired and accounted for in 2018.

1.12 Operating lease payments

Leases in terms of which the Group does not assume substantially all of the benefits and risks of ownership are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

1.13 Finance costs

Interest costs are recognised in profit and loss using the effective interest method, except when they are capitalised to a qualifying asset.

1.14 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or equity, in which case it is recognised in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or deductible. The Group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by financial year-end.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or equity, in which case it is recognised in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or deductible. The Group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by financial year-end.

Deferred taxation is recognised in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax is not accounted for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Nor is deferred tax accounted for in respect of temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) enacted or substantially enacted at the financial year-end and expected to apply when the deferred tax asset is realised and deferred tax liability settled. Deferred tax assets are recognised to the extent that it is probable that a taxable profit will be available in future years against which the tax asset can be recovered.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle the current tax liabilities and assets on a net basis or their tax asset and liabilities will be realised simultaneously.

Notes to the financial statements

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.14 Taxation (continued)

Deferred taxation balances that arise with respect to controlled-foreign-Company income or losses are accounted for as Company assets and liabilities as the tax liability for tax on controlled-foreign companies is with the Company itself, not the respective foreign entities. The income and losses to which these assets and liabilities relate, being generated by subsidiaries of the Company, are recognised in the consolidated Group accounts.

1.15 Earnings per share

Basic earnings per share is calculated on the adjusted weighted average number of shares in issue, net of treasury shares in respect of the current year, and is based on the profit attributable to the ordinary shareholders. Undistributed earnings are allocated to shares not yet vested in accordance with their respective rights to participate in dividends. Headline earnings per share is calculated in terms of the requirements set out in Circular 04/2018 issued by SAICA.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. Diluted headline earnings is calculated in terms of the requirements of Circular 04/2018 issued by SAICA.

1.16 Dividends

Dividends are recognised in equity when declared.

Notes to the financial statements

2 PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2019 R'000s	2018 R'000s	**2019 R'000s**	2018 R'000s
Cost				
Computer hardware	**459**	-	**-**	-
Depreciation				
Computer hardware	**(24)**	-	**-**	-
Carrying value				
Computer hardware	**435**	-	**-**	-

Property, plant and equipment is currently owned by Zarclear Proprietary as assets utilised in the development of the market infrastructure and regulation technology that the entity is focussed on.
All assets have been acquired during the current financial year, hence no reconciliation of the balance movement has been performed.

3 INTANGIBLE ASSETS AND GOODWILL

Cost	Group		Company	
	2019 R'000s	2018 R'000s	**2019 R'000s**	2018 R'000s
Intangible Assets				
Internally developed computer software	**2,555**	-	**-**	-
Trade repository license	**450**	-	**-**	-
	3,005	-	**-**	-
Goodwill				
Goodwill raised on acquisition of subsidiary	**14,944**	-	**-**	-

The software is still under development and asset value represents development costs capitalised. It is envisaged that the asset will be fully brought into use in the 2020 financial year and will be amortised over a useful life, the duration of which is currently being assessed.

In anticipation of setting up Zarclear Proprietary to provide market infrastructure and regulation services a trade repository licence has been applied for and payment to the relevant authorities has been made up front. To date, the Company is still in the process of finalising the application and processes with the appropriate regulatory bodies, whereupon the cost of the trade repository licence will be amortised against income over a period which is still being assessed.

Goodwill recognised relates to the acquisition of a 60% shareholding in Zarclear Securities Lending on 1 March 2019. (refer to Note 5) Goodwill is not amortised but assessed annually for impairment.

Critical accounting estimates and assumptions applied in testing for the impairment of goodwill and intangibles are detailed in note 24.

All intangible assets have been acquired during the current financial year, hence no reconciliation of the balance movement has been performed.

Notes to the financial statements

4 FINANCIAL INVESTMENTS

	Group		Company	
	2019	**2018**	**2019**	2018
	R'000s	**R'000s**	**R'000s**	R'000s
4.1 Non-current				
At fair value through profit and loss designated at inception				
Listed equities (note 4.3.1)	**431,384**	358,913	**–**	–
Private equity investments:	**19,245**	123,396	**1**	145
Rinjani (note 4.3.2)	**19,244**	123,249	**–**	–
Capital Step (note 4.3.3)	**–**	2	**–**	–
Firefly Investments 61 (note 4.3.4)	**1**	145	**1**	145
	450,629	482,309	**1**	145
Loans and receivables				
At amortised cost using the effective interest method				
Private equity investments:	**–**	106,640	**–**	696
Rinjani shareholders' loan (note 4.3.2)	**–**	5,062	**–**	–
Capital Step funding - term loan (note 4.3.3)	**–**	83,080	**–**	–
Capital Step Holdings – shareholders' loan (note 4.3.3)	**–**	17,447	**–**	–
Capital Step Funding - interest accrual (note 4.3.3)	**–**	355	**–**	–
Firefly Private equity fund (note 4.3.4)	**–**	696	**–**	696
	450,629	588,949	**1**	841
4.2 Current				
At fair value through profit and loss designated at inception				
Listed Equities, Fixed Income and Other instruments (note 4.3.5)	**65,905**		**65,905**	
Hedge funds (note 4.3.6)	**94,828**	507,094	**46,330**	440,973
	160,732	507,094	**112,235**	440,973

4.3.1 Listed equities

Stenprop

Stenprop is a property-owning company listed on the JSE Limited and on the London Stock exchange (LSE). Stenprop is domiciled in Guernsey and is registered as a UK REIT, with property assets located in Germany, Switzerland and the United Kingdom.

The investment, representing approximately 7.1% (2018: 7.2%) of the outstanding shares in issue, is reported at fair value through profit and loss since inception. Considering the listing and price discovery occurring on the LSE and that the shares are held by SCIL, whose functional currency is GBP on the London register it was deemed appropriate to use the GBP denominated closing price from 2019 as representative of the most accurate indicator of fair value when converted to Rands. Prior year was based on the JSE closing price.

Initial shares acquired amounted to 20,220,468 ordinary shares. In February 2019 SCIL undertook to receive the declared dividend in shares and therefore acquired a further 657,979 shares taking the current holding to 20,878,447 shares.

Movements in the fair value of the investment are recognised as investment income, through profit and loss with the foreign exchange translation movement recognised directly in equity.

Notes to the financial statements

4 FINANCIAL INVESTMENTS (continued)

4.3.2 Private equity investments: Rinjani Holdings Limited

The Group continues to hold a 79.41% equity interest in Rinjani Holdings Limited (Rinjani), a property holding Company registered in the BVI. The outstanding shareholder loan due by Rinjani at 31 March 2018 was repaid to SCIL in September 2018 (2018: R5,518,894 (£304,647)).

As Zarclear meets the definition of an investment entity as per IFRS 10, as does Rinjani Holdings Limited, the investment entity consolidation exemption applies. Therefore, the Group has applied the exception to consolidation to the subsidiary as prescribed by IFRS 10:31 paragraph 32, and shall measure the investment at fair value through profit or loss in accordance with IFRS 9.

In September 2018 Rinjani conducted a share buy-back exercise for 68.33% of the shares in issue for a price amounting to R89,853,146 attributable to SCIL and a further buy-back was conducted in February 2019 for 21.59% of the shares in issue at the beginning of the financial year and releasing funds to SCIL of R36,888,961. All buy-backs were performed pro rata to opening shareholdings, therefore resulting in no change to the Group's proportionate holdings in Rinjani.

A positive fair value adjustment of R13,230,820 (2018: R7,206,489) has been recognised in investment income for the year ended 31 March 2019. The investment is valued at R19,244,406 at 31 March 2019 (2018: R123,248,986), the shift was predominantly driven by the share buy-backs.

4.3.3 Private equity investments: Capital Step

In January 2019 the board decided to exit the investment in Capital Step as the investment was not considered to be in line with the revised Group strategy. Zarclear held an effective 60% interest in Capital Step through Sandown Ventures Limited (SVL), a wholly-owned subsidiary of SCIL.

The disposal resulted in total funds being received by SCIL in repayment of its loans to SVL related to Group investments in Capital Step in an amount of £5,302,007 (R92,748,945) and a net loss of (R8,102,812) being reflected in fair value adjustments – private equity investments.

At 31 March 2019, SVL no longer has any investments or assets and liabilities and a submission for voluntary strike-off of the Company from the Guernsey Registry was submitted on 29 April 2019.

4.3.4 Private equity investments: Firefly Investments 61

The Group has a 50% interest a private equity fund, Firefly Investments 61. During 2019 the main investment of the fund was sold, resulting in the Group's share of profit distributed of R8,237,416 as well as repayment in full of the outstanding loan due to the Group of R710,594 (2018: R695,942). The Group's partnership share was valued at R1,000 as at 31 March 2019 (2018: R145,022).

4.3.5 Listed Equities, Fixed income and Other instruments

As at 31 March 2019, the Group held two (2018: four) hedge-fund and one directly managed portfolio of Equities, Fixed Income and Other instruments:

- R65,904,702 held in Equities, Fixed Income and Other Instruments in a directly managed portfolio within Peregrine Capital. This investment originated from the PNF Peregrine Fund which was 100% owned by Zarclear. From 1 March 2019 the assets, liabilities and cash held within this fund are reflected directly within the appropriate sections of the balance sheet of The Company and Group.

4.3.6 Hedge funds

As at 31 March 2019 the Company held two (2018: four) hedge-fund investments.

- R46,330,133 (2018: nil) in the Peregrine Capital Flexible Opp H4 QI HF Class A Fund – this fund was part of the Peregrine Partners fund which was unbundled on 1 April 2019

- R48,497,421 (2018: R36,471,375) in the SA Alpha Peregrine High Growth USD Fund (SA Alpha Fund).

Notes to the financial statements

4 FINANCIAL INVESTMENTS (continued)

On 1 April 2018 the Peregrine Partners Fund en Commandite Partnership (Peregrine Partners Fund) was unbundled such that the various funds in which the Peregrine Partners Fund was invested were thereafter directly held in the name of the Company. The Company held a net fund value of R389,941,778 as at 1 April 2018 and this was distributed as follows:

- R224,235,582 to the PNF Peregrine Fund en Commandite Partnership (PNF Peregrine Fund) net of a gearing loan of R291,709,666.
- R48,751,514 to the Peregrine GreenOak Fund net of a gearing loan of R229,293,404.
- R116,001,520 to the Peregrine Capital Flexible Opp H4 QI HF Class A Fund.

During the 2019 financial year, the Group made three hedge-fund redemptions, including its entire holding in the Peregrine Greenoak Fund (R51,765,132), a partial redemption of the Peregrine Capital Flexible Opp H4 QI HF Class A Fund (R80,000,000) and a final redemption from the Stenham Targeted Skills II Fund (R35,180,030). Profits and losses on redemption were recognised as investment income through profit and loss.

A register of investments is available for inspection at the registered office of the Company in terms of section 26 of the Companies Act, and more detail is provided in note 28: Schedule of investments.

5 INVESTMENT IN SUBSIDIARY COMPANIES

	Group		**Company**	
	2019	2018	**2019**	2018
	R'000s	R'000s	**R'000s**	R'000s
Zarclear Securities Lending	**–**	–	**15,200**	–
Zarclear Proprietary	–	–	**15,000**	–
SCIL	**–**	–	**126,811**	126,811
Shares at cost	**–**	–	**157,011**	126,811

A 60% shareholding in Envisionit Stock Lending Solutions was acquired from Envisionit Capital Solutions with effect from 1 March 2019. Total consideration paid: R15,200,000. The name of the acquired company was subsequently changed to Zarclear Securities Lending.

Notes to the financial statements

5 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The details of the business combination are as follows:

	R'000s
Fair value of consideration transferred	
Amount settled in cash	**15,200**
Recognised amounts of identifiable net assets:	
Trade and other receivables	57,713
Taxation	55
Cash and cash equivalents	27
Total current assets	**57,795**
Trade and other payables	(57,370)
Total current liabilities	**(57,370)**
Identifiable net assets	**425**
Shareholding acquired	60%
Assets attributable on acquisition	**256**
Goodwill on acquisition	**14,944**
Consideration transferred settled in cash	15,200
Cash and cash equivalents acquired	(27)
Net cash outflow on acquisition	**15,173**

The Company subscribed for 1000 of the 4000 authorised shares in Zarclear Proprietary on 6 November 2018 for a total consideration of R1,000. On 29 March 2019, Zarclear subscribed for a further 1000 shares in Zarclear Proprietary for a total consideration of R14,999,000 with the purpose of capitalising the subsidiary. At 31 March 2019 the Company was the owner of 100% of the issued share capital of Zarclear Proprietary.

SCIL a wholly-owned subsidiary of the Company, registered in Guernsey holds the offshore investments of the Group.

Zarclear, through its holding in SCIL has an effective 100% holding in Sandown Ventures Limited (SVL), an investment holding company registered in Guernsey. It held the Group's investment in and loans to Capital Step. As per note 4.3.3, subsequent to the disposal of the investments related to Capital Step, SVL no longer has any investments nor assets and liabilities and a submission for voluntary strike off of the company from the Guernsey Registry was submitted on 29 April 2019.

The afore-mentioned entities are accounted for as subsidiaries and consolidated as such in that they are not themselves an investment entity whose main purpose and activities are providing services that relate to the investment entity's activities.

Notes to the financial statements

6 INVESTMENT IN ASSOCIATES

	Group		Company	
	2019 R'000s	2018 R'000s	**2019 R'000s**	2018 R'000s
Nala Empowerment Investment Company Proprietary Limited (30%) *Note 6.1*	–	–	–	–
Nala A2X Proprietary Limited - ordinary shares (28%) *Note 6.2*	–	–	–	–
Nala A2X Proprietary Limited - preference shares (100%)	**25,142**	22,857	**25,142**	22,857
Nala A2X Proprietary Limited - loan account	**92**	92	**92**	92
Nala A2X Proprietary Limited - preference dividends capitalised	**3,283**	–	**3,283**	–
	28,517	22,949	**28,517**	22,949

The above-mentioned entities are incorporated in South Africa and are unlisted.

6.1 Nala

Nala was formed on 28 September 2017 as an empowerment investment holding company to house the 15,060,112 shares in Consolidated Infrastructure Group Limited (CIG) acquired from Nala PGR Proprietary Limited, as part of the Peregrine restructure. Nala is ultimately 70% majority black-owned by three community-based trusts; the Peregrine Educational Trust (35%), the Peregrine Community Development Trust (15%) and the Employee Portfolio Investment Trust (20%). The remaining 30% of equity is held by the Company.

The CIG shares were acquired on 2 October 2017 for a purchase consideration of R194,564,768, being the market value of the shares net of accrued deferred tax liabilities transferred in of R2,838,662, or a net price of 1292cps. The transaction was funded by way of a non-recourse vendor loan from Nala PGR Limited, which loan bears interest at prime less 1.4% and is repayable by no later than 30 October 2019.

Based on the closing price for CIG as at 31 March 2019 of 240cps (31 March 2018, 380cps), Nala's investment in CIG has a fair value of R36,144,269 (2018: R57,228,426). On 25 May 2018, the Company loaned R2,593,601 to settle a 30% share of the 2018 interest on the non-recourse vendor loan. This loan, to settle the interest together with other sundry costs paid by the Company in the current financial year amounting to R55,000, has been fully impaired. The outstanding vendor loan, including the capitalised interest, due to Nala PGR Proprietary Limited, was R212,161,916 as at 31 March 2019 (2018: R203,212,198).

The Group's 30% associate interest in Nala is accounted for at fair value through profit and loss and has been valued at nil (2018: nil), in line with accounting policy note 1.2.

6.2 Nala A2X Proprietary Limited (Nala A2X)

Nala A2X was formed on 4 December 2017 to house the 14,286 ordinary shares in A2X Proprietary Limited subscribed for in terms of a share subscription agreement dated 15 December 2017. Nala A2X is 72% held by an associate company of Zarclear, Nala Empowerment Investment Company Proprietary Limited (refer note 6.1), with the remaining 28% held directly by Zarclear. Including the indirect holding through Nala, the Company has an effective 49% interest in Nala A2X.

The aggregate initial subscription price of R22,857,143 in A2X Proprietary Limited, was fully funded by way of subscription by the Company to preference share capital issued by Nala A2X. In addition, the Company settled legal expenses on behalf of Nala A2X, which amount was funded by way of an interest-free shareholder loan.

On 21 May 2018 the Group was allocated and subscribed for an additional 1 A-preference share and an additional 1 B-preference share for a total consideration of R2,284,800, bringing the Company's total preference share investment to R25,141,943.

Notes to the financial statements

6 INVESTMENT IN ASSOCIATES (continued)

The salient rights and terms attached to the cumulative, redeemable preference shares are:

- Redeemable by the issuer no earlier than 16 January 2028, save with the consent of the preference shareholders.
- A-Preference shares: entitlement to a cumulative preference dividend equal to 10% per annum of the outstanding issued preference share capital, subject to availability of distributable earnings.
- B-Preference shares: entitlement to a preference dividend equal to 49% of the cumulative after-tax earnings of Nala A2X, after deducting the A-preference share dividend entitlement, subject to availability of distributable earnings.

The Company's direct 28% associate in Nala A2X is accounted for at fair value, in line with accounting policy note 1.2.

With effect from the 2019 year, the Company has accrued and capitalised the A-preference share dividends due amounting to R3,282,711 (2018: nil) which has been recorded as dividend income due to the Company.

Apart from the A-preference dividend capitalised, no other fair value adjustments have been recognised for the year ended 31 March 2019 (2018: nil).

Summarised financial information of associates:

	Nala Empowerment Investment Company		**Nala A2X**	
	2019	2018	**2019**	2018
	R'000s	R'000s	**R'000s**	R'000s
Assets	**36,144**	57,229	**25,142**	22,894
Liabilities	**(220,918))**	(203,267)	**(165)**	(130)
Equity	**(184,774)**	(146,038)	**(24,977)**	(22,764)
Revenue – Investment losses	**(21,084)**	(140,175)	**-**	-
Losses and other comprehensive income for the year	**(37,734))**	(146,039)	**(2,714)**	(768)

Notes to the financial statements

7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	**2019**	2018
	R'000s	R'000s	**R'000s**	R'000s
Cash collateral and other receivables	**48,466**	–	–	–
Investment receivables	**9,602**	6	**9,602**	6
Prepayments	–	156	–	156
	58,068	162	**9,602**	162

Cash collateral and other receivables relates to Zarclear Securities Lending. Trade and other receivables are carried at amortised cost and their fair value approximates carrying value. Receivables have been assessed for expected credit losses (ECL) and none are anticipated.

Investment receivables relate to the directly managed funds referred to in note 4.3.5.

Analysis of movement in trade and other receivables:				
Opening balance	**162**	218	**162**	218
Reallocated from directly managed funds	**9,597**	-	**9,597**	-
Cash flow movements for the year (decrease)/increase	**(9,404)**	(56)	**(157)**	(56)
Acquired as a result of business combination	**57,713**	-	**-**	-
Closing balance	**58,068**	162	**9,602**	162

8 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 (Note 4).

Analysis of cash and cash equivalents

Bank balances denominated in South African Rand	**316,488**	8,019	**301,743**	8,019
Bank balances denominated in US$,GBP and EUR	**241,806**	68,411	**-**	-
	558,294	76,430	**301,743**	8,019

9 SHARE CAPITAL

At beginning of the year	**474,400**	127,374	**474,400**	127,374
Shares issued in terms of restructure	**-**	347,026	**-**	347,026
Share capital at the end of the year	**474,400**	474,400	**474,400**	474,400

The Company has authorised share capital of 500,000,000 ordinary shares of no par value (2018: 500,000,000).

The Company has 226,060,696 ordinary shares of no par value in issue. (2018: 226,060,696).

There was no movement in share capital during the year.

Notes to the financial statements

10 DEFERRED TAXATION

	Group		Company	
	2019	2018	**2019**	2018
	R'000s	R'000s	**R'000s**	R'000s
Deferred tax assets and (liabilities) are attributable to the following:				
Fair value adjustments - financial investments	**(14,035)**	(2,777)	**(14,035)**	(2,777)
Estimated tax losses	**9,523**	12,684	**9,523**	12,684
Unrealised losses earned in low/no tax jurisdictions	**1,226**	10,620	**1,226**	10,620
Provisions	**(179)**	322	**(226)**	322
	(3,465)	20,849	**(3,512)**	20,849
Reconciliation of movement in deferred tax balance:				
At beginning of the year	**20,849**	(1,386)	**20,849**	(1,386)
Movement through profit and loss:	**(24,314)**	22,235	**(22,361)**	22,235
Fair value adjustments - financial investments	**(11,257)**	(233)	**(11,257)**	(233)
Estimated assessable losses for set-off against future income	**(3,161)**	12,372	**(3,161)**	12,372
Unrealised (gains) losses earned in low/no tax jurisdictions	**(9,394)**	10,620	**(9,394)**	10,620
Provisions	**(502)**	(524)	**(549)**	(524)
	(3,465)	20,849	**(3,512)**	20,849
Breakdown of deferred tax asset in subsidiary and liability in holding company				
Deferred tax asset recognised in subsidiaries	**47**			
Deferred tax (liability)/asset recognised in holding company	**(3,512)**	20,849	**(3,512)**	20,849
	(3,465)	20,849	**(3,512)**	20,849

11 LOANS AND OTHER PAYABLES

Peregrine SA Holdings Proprietary Limited	–	120,000	–	120,000
	–	120,000	–	120,000

The full amount outstanding was repaid in tranches during the 2019 financial year with the final payment being made on 1 June 2018. The loan was unsecured and incurred interest at one-month JIBAR + 250 bps.

Movement in loans and other payables:

Opening balance	**120,000**	–	**120,000**	–
Interest bearing borrowings advanced	–	134,321	–	134,321
Interest accrued	**2,196**	6,231	**2,196**	6,231
Interest paid	**(2,196)**	(6,231)	**(2,196)**	(6,231)
Repayment of interest bearing borrowings	**(120,000)**	(14,321)	**(120,000)**	(14,321)
Closing balance	**–**	**120,000**	**–**	**120,000**

Notes to the financial statements

12 TRADE AND OTHER PAYABLES

Trade and administrative	**3,558**	1,418	**1,313**	1,155
Cash collateral and other payables	**47,767**	-		-
Investment payables	**5,935**	-	**5,935**	-
Employee costs	**68**	–	**68**	–
	57,328	1,418	**7,316**	1,155

Trade and administrative payables represent the provision for current year audit fees, offshore fiduciary-related administration costs and other sundry related expenses.

Cash collateral and other payables relates to Zarclear Securities Lending. The fair value of cash collateral and other payables approximates carrying value.

Analysis of movement in trade and other payables:

Opening balance	**1,418**	3,303	**1,155**	3,303
Reallocated from directly managed funds	**5,935**	-	**5,935**	-
Cash flow movements for the year (decrease) / increase	**(7,395)**	(1,884)	**226**	(2,148)
Acquired as a result of business combination	**57,370**	-	**-**	-
Closing balance	**57,328**	1,418	**7,316**	1,155

13 INCOME

	Group		**Company**	
	2019	2018	**2019**	2018
	R'000s	R'000s	**R'000s**	R'000s
Income from portfolio investments:				
Dividend income - subsidiary company	**–**	–	**40,328**	34,057
Dividend income – listed equities	**14,633**	14,440	**–**	34
Dividend income – unlisted preference shares	**3,283**		**3,283**	
Investment returns - hedge-funds	**114,712**	(34,595)	**108,189**	(26,079)
Interest paid - hedge-fund loans	**(31,586)**	(6,923)	**(31,586)**	(6,923)
Fair value adjustments - private equity	**14,038**	6,750	**807**	(457)
Fair value adjustments - listed equities	**21,345**	(24,265)	**–**	–
Fair value adjustments - private equity fund	**(7)**	88	**(7)**	88
Profit (loss) on disposal of financial investments	**142**	(1,105)	**8,245**	(1,105)
Interest received - private equity loans	**15**	1,507	**15**	41
Impairment of loan to associate (note 6.1)	**(2,649)**	–	**(2,649)**	–
	133,926	(44,103)	**126,625**	(344)
Fee income	**8,153**	**–**	**–**	**–**
Total Income	**142,097**	(44,103)	**126,625**	(344)

Notes to the financial statements

14 OPERATING EXPENSES

Include:				
Auditors' remuneration	**1,476**	1,934	**1,435**	1,934
- Audit fees	**1,041**	1,000	**1,000**	1,000
- Reporting accountant*	**120**	684	**120**	684
- Advisory fees*	**315**	250	**315**	250
Listing and restructure fees	**–**	8,870	**–**	8,747
*(*2018: includes auditors' listing-related fees above)*				
Executive directors' emoluments (note 14.1)				
- Salaries and contributions	**1,285**	1,130	**1,285**	1,130
- Bonus over provision	**–**	(612)	**–**	(612)
Salary and related costs	**1,285**	518	**1,285**	518
Non-executive directors' fees (note 14.2)	**1,445**	720	**1,445**	720
Investment management advisory fee (note 14.3)	**75,000**	8,000	**33,750**	3,250
Operating lease rentals				
- Premises	**46**	34	**46**	34

14.1 Executive directors' emoluments

Executive directors	**Emoluments for services R'000**	**Total emoluments**
2019		
Paid to executive directors of the Company - for managerial services		
W Chapman	**516**	**516**
A Hannington	**769**	**769**
	1,285	**1,285**
2018		
M Yachad	**1,130**	**1,130**

Executives of the Company receive no other emoluments besides basic salaries.

Notes to the financial statements

14 OPERATING EXPENSES (continued)

14.2 Non-executive directors' fees

			Sub-Committees				
R'000	**Chair**	**Main board**	**Audit and Risk**	**Remco and Nom**	**Social and Ethics**	**2019 R**	2018 R
Paul Baloyi (Chairman)[1]	Main board and SEC	227	51	23	28	**329**	–
Amanda Smith[2]	Audit	91	68	23	22	**204**	–
Fatima Vawda[3]	Remco	91	51	28	23	**193**	–
Lawrie Brozin (Chairman) (resigned)[4]	Main board	200	–	–	–	**200**	215
Andrew Hannington[5]	Audit	80	60	20	20	**180**	182
Duncan Randall (resigned)[6]	Remco	80	45	25	20	**170**	170
Cindy Hess (resigned)[7]	SEC	80	45	20	25	**170**	113
Mandy Yachad (resigned)[8]	–	–	–	–	–	–	40
Total		**848**	**320**	**139**	**139**	**1,445**	720

[1] PB was appointed to the board as chairman on 5 September 2018
[2] AS was appointed to the board and committees on 5 September 2018
[3] FV was appointed to the Board and committees on 5 September 2018
[4] LB resigned from the board and as chairman on 5 September 2018
[5] AH moved from being a non-executive to executive director on 5 September 2018
[6] DR resigned from the board, and committees on 5 September 2018
[7] CH resigned from the board, and committees on 5 September 2018
[8]MY resigned from the board, and committees on 29 November 2017

Following the Peregrine restructure, Sean Melnick (CEO) and Sean Jelley (CFO) were appointed executive directors of the Company. The executive directors were employees and representatives of the investment advisory manager and were seconded to the Company in terms of the investment management agreement. The remuneration and benefits paid to Sean Melnick and Sean Jelley for their services as directors of the Company were borne by the investment manager and formed part of the fees payable by the Company to the investment manager for investment management services provided. Details of the fees paid to the investment manager during their tenure with the Company are included in Note 14 above and 14.3 below.

14.3 Investment management advisor fees

In September 2018 the Company entered into an agreement which was approved by shareholders relating to the consensual termination of the existing management agreement and to amend the termination fee payable in terms of the existing management agreement to an agreed reduced amount of R63 million payable to the Investment Advisor.

This payment was made and expensed in November 2018 and, together with the payment of R12,000,000 for the three financial quarters to end December 2018, amounts to the total reported expense for the investment advisory management fee for 2019. The Group does not anticipate any further implications or costs arising from this investment management advisory fee or its termination.

Notes to the financial statements

15 NET INTEREST RECEIVED/(PAID)

	Group		Company	
	2019	2018	**2019**	2018
	R'000s	R'000s	**R'000s**	R'000s
Interest received (note 15.1)	**3,304**	736	**2,060**	237
Interest paid (note 15.2)	**(2,549)**	(6,372)	**(2,196)**	(6,370)
	755	(5,636)	**(136)**	(6,133)
15.1 Interest received				
Interest income from cash and cash equivalents	**2,615**	736	**1,772**	237
South African Revenue Service	**288**	–	**288**	–
Other interest income on financial assets at amortised cost	**402**	-	-	-
	3,304	736	**2,060**	237
Arising on:				
Financial assets at amortised cost	**3,017**	736	**1,772**	237
Non-financial investments	**288**	–	**288**	–
	3,304	736	**2,060**	237
15.2 Interest paid				
Interest expense for borrowings at amortised cost:	**(2,549)**	(6,372)	**(2,196)**	(6,372)
	(2,549)	(6,372)	**(2,196)**	(6,372)
Arising on:				
Financial liabilities at amortised cost	**(2,549)**	(6,370)	**(2,196)**	(6,370)
Non-financial investments	–	(2)	–	(2)
	(2,549)	(6,372)	**(2,196)**	(6,372)

Notes to the financial statements

16 TAXATION

South African normal taxation				
- Current year	**(573)**	–	**–**	–
Deferred taxation	**(24,313)**	22,236	**(24,361)**	22,236
- Current year (SA)	**(14,504)**	11,616	**(14,552)**	11,616
- Current year (Foreign CFC)	**1,270**	10,620	**1,270**	10,620
- Prior year under provision (SA and CFC)	**(11,079)**	–	**(11,079)**	–
	(24,886)	22,236	**(24,361)**	22,236

	Group		**Company**	
	2019	2018	**2019**	2018
Tax rate reconciliation:	**%**	%	**%**	%
Standard rate of taxation	**28.00**	28.00	**28.00**	28.00
Adjusted for:				
Disallowable expenditure	**2.45**	-2.00	**1.52**	-6.24
Capital profits and exempt income	**-9.54**	6.07	**-17.24**	34.42
Capital losses		-10.88		-5.30
Translation losses recognised in equity	**8.21**	9.18	**5.09**	29.33
Gain (losses) in low/no tax jurisdictions	**8.40**	-0.19	**5.26**	16.04
Prior year under provision	**10.30**	–	**6.39**	–
Effective rate of taxation	**47.82**	30.18	**29.02**	96.25

17 NET ASSET VALUE PER SHARE

	2019	2018
	R'000	R'000
Net asset value per share as at 31 March		
Equity attributable to equity holders	**1,213,818**	1,101,687
Number of shares in issue at reporting date	226,065,696	226,065,696
Weighted average number of shares in issue*	226,065,696	193,625,269
NAV per share (cents)	**537**	487
Net tangible asset value per share (cents)	**529**	487

NAV per share is calculated on the number of ordinary shares in issue at the end of the financial year and is based on the NAV attributable to outstanding ordinary shareholders. Net asset value is the difference between total assets and total liabilities after accounting for non-controlling interest. Net tangible asset value is determined by adjusting the net asset value for the intangible assets.

Notes to the financial statements

18 EARNINGS AND HEADLINE (LOSS)/EARNINGS PER SHARE

	2019	2018
	R'000	R'000
Basic and diluted earnings/(loss)/ per share		
Earnings/(losses)	**26,930**	(51,435)
Number of shares in issue at reporting date	226,065,696	226,065,696
Weighted average number of shares in issue*	**226,065,696**	193,625,269
Basic and diluted (loss)/earnings per share (cents)	**11.91**	(26.56)
Headline earnings/(loss) per share		
Earnings/(losses)	26,930	(51,435)
Adjustment for headline earnings	–	–
Headline earnings/(loss) per share	**26,930**	(51,435)
Basic and headline earnings/(loss) per share (cents)	**11.91**	(26.56)

*(As the Peregrine restructure and subsequent unbundling of ordinary shares included the issue of a number of shares for no consideration, the guidance of IAS33 *Earnings per share*, has been followed. As such, the number of ordinary shares outstanding before the restructure has been adjusted to reflect the number of ordinary shares in issue as if the issue had occurred at the beginning of the earliest period reported.)

19 DIVIDENDS PER SHARE

	2019	2018
	R'000	R'000
Dividend declared and paid during the year	–	2,500
Number of shares issued for no consideration during the year	–	161,182,841
Number of shares used to calculate dividend per share	**226,065,696**	*226,065,696
Dividends per share (cents)	–	1.11

The Company declared and paid dividends of nil (2018: R2.5 million) during the current financial year. The board does not expect to declare dividends for the foreseeable future, the intention being to reinvest income derived from investments into new investment opportunities.

Notes to the financial statements

20 CASH UTILISED BY OPERATIONS

	Group		Company	
	2019	2018	**2019**	2018
	R'000s	R'000s	**R'000s**	R'000s
Profit/(loss) before taxation	**52,041**	(73,671)	**83,944**	(23,102)
Adjusted for:	**(130,681)**	49,739	**(125,697)**	6,477
Depreciation	**24**	–	**–**	–
Impairment of loans and receivables	**2,649**		**2,649**	
Interest received	**(3,304)**	(736)	**(2,060)**	(237)
Interest paid	**2,549**	6,372	**2,196**	6,370
Investment returns attributable to hedge-fund investments, net of interest paid on hedge-fund loans	**(83,126)**	41,518	**(76,604)**	33,002
Fair value of private equity investments	**(32,726)**	17,427	**7**	369
(Profit)/loss on disposal of private equity investments	**(8,259)**	1,105	**(8,259)**	1,105
Write-off of financial investment in Capital Step	**9,443**	–	**–**	–
Interest received from private equity investments	**(15)**	(1,507)	**(15)**	(41)
Dividends received from subsidiaries	–	–	**(40,328)**	(34,057)
Dividends received from investments	**(17,916)**	(14,440)	**(3,283)**	(34)
	(78,640)	(23,932)	**(41,753)**	(16,625)
Working capital changes	**2,009**	(1,828)	**383**	(2,091)
(Increase)/decrease in trade and other receivables	**9,404**	56	**157**	56,456
(Decrease)/increase in trade and other payables	**(7,395)**	(1,884)	**226**	(2,148)
	(76,631)	(25,760)	**(41,370)**	(18,716)

21 TAXATION (REFUND) PAID

Prepaid at beginning of the year	**(6,672)**	(6,172)	**(6,672)**	(6,172)
Tax receivable in subsidiary acquired	**(55)**			
Current tax expense	**573**	–	–	–
Prepaid at end of the year	**382**	6,672	**500**	6,672
	(5,772)	500	**(6,172)**	500

Notes to the financial statements

22 ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION

Group	Financial instruments at fair value through profit or loss - designated at inception	Financial assets at amortised cost	Financial liabilities at amortised cost	Non-financial instruments and financial instruments beyond the scope of IFRS 7	**Total**	Fair value of financial instruments
2019	R'000	R'000	R'000	R'000	**R'000**	
Non-current assets	475,771	3,375	–	18,431	**497,577**	
Property, plant and equipment				435	**435**	
Intangible assets and Goodwill				17,949	**17,949**	
Financial investments	450,629	–	–	–	**450,629**	450,629
Investment in associates	25,142	3,375	–	–	**28,517**	25,142
Deferred tax	–	–	–	47	**47**	
Current assets	160,732	616,362	–	550	**777,644**	
Financial investments	160,732	–	–	–	**160,732**	160,732
Trade and other receivables	–	58,068	–	–	**58,068**	
Taxation	–	–	–	550	**550**	
Cash and cash equivalents	–	558,294	–	–	**558,294**	
Total assets	**636,503**	**619,737**	–	**18,981**	**1,275,221**	
Non-current liabilities						
Deferred taxation	–	–	–	3,512	3,512	
Current liabilities	–	–	57,259	236	**57,495**	
Loans and payables	–	–	–	–	–	
Taxation	–	–	–	168	**168**	
Trade and other payables	–	–	57,259	68	**57,327**	
Total liabilities	**–**	**–**	**57,259**	**3,748**	**61,007**	

Notes to the financial statements

22 ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION (continued)

Group	Financial instruments at fair value through profit or loss - designated at inception	Financial assets at amortised cost	Financial liabilities at amortised cost	Non-financial instruments and financial instruments beyond the scope of IFRS 7	**Total**	Fair value of financial instruments
2018	R'000	R'000	R'000	R'000	**R'000**	
Non-current assets	611,806	92	–	20,849	**632,747**	
Financial investments	588,949	–	–	–	**588,949**	588,949
Investment in associates	22,857	92	–	–	**22,949**	22,857
Deferred tax	–	–	–	20,849	**20,849**	
Current assets	507,094	76,430	–	6,834	**590,358**	
Financial investments	507,094	–	–	–	**507,094**	507,094
Trade and other receivables	–		–	162	**162**	
Taxation	–	–	–	6,672	**6,672**	
Cash and cash equivalents	–	76,430	–	–	**76,430**	
Total assets	**1,118,900**	**76,522**	–	**27,683**	**1,223,105**	
Non-current liabilities						
Deferred taxation	–	–	–	–	–	
Current liabilities	–	–	121,418	–	**121,418**	
Loans and payables	–	–	120,000	–	**120,000**	
Trade and other payables	–	–	1,418	–	**1,418**	
Total liabilities	**–**	**–**	**121,418**	**–**	**121,418**	

Notes to the financial statements

22 ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION (continued)

Company	Financial instruments at fair value through profit or loss - designated at inception	Financial assets at amortised cost	Financial liabilities at amortised cost	Non-financial instruments and financial instruments beyond the scope of IFRS 7	Total	Fair value of financial instruments
2019	R'000	R'000	R'000	R'000	**R'000**	
Non-current assets	25,143	3,375	–	157,011	**185,529**	
Financial investments	1	–	–	–	**1**	1
Investment in subsidiary	–	–	–	157,011	**157,011**	
Investment in associates	25,142	3,375	–	–	**28,517**	25,142
Deferred tax	–	–	–	–	**–**	
Current assets	112,235	311,346	–	500	**424,080**	
Financial investments	112,235	–	–	–	**112,235**	112,235
Trade and other receivables	–	9,602	–	–	**9,602**	
Taxation	–	–	–	500	**500**	
Cash and cash equivalents	–	301,743	–	–	**301,743**	
Total assets	**137,378**	**314,721**	–	**157,511**	**609,609**	
Non-current liabilities						
Deferred taxation	–	–	–	3,512	**3,512**	
Current liabilities	–	–	38,513	68	**38,581**	
Loans and payables	–	–	–	–	**–**	
Inter-company Loans	–	–	31,265	–	**31,265**	
Taxation	–	–	–	–	–	
Trade and other payables	–	–	7,248	68	**7,316**	
Total liabilities	–	–	**38,513**	**3,580**	**42,093**	

Notes to the financial statements

22 ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION (continued)

Company	Financial instruments at fair value through profit or loss - designated at inception	Financial assets at amortised cost	Financial liabilities at amortised cost	Non-financial instruments and financial instruments beyond the scope of IFRS 7	Total	Fair value of financial instruments
2018	R'000	R'000	R'000	R'000	**R'000**	
Non-current assets	23,002	788	–	147,660	**171,450**	
Financial investments	145	696	–	–	**841**	841
Investment in subsidiary	–	–	–	126,811	**126,811**	
Investment in associates	22,857	92	–	–	**22,949**	22,857
Deferred tax	–	–	–	20,849	**20,849**	
Current assets	440,973	9,831	–	6,834	**457,638**	
Financial investments	440,973	–	–	–	**440,973**	440,973
Loan to subsidiary	–	1,812	–	–	**1,812**	
Trade and other receivables	–	-	–	162	**162**	
Taxation	–	–	–	6,672	**6,672**	
Cash and cash equivalents	–	8,019	–	–	**8,019**	
Total assets	**463,975**	**10,618**	–	**154,494**	**629,087**	
Non-current liabilities						
Deferred taxation	–	–	–	–-	–	
Current liabilities	–	–	120,000	1,155	**121,155**	
Loans and payables	–	–	120,000	–	**120,000**	
Trade and other payables	–	–	–	1,155	**1,155**	
Total liabilities	–	–	**120,000**	**1,155**	**121,155**	

Notes to the financial statements

23 RISK MANAGEMENT

Having regard to the fact that managing risk is an inherent part of the Group's activities, risk management and the ongoing improvement in corresponding control structures remain a key focus in building a successful and sustainable business. Within a complex financial services environment, the board recognises that risk management is a dynamic process and that the risk framework should be robust enough to effectively manage and react to change in an efficient and timeous manner.

Formalisation of a risk management framework for the Group is the responsibility of the board of directors. The framework ensures:

- Efficient allocation of capital across various activities in order to maximise returns and diversification of income streams.
- Risk taking within levels acceptable to the Group as a whole.
- Efficient liquidity management and control of funding costs, and
- Appropriate risk management and control.

Whilst the board is ultimately responsible for the management of risk, the board relies on the executive directors to operate within the control structures and frameworks established by the board and has delegated the responsibility for implementation of the risk framework to the executive directors.

The executive directors take an active role in the risk management process and are responsible for the implementation, ongoing maintenance of, and ultimate compliance with, the risk process as it applies to the Group. The board is kept abreast of developments through formalised reporting structures, ongoing communication with the executive directors, and through regular meetings of the Group Audit and Risk Committee.

Risk management structure

The Group's risk management framework is summarised below. Key responsibilities lie with the following management bodies and committees.

Board of directors: responsible for the strategic direction, supervision and control of the Group and for defining the Group's tolerance for risk.

Audit and Risk Committee: responsible for assisting the board of the Group and subsidiary entities, in fulfilling their responsibilities by providing guidance and oversight regarding risk governance and the development of the Group's risk profile, including regular review of major risk exposures and the management of risk limits. In addition, the committee is responsible for monitoring the executive directors' approach with respect to financial reporting, internal controls, accounting and legal and regulatory compliance. The chairperson of the Audit and Risk Committee reports back to the board of directors of the Group in this regard.

The nature of the key risks to which the Group is exposed are categorised as follows:

23.1 Market risk

Market risk is the potential change in the value of a financial instrument resulting from changes in market prices. The Group's activities expose it primarily to the financial risks of changes in equity prices and interest and foreign exchange rates. The Group's investment activities include investments into hedge funds and listed and unlisted private equity investment opportunities. The Group is exposed to market risk associated with the underlying instruments held by hedge funds and has exposure to equity price movements and fluctuations in interest and foreign currency exchange rates as a result of listed and unlisted investments held directly as part of its investment activities.

Notes to the financial statements

23 RISK MANAGEMENT (continued)

23.1.1 Equity pricing risk

23.1.1.1 Key risk exposures

As at reporting date, Group's capital was allocated per concentration of risk, which is by type of instrument:

	Group		Company	
	2019	2018	**2019**	2018
	R'000s	R'000s	**R'000s**	R'000s
Hedge-fund investments	**94,828**	507,094	**46,330**	440,973
Listed Equities, fixed income and other instruments	**65,905**	–	**65,905**	
Listed equities	**434,383**	358,913	–	–
Private equity investments	**19,245**	230,036	**1**	841
Investment in subsidiaries			**157,011**	126,811
Investment in associates	**25,142**	22,857	**25,142**	22,857
	636,503	1,118,900	**294,388**	591,481

23.1.1.2 Equity sensitivity analysis

Investment into hedge funds

To date, the Group has invested in funds managed by Peregrine Capital, Green Oak Capital and Stenham Asset Management ("the managers"), both directly and through the Peregrine Fund Platform. The managers manage a suite of hedge funds, which focus on both South African and global listed equity counters. Stock selection is primarily bottom up, based on fundamental research employing disciplined and consistent research procedures. The funds aim to achieve positive returns regardless of the direction of the equity market. The decision to invest and the quantum thereof forms part of the Group's capital allocation decision implemented and managed by the executives.

The Group's largest hedge fund investment was the PNF Peregrine fund where Zarclear was effectively the 100% owner of the fund. Therefore, in the latter part of the 2019 financial year a decision was taken to convert to a directly managed fund, through the auspices of Peregrine Capital and to then reflect the individual components of the fund as direct investments within the Group. (See Note 4.6.3)

In all cases referred to above, fund managers are subject to appropriate due diligence and selected on the basis of managers' track record and experience, their approach to investment and risk management as well as their ability to demonstrate sound operational procedures and acceptable legal infrastructure. Investment into the funds is on an arm's length basis.

Operational controls relating to the investment process include:

- Management according to a fund mandate, which sets out investment parameters including target investments, maximum holdings and exposures, and various investment limits.
- Investor review by way of daily access to portfolio information and regular reporting.
- Monitoring of positions against mandate limits.
- Utilisation of external administrators for the provision of independent accounting, administration and valuation services.

Notes to the financial statements

23 RISK MANAGEMENT (continued)

- Utilisation of an appropriate prime broker;
- Internal audit of controls and procedures surrounding fund valuations, mandate monitoring and know your customer compliance, and
- An annual audit of the funds by external auditors.

Investments made by the Group into the hedge funds are diversified through the utilisation of a variety of trading systems employed by the managers. The selection of funds and managers is part of the on-going and active management of the Group's stated investment strategy.

The board has contractually committed to remain invested in the Peregrine Capital hedge funds to September 2022 subject to the funds adhering to their mandates and achieving rolling three-year returns in excess of benchmarks linked to a combination of the capped JSE Top 40 Index and cash. Investments may be redeemed at an earlier date subject to Zarclear compensating Peregrine Capital for lost revenue. This arrangement replaces a previous lock-up agreement between the Group and Peregrine Capital. The fair value of the Group's investments into hedge funds is determined using the underlying market values of the investments held by each fund. As a result of the nature of the funds into which the Group has invested, the investments are largely exposed to movements in the prices of equity instruments listed on the JSE Limited.

Investments held as part of the Group's private equity investment activities

The Group holds listed equities and unlisted private equity investments. It has approximately 81% (2018: 56%) of its capital invested in listed and unlisted private equity as part of its investment activities. Investment decisions are structured within a mandate, approved by the board and implemented and managed as part of the investment of Group capital.

Applying a 10% variation in equity/fund prices, the impact on the fair value carrying value of the financial investments as at 31 March would have been:

Group *Impact on fair value (FV) carrying values*	Increase by 10%	Decrease by 10%
2019	R'000	R'000s
Increase (decrease) in FV	**59,212**	**(59,212)**
2018	R'000	R'000s
Increase (decrease) in FV	86,601	(86,601)

23.1.2 Interest rate risk

23.1.2.1 Key risk exposures

Interest rate risk refers to the impact on future cash flows and earnings of interest rate-sensitive assets and liabilities as a result of interest rate repricing.

Financial assets and liabilities that are sensitive to interest rate risk comprise those financial instruments carried at amortised cost. These include cash balances, loans and receivables and loans and payables. Borrowings comprise loans from third parties and amounts borrowed against hedge-fund investments. The decision to gear against certain of the hedge-fund investments is to enhance investment returns rather than as a result of a funding decision. The rates paid on hedge-fund gearing are thus managed as part of the overall return expectations of the Group's investment strategy. At year-end 31 March 2019, all gearing on hedge-fund investments had been settled and currently there is no gearing on hedge-fund investments.

Notes to the financial statements

23 RISK MANAGEMENT (continued)

The Group manages interest rate exposure arising from other borrowings as part of the overall management of investment strategy. Decisions to borrow and the levels at which borrowings are maintained are evaluated on a regular basis. Considerations include historical and anticipated investment yields and the cost of borrowing, the Group's liquidity requirements and the current state of credit markets. The efficient allocation of capital is expected to enhance profitability over the longer term.

The repricing profile of financial assets and liabilities carried at amortised cost that are sensitive to interest rate fluctuations is presented in the table below. Short-term financial assets and liabilities carried at amortised cost whereby the effects of discounting that are considered to be immaterial are reflected as "non-rate" in the sensitivity analysis. Non-interest bearing asset and liabilities carried at amortised cost are specifically classified as non-rate financial instruments.

A 2% (South Africa) and 1% (offshore) increase or decrease in interest rates represents management's assessment of the reasonable possible change in interest rates. The table depicts the sensitivity of a 2% (South Africa) and 1% (offshore) parallel shift in the applicable rates respectively.

Notes to the financial statements

23 RISK MANAGEMENT (continued)

23.1.2.2 Interest rate sensitivity analysis

2019	Carrying value of Financial instrument at amortised cost	Interest rate	Current years interest income/ expense (Restated)*	Reasonable change in rate of [2% SA and 1% offshore]	Impact on pre-tax profit or loss**	Impact on post-tax profit or loss***
Interest sensitivity gap	R'000	%	R'000	R'000	R'000	R'000
Interest-bearing financial assets						
A-Preference shares in Nala A2X	25,142	Fixed (10%)	–	–	–	–
A-Preference dividends capitalised	3,283	Fixed (10%)	–	–	–	–
Loan to associate	92	Non-rate	–	–	–	–
Trade and other receivables	6	Non-rate	–	–	–	–
Receivables in directly managed hedge funds	9,597	Non-rate	–	–	–	–
Cash collateral and other receivables	48,465	****	–	–	–	–
Cash and cash equivalents – South Africa	316,488	6.30%	19,939	26,268	6,330	4,557
Cash and cash equivalents – Offshore (GBP/USD)	241,806	1.00%	2,418	4,836	2,418	1,741
	616,454		22,357	31,105	8,748	6,298
Interest-bearing financial liabilities						
Trade and administrative payables	3,626	Non-rate	–	–	–	–
Cash collateral and other payables	47,767	****	–	–	–	–
Payables in directly managed hedge funds	5,935	Non-rate	–	–	–	–
	57,328		22,357	31,105	8,748	6,298

* *The current year's interest income/expense is recalculated based on the carrying value of the financial instruments' closing balance at year-end.*

** *Impact on profit or loss of a change in interest rates would be based on the financial instruments' closing balance at year-end. It is not a change of the current year's interest expense, rather it calculates the impact on the following year's net finance cost if rates fluctuated by 2% (local) and 1% (foreign).*

*** *The impact on profit or loss post-tax is deemed to be the same as the impact on equity*

**** *Cash collateral receivables and payables are interest-bearing financial instruments with our Securities Lending operations. Due to the nature of the securities-lending activities, collateral management processes, together with the natural economic hedge, manage the interest rate risk*

Notes to the financial statements

23 RISK MANAGEMENT (continued)

23.1.2.2 Interest rate sensitivity analysis (continued)

2018	Carrying value of Financial instrument at amortised cost	Interest rate	Current years interest income/ expense (Restated)*	Reasonable change in rate of [2% SA and 1% offshore]	Impact on pre-tax profit or loss**	Impact on post-tax profit or loss***
Interest sensitivity gap	R'000	%	R'000	R'000	R'000	R'000
Interest-bearing financial assets						
Financial investments	106,640					
Rinjani shareholder loan	5,062	Non-rate	–	–	–	–
Capital Step-term loan (GBP)	83,435	12.00%	10,012	10,847	834	601
Capital Step shareholder loan (GBP)	17,447	Non-rate	–	–	–	–
Firefly Partnership loan	696	6.50%	45	59	14	10
Loan to associate	92	Non-rate	–	–	–	–
A-Preference shares in Nala A2X	22,857	Fixed (10%)	–	–	–	–
Trade and other receivables	6	Non-rate	–	–	–	–
Trade and other receivables	156	Non-rate	–	–	–	–
Cash and cash equivalents – South Africa	8,019	6.30%	505	666	160	115
Cash and cash equivalents – Offshore (GBP/USD)	68,411	1.00%	684	1,368	684	493
	312,820		11,247	12,939	1,693	1,219
Interest-bearing financial liabilities						
Loans and other payables	120,000	9.15%	10,980	13,380	(2,400)	(1,728)
Trade and other payables	1,418	Non-rate	–	–	–	–
	121,418		10,980	13,380	(2,400)	(1,728)

* *The current year's interest income/expense is recalculated based on the carrying value of the financial instruments' closing balance at year-end.*

** *Impact on profit or loss of a change in interest rates would be based on the financial instruments' closing balance at year-end. It is not a change of the current year's interest expense; rather it calculates the impact on the following year's net finance cost if rates fluctuated by 2% (local) and 1% (foreign).*

*** *The impact on profit or loss post-tax is deemed to be the same as the impact on equity.*

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Notes to the financial statements

23 RISK MANAGEMENT (continued)

23.1.3 Foreign currency risk

Foreign exchange translation exposure which arises from the translation of the Group's international operations into Rand is not considered a foreign currency exposure under IFRS. However, a significant portion of the Group's investments are held by its offshore subsidiary, SCIL, and, as such, a significant portion of the Group's investment income is earned in foreign currency and the volatility of these currencies relative to the Rand will impact the Group's Rand profit or loss and asset values.

The carrying value of the Group's foreign currency-denominated assets and liabilities at the reporting date are as follows:

Group	USD	GBP	EUR	**Total**
2019	R'000s	R'000s	R'000s	R'000s
Non-current assets	–	450,628	–	450,628
Current assets	201,626	33,725	54,953	235,351
Total assets	201,626	484,353	54,953	685,979
Non-current liabilities	–	–	–	–
Current liabilities	–	–	–	–
Total liabilities	–	–	–	–
Net exposure	201,626	484,353	54,953	685,979

Foreign currency sensitivity analysis

Assuming a reasonable change of 10% in the currency exchange rates applied to the above balances, the impact on profit or loss would be:

Impact on pre-tax profit or loss	20,163	48,435	5,495	68,598
Impact on post-tax profit or loss	14,517	34,873	3,957	49,390

Group	USD	GBP	**Total**
2018	R'000s	R'000s	R'000s
Non-current assets	–	229,195	229,195
Current assets	104,072	30,462	134,534
Total assets	104,072	259,657	363,729
Non-current liabilities	–	–	–
Current liabilities	–	–	–
Total liabilities	–	–	–
Net exposure	104,072	259,657	363,729

Foreign currency sensitivity analysis

Assuming a reasonable change of 10% in the currency exchange rates applied to the above balances, the impact on profit or loss would be:

Impact on pre-tax profit or loss	10,407	25,966	36,373
Impact on post-tax profit or loss	7,493	18,695	26,188

Notes to the financial statements

23 RISK MANAGEMENT (continued)

23.1.3 Foreign currency risk (continued)

The Group's financial investment in Stenprop, a Guernsey-registered property-owning company dual-listed on the JSE and the LSE with property assets located in Germany, Switzerland and the United Kingdom, refers.

Considering the primary listing and price discovery occurring on the LSE and that the shares are held by SCIL, whose functional currency is GBP on the London register, it was deemed appropriate to use the GBP-denominated closing price from 2019 as representative of the most accurate indicator of fair value. The closing valuation of the Stenprop shares are therefore included in the non-current assets (GBP denominated) in the 2019 foreign currency exposure analysis above.

The following significant exchange rates were applied at the reporting date:

	2019	2018
1 USD: ZAR	14.48	11.86
1 GBP: ZAR	18.87	16.62
1 EUR: ZAR	16.24	14.61

23.2 Credit risk

23.2.1 Key risk exposures

Credit risk is the risk of loss resulting from the default of a counterparty. Credit risk includes settlement risk.

There is no significant concentration of credit risk for the Group.

Assets that expose the Group to credit risk consist principally of cash deposits, trade and other receivables and loans and receivables. Cash is placed on deposit with high credit-rated financial institutions. Credit risk is limited due to the high credit rating of counterparties. Other than off-balance sheet exposures, the carrying value of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

Notes to the financial statements

23 RISK MANAGEMENT (continued)

23.2 Credit risk (continued)

Financial assets not impaired

The ageing of financial assets past due and not impaired at the reporting date is set out below:

2019	Maximum exposure to credit risk	Not past due	Non-financial instruments and financial instruments beyond the scope of IFRS 7	Carrying value
	R'000	R'000	R'000	R'000
Financial investments	–	–	–	**–**
Trade and other receivables	58,068	58,068	–	**58,068**
Investment in Associates	3,375	3,375	–	**3,375**
Taxation	–	–	550	**550**
Cash and cash equivalents	558,294	558,294	–	**558,294**
	619,737	619,737	550	**620,287**

2018	Maximum exposure to credit risk	Not past due	Non-financial instruments and financial instruments beyond the scope of IFRS 7	Carrying value
	R'000	R'000	R'000	R'000
Financial investments	106,640	106,640	–	**106,640**
Trade and other receivables	162	162	–	**162**
Investment in Associates	92	92	–	**92**
Taxation	–	–	6,531	**6,531**
Cash and cash equivalents	76,430	76,430	–	**76,430**
	183,323	183,323	6,531	**189,996**

Notes to the financial statements

23 RISK MANAGEMENT (continued)

23.2 Credit risk (continued)

23.2.2 Key risk exposures (continued)

The credit quality of financial assets neither past due nor impaired is as follows:

2019	Strong	Satisfactory	High risk	Total
	R'000	R'000	R'000	R'000
Financial investments	–	–	–	**–**
Trade and other receivables	58,068	–	–	**58,068**
Investment in Associates	3,375	–	–	**3,375**
Cash and cash equivalents	558,294	–	–	**558,294**
	619,737	–	–	**619,737**

2018	Strong	Satisfactory	High risk	**Total**
	R'000	R'000	R'000	**R'000**
Financial investments	106,640	–	–	**106,640**
Trade and other receivables	162	–	–	**162**
Investment in Associates	92	–	–	**92**
Cash and cash equivalents	76,430	–	–	**76,430**
	183,323	–	–	**183,323**

Financial statement descriptions can be summarised as follows:

Strong: there is a very high likelihood that the asset will be recovered in full.

Satisfactory: there is still a high likelihood that the asset will be recovered in full but the counterparty has indicated some evidence of deterioration and is being monitored more carefully.

High Risk: there is concern over the counterparty's ability to make payments when due. These receivables have not yet been impaired, and the counterparty is continuing to make payments when due and is expected to settle all outstanding amounts.

23.2.3 Impairment

Management has considered and evaluated the key credit risk exposures in line with the accounting policy and methodology described in policy 1.7 (Financial Assets) and concludes that no impairment on financial assets held at amortised cost is required.

Notes to the financial statements

23 RISK MANAGEMENT (continued)

23.2 Credit risk (continued)

23.2.3 Impairment (continued)

The movement in the allowance for impairment in respect of loans and trade receivables is as follows:

	2019	2018
Group	**R'000**	R'000
At beginning of the year	–	15,902
Increase in allowance raised	–	–
Reversal of allowance raised	–	(15,902)
	–	–

Management has considered all relevant financial assets and does not believe that any of the assets currently require any impairment.

23.2.4 Off-balance sheet credit risk exposure

Within the Securities Lending business there is an off-balance sheet exposure relating to bond and equity collateral receivables with a maximum exposure to credit risk of R4,216,290,701

23.3 Liquidity risk

23.3.1 Key risk exposures

Liquidity risk refers to the ability to meet funding obligations as they fall due. The centralised nature of the Group's treasury function ensures that capital is appropriately allocated across the Group and that funding and commitments are met timeously.

The Group is currently funded by internal cash resources. The Group has the ability to draw down on hedge-fund investments on a monthly basis should a liquidity shortfall arise.

There were no breaches or defaults on any loan obligations during the current year and all funding loans were settled in full during the year.

23.3.2 Liquidity mismatch table

A summary of the Group's undiscounted liquidity profile is reflected in the table following. Assets and liabilities are allocated according to their contractual maturity dates. The Group has the ability to disinvest from the hedge funds on a monthly basis. Other investment assets (including listed equities) are shown as realisable in greater than a year.

Notes to the financial statements

23 RISK MANAGEMENT (continued)

23.3 Liquidity risk (continued)

23.3.2 Liquidity mismatch table

Liquidity mismatch table - 2019	Demand	1-6 months	6 months -1 year	1- 5 years	>5 years	Non-financial instruments	Total
Assets	R'000s	R'000s	R'000s	R'000s	R'000s	R'000s	R'000s
Non-financial assets and financial assets beyond the scope of IFRS 7 :	–	–	–	–	–	18,981	**18,981**
Property, plant and equipment	–	–	–	–	–	435	**435**
Intangible assets	–	–	–	–	–	3,005	**3,005**
Goodwill	–	–	–	–	–	14,944	**14,944**
Deferred taxation	–	–	–	–	–	47	**47**
Taxation	–	–	–	–	–	550	**550**
Non-derivative financial assets used to manage liquidity risk:	558,294	218,800	–	479,145	–	–	**1,256,240**
Financial investments	–	160,732	–	450,629	–	–	**611,361**
Investment in associates	–	–	–	28,517	–	–	**28,517**
Trade and other receivables	–	58,068	–	–	–	–	**58,068**
Cash and cash equivalents	558,294	–	–	–	–	–	**558,294**
	558,294	218,800	–	479,145	–	18,981	**1,275,221**
Liabilities							
Non-financial liabilities and financial assets beyond the scope of IFRS 7:						3,680	**3,680**
Taxation						168	**168**
Deferred taxation	–	–	–	–	–	3,512	**3,512**
Non-derivative financial liabilities:	–	–	–	–	–	–	**57,328**
Trade and other payables	–	57,328	–	–	–	–	**57,328**
	–	57,328	–	–	–	3,680	**61,007**
Equity	–	–	–	–	–	1,214,213	**1,214,213**
Liquidity gap	558,294	161,472	–	479,145	–	(1,198,912	**–**
Cumulative liquidity gap	558,294	719,766	719,766	1,198,912	1,198,912	–	**–**

Notes to the financial statements

23 RISK MANAGEMENT (continued)

23.3 Liquidity risk (continued)

23.3.2 Liquidity mismatch table (continued)

Liquidity mismatch table - 2018	Demand	1-6 months	6 months -1 year	1- 5 years	>5 years	Non-financial instruments	Total
Assets	R	R	R	R	R	R	R
Non-financial assets and financial assets beyond the scope of IFRS 7:	–	–	–	–	–	27,521	**27,521**
Deferred taxation	–	–	–	–	–	20,849	**20,849**
Taxation	–	–	–	–	–	6,672	**6,672**
Non-derivative financial assets used to manage liquidity risk:	76,430	507,256	–	611,898	–	–	**1,195,584**
Financial investments	–	507,094	–	588,949	–	–	**1,096,043**
Investment in Associates	–	–	–	22,949	–	–	**22,949**
Trade and other receivables	–	162	–	–	–	–	**162**
Cash and cash equivalents	76,430	–	–	–	–	–	**76,430**
	76,430	507,256	–	611,898	–	27,521	**1,223,105**
Liabilities							
Non-financial liabilities and financial assets beyond the scope of IFRS 7:							
Deferred taxation	–	–	–	–	–	–	–
Non-derivative financial liabilities:	–	121,418	–	–	–	–	**121,418**
Loans and other payables	–	120,000	–	–	–	–	**120,000**
Trade and other payables	–	1,418	–	–	–	–	**1,418**
	–	121,418	–	–	–	–	**121,418**
Equity	–	–	–	–	–	1,101,688	**1,101,688**
Liquidity gap	76,430	385,838	–	611,898	–	(1,074,166)	**–**
Cumulative liquidity gap	76,430	462,268	462,268	1,074,166	1,074,166	–	**–**

Notes to the financial statements

23 RISK MANAGEMENT (continued)

23.4 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 31 March:

Group				**2019**
	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	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**

Group				**2018**
	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
Financial assets at fair value though profit or loss				
Designated at inception:				
Listed equities	358,913	–	-	**358,913**
Private equity investments	–	230,036	-	**230,036**
Hedge-fund investments	–	507,094	-	**507,094**
Investment in Associates (preference shares)	–	-	22,857	**22,857**
Total financial assets carried at fair value	358,913	737,130	**22,857**	**1,118,900**

Notes to the financial statements

23 RISK MANAGEMENT (continued)

23.4 Fair value hierarchy (continued)

Company				**2019**
	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
Financial assets at fair value though profit or loss				
Designated at inception:				
Listed equities, fixed income and other instruments	65,905	–	**-**	**65,905**
Private equity investments	–	1	**-**	**1**
Hedge-fund investments	–	46,330	**-**	**46,330**
Investment in Associates (preference shares)	–	-	25,142	**25,142**
Total financial assets carried at fair value	65,905	46,331	25,142	**137,378**

Company				**2018**
	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
Financial assets at fair value though profit or loss				
Designated at inception:				
Private equity investments	–	841	-	841
Hedge-fund investments	–	440,973	-	440,973
Investment in Associates (preference shares)	–	-	22,857	22,857
Total financial assets carried at fair value	–	441,814	22,857	464,671

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

	Group		**Company**	
	2019	2018	**2019**	2018
	R'000	R'000	**R'000**	R'000
Opening value of level 3 category assets	**22,857**	-	**22,857**	-
Share subscription – Nala A2X	**2,285**	22,857	**2,285**	22,857
Closing value of level 3 category assets	**25,142**	22,857	**25,142**	22,857

The assets categorised in level 3 are effectively valued at cost, representing the investment in Nala A2X which has equity investments in A2X Proprietary Limited. Due to the relative immaturity of this investment and the fact that the underlying asset is in the development and investment stage, valuations are based on available shareholder financial information and management interactions and reports from the investee.

Notes to the financial statements

23 RISK MANAGEMENT (continued)

23.4 Fair value hierarchy (continued)

23.4.1 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 and other instruments	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.	R25,143 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	R664 thousand	Recurring

23.5 Offsetting financial assets and financial liabilities

At year ended 31 March 2019 there were no loans/gearing against the unlisted hedge-fund investments and no offsetting took place.

At year ended 31 March 2018 the unlisted hedge-fund investments were presented net of loans. The investments made were on a geared basis with permissible loan ratios of up to 100%. The loan agreement against the investment in the PNF Peregrine Fund stated that the loan will be settled at the same time as a redemption out of the fund. The hedge-fund investments are measured at fair value and the loans are measured at amortised cost.

Notes to the financial statements

23 RISK MANAGEMENT (continued)

23.5 Offsetting financial assets and financial liabilities (continued)

23.5.1 Financial assets subject to offsetting

Group	Gross amounts of recognised financial assets	Measurement basis	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
	R '000		R '000	R '000
2019				
Current financial investments	**94,828**	**At fair value**	**-**	**94,828**
2018				
Current financial investments	584,468	At fair value	(77,374)	507,094

Company	Gross amounts of recognised financial assets	Measurement basis	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
	R '000		R '000	R '000
2019				
Current financial investments	**46,330**	**At fair value**	**-**	**46,330**
2018				
Current financial investments	518,347	At fair value	(77,374)	440,973

24 CRITICAL ACCOUNTING VARIATIONS AND JUDGEMENTS

Estimates and assumptions are continually evaluated and are based on historical and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The results of estimates and assumptions form the basis of making judgements about the carrying value of assets and liabilities. Actual results may differ from the estimates made.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value measurement and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes.

Notes to the financial statements

24 CRITICAL ACCOUNTING VARIATIONS AND JUDGEMENTS (continued)

In estimating the fair value of an asset, the Group uses market-observable data to the extent that this is available. The determination of fair value requires estimates and judgements particularly where the inputs to valuations are not market observable, as is the case for many of the Group's fair valued assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed in note 23.4.

Deferred taxation

A deferred tax asset is recognised on temporary differences and estimated assessable tax losses as it is the view of the directors that these will be recovered in future years.

Estimated impairment of goodwill and intangibles

The Group will annually test whether goodwill and intangibles have suffered any impairment, in accordance with the accounting policy disclosed. The recoverable amounts of cash-generating units (CGU) will be determined based on value-in-use calculations with growth rate assumptions in line with historical achievement and discount rates approximating the determined cost of capital at the time. Considering the investment in Zarclear Securities Lending was made one month before the end of the financial year and the other intangibles have not been brought into use, management believes that full impairment testing of these assets is not necessary for the current financial year. For future years the above approach will apply.

25 RELATED-PARTY INFORMATION

Related-party balances and transactions

Transactions with Peregrine Group companies

Zarclear was separately listed out of Peregrine Holdings Limited in November 2017 and all the issued shares in the Company were unbundled to the shareholders of Peregrine Holdings Limited.

The Group continues to have relationships and dealings/transactions with Peregrine Group companies on a regular and ongoing basis but the latter is not considered a related party for the purposes of this disclosure as all transactions are conducted on an arm's length basis and no parties or persons within the Peregrine Group has control or joint control of the reporting entity, or significant influence over the reporting entity or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Until the reconstitution of the Company's board on 5 September 2018, Sean Melnick, who acted in the position of CEO of the Company was also non-executive chairman of Peregrine Holdings Limited.

The Group is invested in funds managed by Peregrine Capital. There were loans outstanding against the funds managed by Peregrine Capital due to Peregrine Group entities but by the end of the current financial year these loans had all been repaid or settled. During the tenure of these loans they bore interest at the JSE Trustee rate as published monthly by JSE Trustees Proprietary Limited, less 57 basis points. Interest paid on the hedge-fund gearing loans amounted to R31.6 million (2018: R6.9 million), Whilst the vendor loan from Peregrine SA Holdings, created as part of the Peregrine restructure, stood at R120 million at year-end 31 March 2018, this was fully repaid by year-end 31 March 2019 and incurred interest of R2. 2 million (2018: R6.2 million).

Java Capital, a part of the Peregrine Group, acts as the Company's sponsor and advisor on certain transactions and was paid a total of R0.7 million by the Company with respect to sponsor, advisory and related fees.

Notes to the financial statements

25 RELATED-PARTY INFORMATION (continued)

Private equity fund

The Group has a 50% interest in a partnership, Firefly Investments 61, an investment fund that invests in private equity opportunities. Sean Melnick and Sean Jelley, directors of the Group during part of the year ended 31 March 2019, have co-invested with the Group into the fund, either directly or through an entity in which they have an indirect beneficial interest. Sean Jelley exited his investment in the fund during the current financial year. The loan receivable from Firefly Investments 61 (as at 31 March 2018 R695,942) was fully repaid during the year and as at 31 March 2019 a loan payable balance of R38,129 is owed by the Company to the partnership. The loan payable bears no interest and is repayable on demand.

Transactions with Legae Peresec Proprietary Limited (Legae Peresec)

The current CEO of the Company Mr Warren Chapman is a director of Legae Peresec, a financial services firm 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.

Directors

Details of directors' shareholding in the Company are disclosed in the Directors' Report. Directors' emoluments are disclosed in note 14.

Equity accounted investees

The Group pays certain expenses, on loan account, with respect to fees incurred in the ordinary course of business on behalf of entities in which the Group holds an associate interest. These expenses amounted to R40,250 for the year (2018: 91,895). Loan balances outstanding as at 31 March 2019 were R91,895 (2018: R91,895) while the loan for the R40,250 incurred in the current year has been fully impaired as it related to Nala Empowerment Investment Company Proprietary Limited – as more fully detailed in Note 6.1

Investments and loans to associates as at 31 March 2019 are disclosed in note 4

Subsidiaries

Details of investments in subsidiaries are disclosed in note 3. Transactions between subsidiaries are conducted in the ordinary course of business at arm's length. Dividends paid by subsidiary companies are recognised in investment income by the holding Company. Inter-company transactions and balances are eliminated on consolidation.

Intercompany balances	**Company**	
	2019	2018
	R'000s	R'000s
Due (to) by SCIL	**(31,131)**	1,812
Due (to) Zarclear Proprietary	**(134)**	
Net intercompany (payable) / receivable	**(31,265)**	1,812

Notes to the financial statements

25 RELATED-PARTY INFORMATION (continued)

Movement in inter-company balances:

Opening balance – receivable	**1,812**	–
Rinjani consideration loan arising from Peregrine restructure	–	5,519
Revaluation of foreign currency denominated loan	**807**	(457)
Net inter-company (payable) raised	**(33,884)**	(3,250)
Closing balance – (payable) / receivable	**(31,265)**	1,812

The amounts due by/(to) subsidiary companies are considered to be of a short-term nature, unsecured and repayable on demand. Loans are interest free unless stated otherwise.

Investment manager

The Group terminated its contract with the external investment manager in November 2018 after the final condition precedent to the termination agreement was met by ordinary shareholder resolution at the special general meeting held on 15 November 2018. Prior to their resignation on 5 September 2018, the executive directors of the Group were representatives and had an economic interest in the investment management entity.

The advisory fees paid to the investment manager by the Group for the period up to the termination of the agreement amounted to R12 million (2018: R8 million) for ongoing investment management services. In addition, an amount of R63 million was paid to the investment manager in terms of the termination agreement reached.

26 CAPITAL COMMITMENTS AND GUARANTEES

The Group had no capital commitments as at 31 March 2019 other than as recorded below. The prior-year capital commitment relating to the investment in Capital Step was no longer in force following the exit of the Capital Step investment

The following guarantees are currently in place to Zarclear Securities Lending from:

Envisionit Capital Solutions	R50,000,000
Legae Peresec Capital Proprietary Limited	R125,000,000

Envisionit Capital Solutions has given the required three months' notice for the withdrawal of guarantees to the lenders of Zarclear Securities Lending. (These guarantees therefore expired on 21 May 2019.) The Group has indemnified Envisionit Capital Solutions from any liabilities during this three-month period. It has agreed to become a guarantor for obligations under collateralised securities lending arrangements entered into under global master security lending agreements.

27 EVENTS SUBSEQUENT TO REPORTING DATE

There were no significant events subsequent to year-end that would require adjustment to the financial results as currently reported.

28 GOING CONCERN

These financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Notes to the financial statements

29 SCHEDULE OF INVESTMENTS

Investment	*Description*	Proportion Owned	Fair Value 31-Mar-19 R'000s	Cost* R'000s	Fund Managers	Fee Basis	Redemption Notice Period	Fair Value 31-Mar-18 R'000s
Listed equities								
Stenprop Limited *(incorporated in Guernsey)*	*Property investment company, dual-listed on the Johannesburg (JSE) and Bermuda stock exchanges*	7.1%	431,383	383,178	n/a	–	–	358,913
Private equity								
Rinjani Holdings Limited *(incorporated in the BVI)*	*Unlisted investment SPV, holding various listed and unlisted real estate assets in the UK and Germany*	79.4%	19,244	13,330	n/a	–	–	128,246
Capital Step Holdings Limited *(incorporated in the UK)*	*UK-based, specialist finance Company lending to SME markets in the UK and Ireland*	–___	–	–	n/a	–	–	100,882
Nala A2X Proprietary Limited *(incorporated in South Africa)*	*Associate BEE SPV, with 10% holding in A2X (unlisted)*	28%	25,142	25,142	n/a	-	-	22,857
Nala Empowerment Investment Company Proprietary Limited *(incorporated in South Africa)*	*Associate BEE SPV, with 7.45% holding in Consolidated Infrastructure Group (listed on the JSE) and a corresponding non-recourse vendor loan*	30%	–	–	n/a	–	–	–
Firefly Investments 61 *(domiciled in South Africa)*	*Private Equity Fund (in run off)*	50%	1	–	n/a	–	–	841
Listed Equities, Fixed Income and other instruments								
Directly managed portfolio** *(domiciled in South Africa)*	*Equities, Contracts for Difference, Fixed Income and other Instruments*	100%	65,905	64,514	Peregrine Capital	2/20	Monthly	51,031
Hedge-funds								
PNF Peregrine Fund** *(domiciled in South Africa)*	*Equity L/S Fund (Peregrine Capital High Growth Fund Strategy)*	–	–	–	Peregrine Capital	2/20	Monthly	51,031
Peregrine Partners Fund ECP** *(domiciled in South Africa)*	*Multi-strategy Fund of Funds, including: PNF Peregrine Fund ECP, Peregrine Capital Flexible Opportunities H4 Fund &and Green Oak Fixed Income ECP*	–	–	–	Peregrine Capital/ Green Oak Capital	1-2/20	Monthly/ Quarterly	389,942
Peregrine Capital Flexible Opp H4 QI HF Class A** *(domiciled in South Africa)*	*Multi-strategy with a bias towards listed real estate and yield enhancing instruments*	22%	46,330	43,362	Peregrine Capital	1.75/ 20	Monthly	–_
Stenham Targeted Skills II *(domiciled in Guernsey)*	*Equity L/S Fund*	–	–	–	Stenham Asset Management	1/0	Monthly	29,650
SA Alpha Peregrine High Growth (USD) *(domiciled in Cayman Islands)*	*Feeder fund into Peregrine High Growth Fund*	3.8%	48,497	44,392	SA Alpha/ Peregrine Capital	2/20	Monthly	36,471

** The indicated cost of the non-Portfolio Investments reflects their market-value as at the date of the Peregrine restructure (4 October 2017)*
*** The South African hedge-fund investments and directly managed portfolio investments are free from gearing at 31 March*

Annexure A – Standards and interpretations

New standards and interpretations

Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are relevant to its operations:

Standard/ interpretation:	Effective date: Years beginning on or after	Expected impact
IFRS 9 - Financial Instruments	1 January 2018	The impact of the standard is not material, particularly considering the valuation of the bulk of the financial instruments at fair value
IFRS 15 - Revenue from Contracts with Customers	1 January 2018	The impact of the standard is not material considering the nature of the business and the case that fee (revenue)-earning business units were acquired and consolidated in 2019 in terms of this standard
IAS 7 - Statement of Cash flows	1 January 2018	The requirements of the statement have been considered and, where appropriate, disclosures have been updated in these financial statements
IAS 12 - Income Taxes	1 January 2018	The requirements of the statement have been considered and where appropriate, disclosures have been updated in these financial statements

The Group adopted IFRS 9 and IFRS 15 for the 2019 financial year. The impact of these standards was immaterial and, although the relevant accounting policies were changed, they did not require restatement of prior year results nor adopting any of the transitional provisions allowed for in the newly adopted standards.

New and revised Standards and interpretations issued but not yet adopted

The following new and revised Standards and interpretations have not been adopted in these financial statements.

The Group is still considering the impact of the adoption of these standards, but they are not expected to have a significant impact as indicated below:

Standard	Impact and Implications
IFRS 16 – Leases (effective 1 January 2019)	Immaterial leases in operation
IAS 28 - Investments in Associates and Joint Ventures (Revised) (effective 1 January 2019)	Impact and implications still to be determined but expected to be immaterial