



---

INTEGRATED  
ANNUAL  
REPORT

for the year ended  
31 March

**2019**

---

# CONTENTS

Introduction	2
Message from the chairperson and CEO	3
Group overview	4
Strategic review	6
Leadership	11
Remuneration and nominations committee report	16
Audit and risk committee report	18
Analysis of shareholders	19
Shareholders' diary	20
Notice of annual general meeting	21
Form of proxy	27
Corporate information	29

# Introduction

This is the second integrated annual report of Zarclear Holdings Limited ("Zarclear") following its listing (as Sandown Capital Limited) on the Johannesburg Stock Exchange Limited (JSE) and A2X in November 2017.

In the year reported, Zarclear substantially revised its investment strategy and adopted a new name. As such, its business model and the boundary of this report have undergone significant change. Whereas previously the Group was essentially an investment holding company, in the 2019 financial year Zarclear undertook various corporate actions towards a new and compelling investment proposition, including investments in a number of operating entities.

The reconstituted board, which assumed office relatively late in the year reported, believes that the new value proposition has the potential to unlock significant financial value for the providers of financial capital (to whom this report is primarily addressed) and that it will translate into meaningful human and social value.

As is explained in the Leadership section (page 11) much work was undertaken by the new board of directors to develop and implement new Group policies and structures to facilitate human and social value creation.

This report seeks to provide stakeholders with an understanding of the Group's core purpose, risks and opportunities, strategy, business model and performance during the year. It also aims to give insight into its prospects, most notably its ability to create value over the short, medium and long term. As such, it contains various statements which may be construed as forward looking. Readers are advised that acting upon any such forward-looking statements may entail risks as well as opportunities and that the Group cannot, in any way, be held responsible for the outcomes of such actions.

Our full financial statements for the year to 31 March 2019 are available on our website, [www.zarclear.com](http://www.zarclear.com). Copies of the full financial statements may also be requested from the Company.

The audit and risk committee recommended this integrated annual report to the board for approval and the board is satisfied that this, Zarclear's 2019 integrated annual report, is a fair reflection of the performance of the Group and of its value-creation prospects.



Paul Baloyi  
Chairperson



Warren Chapman  
Chief Executive Officer

26 July 2019

# Message from the chairperson and the chief executive officer

## Dear Stakeholders

This integrated report is the first bearing our current name, Zarclear Holdings Limited.

Changing the name of the Company is a reflection of the significant change in investment strategy which shareholders endorsed in November 2018.

## A compelling case

The purpose of the revised investment strategy was primarily to narrow the discount to net asset value (NAV) at which the company's share price was trading. We are pleased to note that the discount to NAV narrowed during the year and we assure shareholders that closing this discount remains a key board objective, despite considerable volatility in our markets.

We believe that Zarclear today represents a compelling investment opportunity, one that is coherent and cogent.

## Two legs to our strategy

The Zarclear value proposition consists of two legs. The first leg is about building financial-market and regulatory infrastructure.

The second leg pertains to managing a portfolio of assets, which includes listed equities, contracts for difference, fixed income and other investments held directly or through hedge funds and other smaller investments. These offer liquidity and transparency and market-related returns while supporting the market-infrastructure and regulatory operating businesses. It is envisaged that the importance of the portfolio assets will diminish as our market-infrastructure operations grow and that the discount associated with these assets will narrow.

In the year reviewed, the balance sheet was also restructured, steps being taken to exit assets which did not align well with either of the two strategic legs.

Cash balances represented almost half of NAV at year-end and, although some was encumbered in our hedge-fund activity, are well placed to execute our revised strategy.

## Investing in new opportunities

The first leg of the new strategy is concerned with investing in high-conviction opportunities arising from recent developments in financial-market infrastructure and regulation. Investments currently being targeted are in regulated exchanges, trade repositories, clearing houses, securities depositories and investment and technology platforms within the financial markets sector, all of which are subject to new legislation

Zarclear had three investments in this space at year-end and expects growth (albeit off a low base) in each of these. The investments include a 10% minority stake in A2X, a licensed exchange, 100% in Zarclear Proprietary Limited which was founded during the year and which will provide general financial infrastructure services and has applied for a trade repository licence and, finally, a 60% investment in Zarclear Securities Lending.

We will look to equip these operating businesses to deliver against the opportunities that they respectively offer and to acquire businesses if these meet our investment criteria.

## Appreciation

We acknowledge the dedication which our fellow directors have displayed; their skills, expertise and enthusiasm in a year of considerable challenge and change augur well for the company's prospects and its ability to create widespread financial and social value for many stakeholders.



Paul Baloyi  
Chairperson



Warren Chapman  
Chief Executive Officer

# Group overview

In November 2018, shareholders approved a revised investment strategy which had the effect of fundamentally altering the Group's value proposition to shareholders. This development, the termination of an investment advisory contract as well as the Group's new investment proposition, are discussed in the Strategic overview on page 06.

## OPERATING ENTITIES

### Acquisitions in the year

In the second half (H2) of the year to 31 March 2019, in line with its revised investment strategy, the Group undertook two acquisitions. These transactions were executed in fulfilment of what this report refers to as 'the First Leg' of the revised strategy – the creation and development of operational entities to exploit opportunities offering exceptional returns in financial-market and regulatory infrastructure.

These investments were:

#### Zarclear Securities Lending (RF) Proprietary Limited

Holding	60%
Consideration in the year	R15.2 million

Established in 2012 as South Africa's only black-owned, black-operated stock lending business, Envisionit Stock Lending Solutions (ESLS) catered to hedge funds' growing scrip-lending appetite. In November, the Group acquired 60% of ESLS, renaming it to Zarclear Securities Lending (RF) Proprietary Limited (Zarclear Securities Lending).

#### Zarclear (RF) Proprietary Limited

Holding	100%
Consideration in the year	R15 million
	(for control and capitalising the business)

Zarclear Proprietary Limited (Zarclear Proprietary) provides trading technology, infrastructure, software development and advisory support and implementation services and, in addition, has applied for a trade repository licence under section 54 of the Financial Markets Act, 2012, which application was, at the time of reporting, being evaluated by regulators. Should the licence be granted, the trade repository will operate as a "financial market infrastructure", providing reporting services to over-the-counter (OTC) derivative providers, central counterparties and their delegates to support their regulatory reporting obligations and needs (see page 09).

### Existing 'First Leg' investments

#### A2X Proprietary Limited

Holding	10% indirect through Nala
---------	---------------------------

Zarclear has an indirect 10% holding in A2X through Nala A2X and Nala Empowerment Investment Company Proprietary Limited. The underlying asset, A2X, is a challenger exchange which is currently in the development and investment stage.

## Statement of financial position

as at 31 March 2019

	2019 R'000s	2018 R'000s
<b>Assets</b>		
<i>Non-current assets</i>	497,577	632,747
Property, plant and equipment	435	-
Intangible assets	3,005	-
Goodwill	14,944	-
Financial investments	450,629	588,949
Investment in associates	28,517	22,949
Deferred tax	47	20,849
<i>Current assets</i>	777,644	590,358
Financial investments	160,732	507,094
Trade and other receivables	58,068	162
Taxation	550	6,672
Cash and cash equivalents	558,294	76,430
<b>Total assets</b>	1,275,221	1,223,105
<b>Equity and liabilities</b>		
<i>Equity and reserves</i>	1,214,213	1,101,687
Share capital	474,400	474,400
Foreign currency translation reserve	50,240	(34,961)
Accumulated profit	689,178	662,248
Total attributable to equity holders of the company	1,213,818	1,101,687
Non-controlling interests	395	-
<i>Non-current liabilities</i>	3,512	-
Deferred taxation	3,512	-
<i>Current liabilities</i>	57,496	121,418
Loans and other payables	-	120,000
Taxation payable	168	-
Trade and other payables	57,328	1,418
<b>Total equity and liabilities</b>	1,275,221	1,223,105
<b>Net asset value per share (cents)</b>	537	487

## INVESTMENT HOLDINGS

Here we detail 'Second Leg' assets – portfolio investments which are overseen by managers with proven expertise and performance results.

These investments should be transparent, liquid and flexible, to support the Group's revised strategy. Where investments were deemed to not meet the requirements of transparency, liquidity and flexibility, the new company leadership chose, in H2 2019, to exit certain investments.

These disposals are detailed below.

(All offshore investments are held through Sandown Capital Investments Limited – SCIL – a 100%-owned subsidiary).

### Disposals in the year

#### Capital Step Limited

Through SCIL, Zarclear exited its non-controlling 60% equity interest (acquired in December 2017) in Capital Step, a UK SME-focused alternative finance solutions provider, by selling its shares at par value and the repayment of sub-ordinated loans worth R92.7 million. In terms of the transaction, SCIL was released from all future funding obligations to Capital Step while SCIL wrote off working capital loans and accrued interest on loans (R8.1 million).

#### Hedge funds

Zarclear made three hedge-fund redemptions during the year, including its entire holding in the Peregrine Greenoak Fund (proceeds of 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).

### Listed equities

#### Stenprop Limited

Holding Value	7.1% R431.4 million
---------------	------------------------

A property-owning company listed on the JSE Limited and the London Stock Exchange, Stenprop has assets in Germany, Switzerland and the UK. In 2019, the Group opted to receive dividends in specie, acquiring a further 657 979 shares.

### Private equity

#### Rinjani Holdings Limited

Holding Value	79.41% R19.2 million
---------------	-------------------------

Rinjani is a property holding company registered in the British Virgin Islands. In the year, R13.2 million was recognised by the Group as investment income. At year-end, Zarclear's holding in Rinjani was valued at R19.2 million (2018: R123 million), the decline being predominantly driven by share buybacks which translated into earnings for the Group of R126.7 million.

#### Firefly Investments 61

Holding Value	50% R1 000
---------------	---------------

The Group has a 50% interest in private-equity fund, Firefly Investments 61. In 2019, the main investment of the fund was sold, resulting in the Group receiving a share of profit of R8.2 million.

### Investment funds

At year-end the Group held two (2018: four) hedge-fund investments:

- R46.3 million (2018: nil) in the Peregrine Capital Flexible Opp H4 QI HF Class A Fund – part of the Peregrine Partners Fund which was unbundled on 1 April 2018.
- R48.5 million (2018: R36.5 million) in the SA Alpha Peregrine High Growth USD Fund.

In addition the Group held a directly-managed portfolio:

R65.9 million in listed equities, contracts for difference, fixed income and other investments.

# Strategic overview

This integrated report is an account of how, in the year reported, leadership worked to create value over the short, medium and long term. This strategy entails the prudent management and hedging of risks while optimising related opportunities.

In this strategic overview, with the adoption by the board of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) 2017 model as the basis for the Company's enterprise risk management framework, we report on how the board began to execute its responsibility for risk oversight. This entailed defining the required culture, demonstrating commitment, attracting the requisite talent as well as implementing governance and assurance arrangements to ensure effective, prudent management. The enterprise risk management framework which underpins the governance of Zarclear is the framework used by the board to steer the Company and sets its strategic direction with regards to both strategy and the way in which specific governance areas are approached, addressed and conducted.

## New risk management framework

COSO ERM 2017 favours an objective-centred approach to ERM as opposed to the traditional risk-centred methodology. Now widely and internationally adopted, COSO ERM 2017 is especially apposite for the situation in which Zarclear found itself at the time of reporting.

The COSO objective-focused approach prioritises managing – and accounting for – material strategic execution, risks and opportunities, and communicating these to stakeholders.

A company with a new investment strategy which emphasises the active creation of operational capacity

rather than a passive investment-holding profile required a fundamentally changed ERM. The five inter-related components of COSO ERM 2017, adopted by the board on 6 June 2019 are:

- Governance and culture.
- Strategy and objective-setting.
- Performance.
- Review and revision, and
- Information, communication and reporting.



## GOVERNANCE AND CULTURE

Towards the end of the year reported, the board established effective systems to ensure oversight of risk, to approve the creation of operating entities and to govern the recruitment and retention of appropriate human capital. Much of the work done by the new leadership in H2 2019 was concerned with the second component of COSO ERM 2017: strategy and objective setting. (For a discussion on how our new governance structures support our strategic objectives and objective setting see page 07.)

### Establishing operating structures

This year the company's name changed – from Sandown Capital Limited to Zarclear Holdings Limited. This was deemed necessary to reflect the changing operating context in which the new strategy positioned the Company. In keeping with the revised strategy, operating entities (the Group's first) were acquired. (see page 07).

## COSO ERM 2017

Mission, Vision & Core Values	Strategy Development	Business Objective Formulation	Implementation & Performance	Enhanced Value
 <p><b>GOVERNANCE &amp; CULTURE</b></p>	 <p><b>STRATEGY &amp; OBJECTIVE-SETTING</b></p>	 <p><b>PERFORMANCE</b></p>	 <p><b>REVIEW &amp; REVISION</b></p>	 <p><b>INFORMATION COMMUNICATION &amp; REPORTING</b></p>
1. Exercises Board Risk Oversight 2. Establishes Operating Structures 3. Defines Desired Culture 4. Demonstrates Commitment to Core Values 5. Attracts, Develops and Retains Capable Individuals	6. Analyses Business Context 7. Defines Risk Appetite 8. Evaluates Alternative Strategies 9. Formulates Business Objectives	10. Identifies Risk 11. Assesses Severity of Risk 12. Prioritises Risk 13. Implements Risk Responses 14. Develops Portfolio View	15. Assess Substantial Change 16. Reviews Risk and Performance 17. Pursues Improvement in Enterprise Risk Management	18. Leverages Information and Technology 19. Communicates Risk Information 20. Reports on Risk Culture and Performance



## STRATEGY AND OBJECTIVE SETTING

### Analysing business context

The restructured board closely analysed the Group's business context and agreed that net asset value (NAV) per share should remain the overarching key performance indicator (KPI). With this insight, the board resolved (with shareholder approval) that a compelling new value proposition, effectively leveraging the Group's balance sheet, was required to perform against this KPI.

### Formulating business objectives

The new investment and business strategy was premised on the understanding that the Company's portfolio carried with it the inherent likelihood of a persisting discount to NAV. To achieve the key business objective of addressing this discount while more effectively capitalising on its status as a permanent capital vehicle, strategy was re-oriented with two key focuses:

1. Managing a liquid and flexible capital base that generates market-related returns, in South Africa and elsewhere, and
2. Actively and closely deploying financial and other resources to a few high-conviction financial-market infrastructure investments. These should have the potential to offer exceptional returns while allowing the Company to actively engage with management and add strategic, governance and other value.

Fundamentally, the new strategy committed the Group to a new business model, a key focus of which was to contain operating expenses and enhance value creation for stakeholders. Whereas, previously, the business model entailed investment holdings (essentially a single leg), the new business model entails the two legs listed above.

The restructured board took the view that the Company's most material issue – the share's discount to NAV – would be best addressed by exploring – and investing in – opportunities in the financial-market regulation space. In their subsequent integrated report (for the 2020 financial year), directors look forward to reporting in further detail on materiality and the considerations that informed strategy and resource allocation.

#### Zarclear Holdings – what's in a name?

In November 2018 shareholders approved a new name for the Group. The name speaks to our core strategy, 'Zar' denoting that we are based in, and focused on, South Africa.

The 'clear' part of the name reflects both the clarity of our new strategic focus and the fact that this strategy is largely concerned with financial-market infrastructure including regulation.

## Statement of comprehensive income for the year ended 31 March 2019

	2019 R'000s	2018 R'000s
<b>Assets</b>		
Income (losses) from portfolio investments	133,926	(44,103)
Fee income	8,153	-
<b>Total income</b>	<b>142,079</b>	<b>(44,103)</b>
Operating expenses	(90,794)	(23,932)
<b>Profit/(loss) from operations</b>	<b>51,285</b>	<b>(68,035)</b>
Net interest received/(paid)	755	(5,636)
Interest received	3,304	736
Interest paid	(2,549)	(6,372)
<b>Profit/(loss) before taxation</b>	<b>52,041</b>	<b>(73,671)</b>
Taxation	(24,886)	22,236
<b>Profit/(loss) for the year</b>	<b>27,155</b>	<b>(51,435)</b>
<i>Items that can be subsequently classified to profit and loss</i>		
Currency translation differences	85,201	(34,961)
<b>Total comprehensive income/(loss) for the year</b>	<b>112,356</b>	<b>(86,396)</b>
<i>Profit (loss) for the year attributable to:</i>		
Equity holders of the Company	26,930	(51,435)
Non-controlling interests	225	-
	<b>27,155</b>	<b>(51,435)</b>
<b>Total comprehensive income (loss) for the year attributable to:</b>		
Equity holders of the Company	112,131	(86,396)
Non-controlling interests	225	-
	<b>112,356</b>	<b>(86,396)</b>
Basic and diluted earnings/(losses) per share (cents)	11.91	(26.56)

## Stakeholder inclusion

Zarclear's leadership appreciates that stakeholder inclusion is essential to the Group's ongoing ability to create value.

To this end, in September 2018, the board adopted a new Performance Accountability to Stakeholders Policy. This policy (available on the Company's website) puts the reasonable and legitimate concerns and interests of a wide range of stakeholders at the centre of strategic formulation, execution and governance. These stakeholders include shareholders, clients, employees, the public and supervisory regulatory authorities.

The policy is clear that all stakeholders may engage with directors at any time on strategy, value creation and any reasonable concerns and interests they have in the Group. The policy, which is subject to annual review, applies to the Group, its business units, divisions, board, employees, contractors and representatives and Group entities including subsidiaries and associated companies. The policy commits the board to open and transparent communication with, especially, shareholders. It acknowledges directors' responsibility to deliver effective, ethical leadership.

## Defining risk appetite and risk-tolerance levels

In considering changes in its business context, the board tasked management with executing and adapting strategy according to those changes – subject to a risk appetite and risk tolerance level assessment, which is determined and monitored by the board.

Risk thresholds were (and continue to be) well controlled by the portfolio fund managers in which the Company is invested, such that the audit and risk committee was able to report to the board that risks associated with these investments were effectively managed.

The Company's COSO ERM 2017-aligned enterprise risk framework has enumerated risk thresholds, in particular for the new operating entities. Mitigating measures and protocols are well defined, understood and widely communicated both within the Group and the management of subsidiaries. Given the nature of the services to be offered by operating entities, the framework lays considerable emphasis on emerging risks including cyber, technology and information risks. The financial risks associated with investments in these new entities are limited, given the modest investments relative to the broader investment portfolio.

## Evaluating – and implementing – alternative strategies

Developing the revised investment and business strategy was undertaken in line with the thinking that guides component 2 of COSO ERM 2017; in the year different strategies were investigated and evaluated by management and the board, and alternatives presented to shareholders for endorsement.

## New strategic value proposition

### Liquid, flexible capital delivering sustainable returns

Giving effect to the strategic focus on having liquid and flexible capital, the Company exited its holding in Capital Step and began exiting its investment in Rinjani Holdings Limited (an overview of these and other Group investments is on pages 04 and 05). (In addition to liquidity and flexibility, the board was concerned that investment holdings should be conducive to transparent valuation.)

The Company also reduced its gearing and restructured its hedge-fund assets, including full, partial and final hedge-fund redemptions totalling R167 million. The board believed that the resulting flexibility and liquidity, including the returns offered by managers of the remaining funds, will continue to serve the business's broader strategy.

On 31 March 2019, at R558 million, cash and cash equivalents represented 46% of NAV, a considerable increase over the corresponding total a year previously (R76 million). Leadership was satisfied that these cash balances carried acceptable risk profiles, underpinned the broader strategy and supported the Group's hedge-fund holdings. (Between 19 February 2019, cash balances grew from R280 million to the sum above, the NAV per share appreciating from 520 cents per share (cps) to a closing value of 537 cps.)

As well as funding strategic acquisitions, disposals in H2 allowed the Group to fully settle a vendor loan created out of the 2017 restructure which gave rise to the creation of Sandown Capital Limited. (At year-end 2018 this loan stood at R120 million.)

In the year, an investment advisory agreement with Sandown Management Limited was terminated. Ending this contract entailed a termination fee of R63 million – which amount was negotiated by management; at the termination date the fee due to advisors for terminating the agreement had been calculated at R80 million. This once-off termination fee significantly inflated operating expenses but ended an obligation which directors believed was disproportionate, especially in relation to the revised value-creation strategy.

Core portfolio assets are managed by Peregrine Capital (Pty) Ltd and Stenprop Limited. While these are legacy assets, the strength of such quality, transparent and liquid investments serve the strategy of the Company having access to regulatory capital for new, high-return investments in the infrastructure space.

Investment gains, including redemptions, in the year totalled R133.9 million (2018: R44.1 million losses).

A majority of operating profits (R51.3 million in total against a R68 million loss in 2018) derived from realised fair value adjustments on financial investments, the unrealised portion lying predominantly within listed equities.

## Investing in high-conviction market-infrastructure opportunities

The second focus of the new investment strategy, of creating an operational capacity in the area of financial-market infrastructure, entailed acquiring considerable intellectual and human capital, with the investments required being relatively modest, translating into acceptable investment risks.

At year-end the Company had three investments in this area:

- A 10% holding in A2X Proprietary Limited.
- 100% of Zarclear Proprietary Limited, providing infrastructure and regulation technology services to financial services companies, with future prospects of providing trade repository services in the event of a trade repository licence being granted under the Financial Markets Act, 2012, and
- 60% of Zarclear Securities Lending Proprietary Limited – a securities lending business.

All of these businesses rely 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.

Operational-entity investments will be limited in number, to ensure appropriate management focus. They are likely to extend to 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.

Whereas previously the Group was primarily focused on the largely passive (non-operational) creation of financial capital over time, the new investment strategy is largely about acquiring intellectual and human capital which, leadership believes, will translate into above-average market returns. Investing in the development of subsidiaries' employees and management, and in acquiring the IT capability to deliver seamless, value-adding outcomes in the market-infrastructure space, will be a growing management focus in the 2020 year. At 31 March 2019, Zarclear Proprietary employed 11 individuals and Zarclear Securities Lending, three.

## Social value creation

The board believes that the new investment strategy will create significant, largely South African, intellectual and human value. It also holds that by efficiently, cost-effectively and reliably delivering sustainable financial market-infrastructure solutions it will facilitate broad-based wealth and employment creation and facilitate the fair, efficient and transparent operation of South African financial markets.

Regulators predict that the social benefits of enhanced market transparency will be numerous – and profound. These benefits, they believe, will include enhanced price discovery and improved market efficiency. Competition will be bolstered, translating into the provision of better products to consumers, greater innovation and lower prices. Directors believe that this presents an exciting opportunity for the Group to create real and substantial social value while rewarding its providers of financial capital.

## Cash flow statement

for the year ended 31 March 2019

	2019 R'000s	2018 R'000s
<b>Cash flows from operating activities</b>	<b>(55,456)</b>	<b>(15,949)</b>
Cash utilised by operations	(76,631)	(25,760)
Interest received	3,304	736
Interest paid	(2,549)	(6,372)
Interest received from private equity investments	15	1,507
Dividend received from private equity investment	(14,633)	(14,440)
Taxation refund received / (paid)	5,772	(500)
<b>Cash flows from operating activities</b>	<b>649,692</b>	<b>(37,312)</b>
Proceeds from sale of financial investments	305,981	87,965
Acquisition of property, plant, equipment and intangible assets	(3,464)	-
Investment in financial investments	-	(102,328)
Proceeds from loans and receivables settled	98,622	-
Investments in subsidiaries	(15,173)	-
Investment in associates	(4,933)	(22,949)
Cash reclassified in directly managed hedge fund (PNF Peregrine Fund)	268,659	-
<b>Cash flows from financing activities</b>	<b>(120,000)</b>	<b>(26,056)</b>
Cash dividends paid	-	(2,500)
Decrease in loans and other payables	(120,000)	(23,556)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>474,236</b>	<b>(79,317)</b>
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 the beginning of the year	76,430	443
<b>Cash and cash equivalents at end of year</b>	<b>558,294</b>	<b>76,430</b>

The Group has demonstrated its commitment to creating social value through transformation by investing into empowered operating entities. Its associate venture, Nala is 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 three trusts were established when Zarclear was a wholly-owned subsidiary of the Peregrine Group, to benefit Peregrine's black staff, to aid in community development and to promote the advancement of disadvantaged individuals through education.

In February 2019 the Group acquired 60% of Envisionit Stock Lending Solutions which had been established in 2012 as the country's only black-owned and black operated stock lending business.

In 2019, accountable fee income (derived from the Company's interests in subsidiaries and other operating interests which were mostly acquired late in the year) amounted to R8.2 million. Although small in terms of overall income, such revenue was non-existent a year previously. Also, fee income was only captured towards the end of the year, the investment in Envisionit Stock Lending Solutions being acquired in March 2019.

The Group invested a total of R15.2 million in acquiring this securities lending business, which it re-named Zarclear Securities Lending (RF) Proprietary Limited (Zarclear Securities Lending).

The Group further invested a total of R15 million in acquiring and capitalising Zarclear Proprietary. During H2 of 2019, Zarclear Proprietary commenced with the provision of technology, software development and technology advisory and support services. In addition, a trade repository licence was applied for, with payment to the relevant authorities made up front. At the time of reporting, Zarclear Proprietary was still in the process of finalising the application, investments in software and various processes with the appropriate regulatory bodies.

In the 2020 year, it is expected that Zarclear Securities Lending and Zarclear Proprietary's operations and opportunities will be a focus of both the board and management. Material developments will be reported timeously to stakeholders.

No dividend was declared for the 2019 year (2018: R2.5 million). The board does not envisage declaring dividend for the foreseeable future, its intention being to direct income from investments to new opportunities.



# Leadership

In providing ethical and effective leadership, the board is committed to transparency, accountability, integrity, fairness, competence, respect and responsibility. Directors embrace the recommendations of the King IV Code and seek to comply with all applicable laws while adhering to the highest standards of corporate governance.

The board works to integrate corporate citizenship into the Group's investment strategy and to embed sound governance values and principles into daily operations and processes. The Group operates according to a code of ethics and conduct (available on the Company's website). Companies falling under the Group's offshore subsidiary, SCIL, are governed by laws and regulations applicable to their respective foreign jurisdictions.

## Effective leadership

Constituted in H2 2019, the new board applied itself with determination to a number of wide-ranging tasks required of it to execute and underpin the revised investment strategy.

In particular, in addition to their mandated tasks and responsibilities, directors:

- Interrogated and approved operating-entity acquisitions.
- Engaged extensively with management on the acquisition of the Zarclear Securities Lending business and, in respect of Zarclear Proprietary, a trade repository licence.
- Approved disposals and the terms of such disposals.
- Oversaw the restructuring of the Group's hedge-fund investments and the termination of the investment advisory contract.
- Interrogated, and approved, a new enterprise risk management framework and governance charters, policies, procedures and standards.
- Approved a stakeholder relations policy and began extensive work on drafting B-BBEE, corporate social responsibility and sustainability policies.

## Directorate

**On 31 March 2019 the Zarclear directors were:**

### **Paul Baloyi (63)**

**Independent non-executive chairperson**  
*MBA (Financial), Advanced Management, SEP, MDP, Commercial Banking Diploma*

Paul is the managing director of CAP Leverage (Pty) Ltd, an industrial holding company. From June 2006 until April 2012 he was the chief executive officer and managing director of the Development Bank of Southern Africa (DBSA). Paul also served as chief executive officer and managing director of the DBSA Development Fund. Prior to this he spent 30 years in the financial services sector with Standard Bank and the Nedbank Group. His last position at Nedbank was as managing director of Nedbank Africa. Paul has been an independent non-executive director on many boards locally and internationally. These include Old Mutual South Africa, enX Group Limited and Basil Read Limited (where he is the chairperson).

### **Warren Chapman (48)**

**Chief executive officer**  
*B Comm, Safex, CFA*

Warren steered Peregrine Securities towards becoming the largest equity and derivative broker on the JSE by value traded, one which remained highly profitable in a declining industry. Warren has a deep understanding

of hedge funds and capital-market structures. He sits on several regulatory and policy committees and comments extensively on draft regulation. Warren has a keen interest in financial technology, particularly in collecting and interrogating large data for decision making and risk management especially in capital markets. Warren has a proven track record in identifying market and investment opportunities to increase revenues and market share.

### **Andrew Hannington (63)**

**Chief financial officer**  
*BCom (Hons), CTA, CA(SA)*

Andrew was previously CEO of Grant Thornton in Johannesburg and, before that, CEO and national chairperson of PKF. He was a member of the South African Institute of Chartered Accountants Senior Partners Committee and during his career acted as the reporting accountant on a number of JSE listings. Andrew is currently an independent corporate consultant and advises a number of non-profit organisations in the environmental, religious and educational sectors.

### **Mandy Munro-Smith (50)**

**Independent non-executive director**  
*BA, LLB, CFE*

Mandy held the executive position of group head: financial crime control at Standard Bank and, prior to that, was equity partner and director in the governance, compliance and investigations practice group at Bowman Gilfillan for 10 years. She was admitted as an attorney with the right of appearance in the High Court of South Africa in 1996. Mandy has BA and LLB degrees from the University of Cape Town (Dean's merit list). Mandy has over 25 years' experience in governance, compliance and corporate forensic matters across a wide spectrum of corporate, institutional and public-sector clients. She was ranked as a "leading individual" and "band one lawyer" in Chambers & Partners' Global Ranking Guide of Best Lawyers & Law Firms, 2016. (Mandy was appointed an executive director by the board on 25 June 2019).

### **Fatima Vawda (49)**

**Independent non-executive director**  
*BSc, MSc, HDip, MAP*

Fatima has founded two successful businesses: Legae Capital and 27four Investment Managers. She received the 2017 BBQ Comair Businesswoman of the Year award and the 2016 EY Emerging Entrepreneur of the Year award. Fatima is an executive director of Africa Collective Investments (RF) (Pty) Ltd 2015, member of the Association of Black Securities and Investment Professionals, member of the board of directors of the Association of Savings and Investment South Africa, member of the Financial

Sector Charter Council Reporting Working Committee and a member of the Nedlac Social Security Task Team. On 25 June 2019 she was appointed chairperson of the Zarclear audit and risk committee.

Subsequent to the year end, on 25 June 2019, the board approved the appointment of independent non-executive director Zolani Kgosie Matthews:

**Zolani Matthews (62)**  
**Independent non-executive director**  
*BA (Hons) MPA*

Zolani is a non-executive director of the South African Post Office and a member of its audit and risk committee as well as being chairman of the Postbank committee. He is the managing director of Valhalla Capital. Zolani was previously the executive chairman of Imvulu Group in Johannesburg, managing director of Fordworks and Associates in New York, senior manager at Armscor in Pretoria, vice-chairman at Washington Strategic Consulting Group in Washington DC and the director of state and local government affairs at American Express in New York.

## Board and board sub-committees

The board is responsible and accountable for the performance of the Group and has full control over all subsidiaries. Directors acknowledge their responsibility to ensure that they have the necessary competency and knowledge of the Group to lead ethically and effectively.

The board undertook a formal, annual, self-assessment process to satisfy itself that it operates effectively according to an approved board charter which sets out its duties and responsibilities. Board sub-committees are also governed by committee charters. The charters, which are reviewed annually, mandate compliance with the principles of the King IV Code and all relevant legislation, regulate the parameters within which the board and its sub-committees operate and require that the board and its sub-committees represent and promote the legitimate interests of the Group and its stakeholders in a manner which is both ethical and sustainable. Directors are satisfied that, in the year reported, the board and its sub-committees fulfilled their responsibilities in terms of their respective terms of reference.

At year-end the board was made up of five individuals: two executive directors (the chief executive officer and the chief financial officer) and three non-executive directors, all of whom are classified as independent, including the chairperson.

The independent non-executive directors are individuals who objectively contribute a wide range of skills, industry knowledge and experience to the board's decision-making processes.

The responsibilities of the chairperson and chief executive are clearly separated to ensure a balance of power and to prevent any one director from exercising unfettered powers of decision-making.

The Company's memorandum of incorporation (MOI) provides for one-third of non-executive directors to retire by rotation each year. Accordingly, Ms Vawda will retire at the upcoming annual general meeting and has advised that she is available for re-election. In terms of the MOI, the board recommends to shareholders that retiring

directors who are eligible and available for re-election be re-elected.

The board meets at least four times a year with ad hoc meetings being convened when necessary. The board considers and approves investment decisions and reviews strategy, financial performance, resources, risk and compliance, corporate governance, transformation, diversity, and matters of social and ethical importance.

The board periodically assesses the composition of its sub-committees and the functions carried out by non-executive directors as members of the various committees. There is transparency and full disclosure from board committees to the board. The committee chairpersons provide feedback to the board on committee activities while the minutes of all committee meetings are tabled at board meetings. In addition, the chairpersons of the committees attend the Company's annual general meeting to answer any questions from stakeholders pertaining to matters handled by their respective committees.

Committee chairpersons may meet with the executive directors and/or the company secretary prior to meetings to discuss important issues and to agree on agendas.

At the time of reporting the board had three sub-committees: the audit and risk committee, the remuneration and nominations committee and the social, ethics and transformation committee, all of which assist the board in discharging its collective responsibility for sound corporate governance in accordance with their respective defined mandates and roles and responsibilities. In the year reported, all committees were found to have satisfied their responsibilities in compliance with their formal terms of reference.

## Remuneration and nominations committee

Comprising at least three independent non-executive directors.

Provides independent oversight on remuneration including determining that directors and executive management are remunerated fairly and responsibly, and is responsible for the nomination of members to the board, directors' affairs and related matters.

The board is ultimately responsible for considering the recommendations of the committee and approving appointments to the board, subject to approval by shareholders at the annual general meeting.

## Audit and risk committee

Comprising at least three independent non-executive directors.

Provides direct oversight of group risk management and assurance governance, focusing on matters related to risk at the Group while having oversight over the effectiveness of assurance functions and services. Ensures the integrity of the annual financial statements and other external reports and maintains oversight over the management of financial and other risks which affect the integrity of external communications.

## Board and committee meeting attendance - 12 months to end-March 2019

Director	Designation	Main board	Audit and risk committee	Remuneration committee	Social, ethics and transformation committee
Lawrie Brozin (Chair)	Non-executive	3(3) <sup>5</sup>	-	-	-
Sean Melnick (CEO)	Executive	3(3) <sup>5</sup>	-	-	-
Sean Jelley (CFO)	Executive	3(3) <sup>5</sup>	1(1) <sup>4&amp;5</sup>	-	-
Andrew Hannington	Non-executive	3(3)	1(1)	-	-
Cindy Hess	Non-executive	3(3) <sup>5</sup>	1(1) <sup>5</sup>	-	-
Duncan Randall	Non-executive	3(3) <sup>5</sup>	1(1) <sup>5</sup>	-	-
Paul Baloyi	Non-executive	3(3) <sup>6</sup>	2(2)	1(1)	1(1) <sup>2</sup>
Fatima Vawda	Non-executive	3(3) <sup>6</sup>	2(2)	1(1) <sup>3</sup>	1(1)
Amanda Munro-Smith	Non-executive	3(3) <sup>6</sup>	2(2) <sup>1</sup>	1(1)	1(1)
Warren Chapman	Executive	3(3) <sup>6</sup>	2(2) <sup>4</sup>	1(1) <sup>4</sup>	1(1) <sup>4</sup>
Andrew Hannington	Executive <sup>6</sup>	3(3)	2(2) <sup>4</sup>	1(1) <sup>4</sup>	1(1) <sup>4</sup>

- 1 Chairperson of audit and risk committee  
 2 Chairperson of social and ethics committee  
 3 Chairperson of remuneration committee  
 4 By invitation  
 5 Resigned 5 September 2018  
 6 Appointed 5 September 2018

### Social, ethics and transformation committee

Comprising at least three non-executive and executive directors, a majority of whom must be non-executive with the chairperson being an independent non-executive.

Provides independent oversight on social, ethics and transformation at the Company, performing the roles and functions of a social and ethics committee as envisaged by the Companies Act of 2008. Reviews and approves policies and procedures and sustainability strategy including environmental issues while ensuring compliance with the Company's broader social, transformation and ethics responsibilities in terms of relevant laws, codes and best practices.

### Appointment and delegation to management

In the previous year, Zarclear (at the time Sandown Capital) had contracted with an external investment advisor to provide investment advisory and related corporate executive services with the CEO and CFO being seconded to the Company by the advisor. In the year reported, this arrangement was terminated, with messrs Chapman and Hannington being appointed, respectively, CEO and CFO.

The board evaluates the performance of the CEO, who remains accountable to the board. The audit and risk committee is responsible for evaluating the performance of the CFO and finance function as well as the chief audit executive. The board has collective responsibility for the succession planning of executive directors.

### Race and gender diversity

The board has adopted a formal race and gender diversity

policy. The board recognises that a diversity of skills, experience, background, knowledge, thought, culture, race and gender strengthens its ability to effectively carry out its duties and add value to the Group and stakeholders. At the time of reporting, 50% of directors were black and 33% female.

### Company secretary

The company secretary, CIS Company Secretaries Proprietary Limited (CIS), is responsible for ensuring that board processes comply with relevant legislation and are adhered to. Where required, Zarclear's sponsors and other relevant experts and/or professional advisors may be engaged to provide advice to the board so that directors have sufficient information to discharge their duties. CIS is led by Gillian Prestwich as the principal consultant. Prestwich holds a:

- BA degree (University of the Witwatersrand)
- Fellowship of the Institute of Chartered Secretaries and Administrators (FCIS), and
- Diploma in International Trust Management (TEP).

She has extensive experience in the company secretarial and corporate governance arenas, both locally and internationally. In line with JSE Listings Requirements, the board undertook an annual performance appraisal of the company secretary. The board was satisfied with the performance of CIS as well as their knowledge, competence and experience.

The company secretary is neither a director nor employee of the Company or any of its subsidiaries and, accordingly, maintains an arm's-length relationship with the Company and directors.

The company secretary keeps meeting attendance registers, takes meeting minutes and maintains records of directors' declarations of personal interests and all notices and circulars issued by the Company.

## Risk governance

Directors accept that they are personally and collectively responsible for setting the culture and tone of the organisation's risk management.

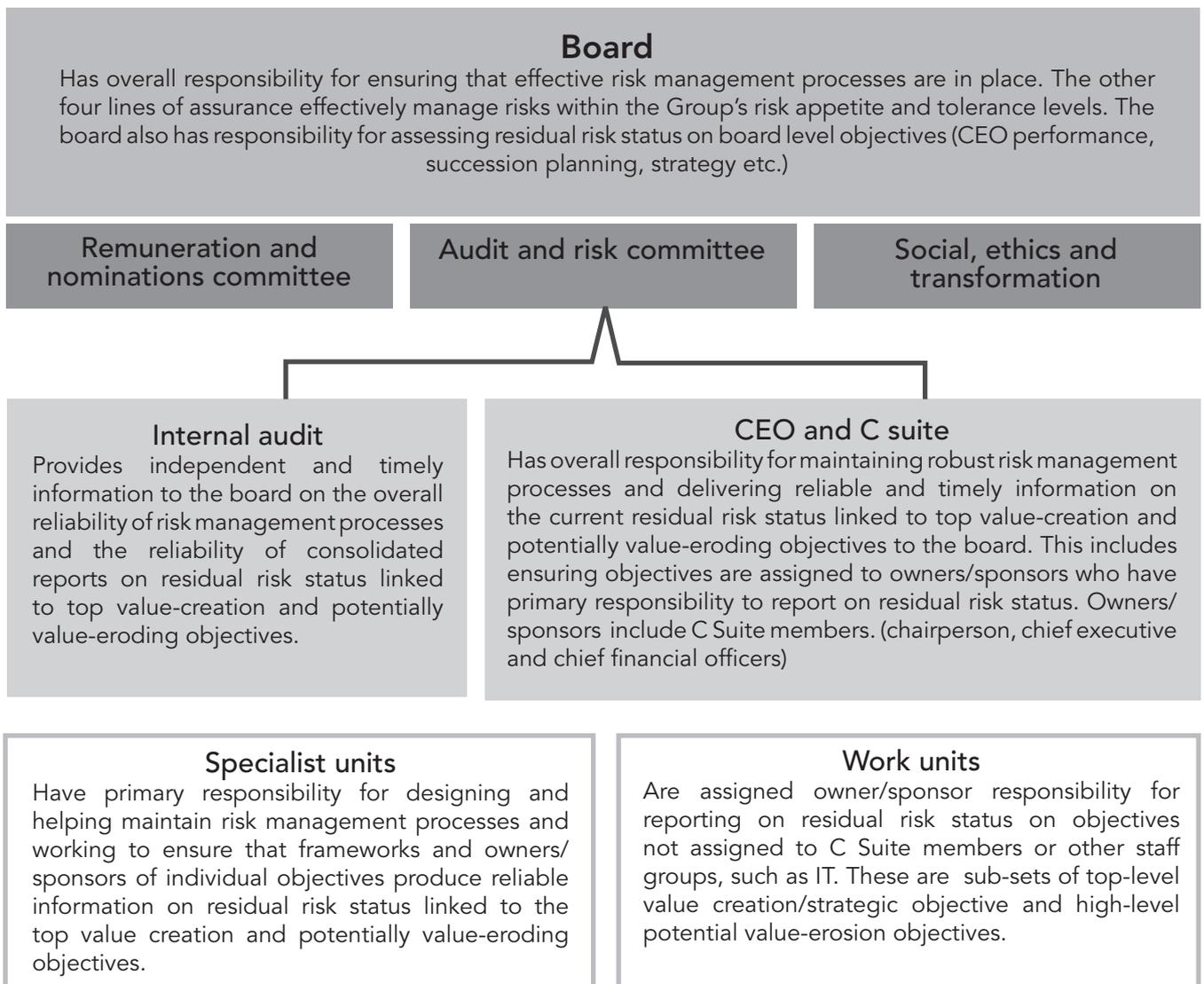
Although the board is ultimately responsible for the management of risk, it relies on executive directors to operate within control structures and frameworks established by the board. To this end, it has delegated responsibility for the monitoring and assessment of risk parameters to the audit and risk committee. Specifically, the objectives of the audit and risk committee with regard to risk management are to ensure that:

- Key areas of risk are identified, analysed and assessed.
- Appropriate risk management recommendations are made to the board, and
- The risk management process is effective.

Subsequent to the year end, the board adopted a new enterprise risk management framework predicated on COSO ERM 2017 (see page 06)

The adoption by the board of the COSO ERM 2017 approach to risk management, through the enterprise risk management framework and the introduction of five lines of assurance significantly elevates the board's role in this most important element of leadership. Directors have embraced this added responsibility, believing that the framework's focus on value-creation (and potentially value-eroding) objectives closely accords with the needs of the Group.

## Five Lines of assurance



With a strategy that is increasingly concerned with deploying resources to exploit opportunities, directors embrace King IV's emphasis on opportunity management.

Zarclear has assessed the key risks and emerging threats, the controls and measures to mitigate those risks, and the treatment action plans to further address the residual risk exposure.

## Accounting and auditing

The audit and risk committee reviews and monitors the scope of work planned by the external auditors and ensures that they adopt a risk-based approach. Deloitte & Touche acted as external auditors until the appointment of BDO South Africa Incorporated in this capacity, with effect from 6 March 2019.

The external auditor is responsible for reporting on whether the financial statements, in all material respects, are fairly presented in compliance with IFRS and the Companies Act. The preparation of the financial statements remains the responsibility of directors. The audit and risk committee regularly meets with the external auditor and evaluates their independence on an ongoing basis. Where the external auditor is appointed to provide non-audit services, the committee ensures that the nature of the services and the size of the fee do not impair the independence of the external auditor.

## Internal controls

The board is responsible for ensuring that the Group develops and maintains adequate and effective systems of internal controls, adequate accounting records and an effective system of risk management. Management is responsible for implementing the strategies of the board and for the preparation of financial statements which are free from material misstatement, whether due to fraud or error.

The audit and risk committee assists in this regard by evaluating the adequacy and effectiveness of internal control systems and processes, monitoring the implementation and execution thereof by management and ensuring that internal control recommendations, if any, have been implemented. The systems of internal control are designed to manage, rather than eliminate, risk. The systems are also designed to safeguard and maintain accountability over the Group's assets. Further, these systems enable the identification and mitigation of fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

Following the reconstitution of the board and the adoption of a new investment strategy which entailed investment in operating entities, the board resolved that an internal audit capability was required. This will be attended to in the new year.

## Assurance and audit

The audit and risk committee ensures the effectiveness of the Company's assurance functions and services with particular focus on combined assurance arrangements, including external assurance service providers and the audit and finance functions. It also ensures the integrity of the annual financial statements and, to the extent delegated by the board, other external reports issued by the Company. It maintains oversight of the management

of financial and other risks that affect the integrity of external reports issued by the Company as well as financial governance at the Company while focusing on the Company's financial policies, strategies, capital structure and capital adequacy.

This, combined with an effective risk management process and the support of the external audit process, underpins the Group's reliance on its combined assurance model.

## IT governance

The board assumes overall responsibility for supervision of IT risk, assisted by the audit and risk committee.

The reconstituted board has adopted the view that information and technology governance and risk management are of material importance given the revised investment strategy.

## Compliance

While responsibility for the implementation and execution of effective compliance management was, until the termination of the investment advisory contract, delegated to the investment managers, the board assumes overall responsibility for ensuring compliance with all applicable laws, regulations, codes of conduct, and standards. Where required, the board may consider the need to receive periodic independent assurance on the effectiveness of compliance management.

The board has assessed the Group's residual compliance risk as minor given the enhancement of internal controls at the Company, the establishment of robust structures and policies to address legal and regulatory compliance, the absence of operational complexity of the operating entities and the impact of operational entities on the balance sheet.

The Company's 2019 online Leadership report contains an expanded discussion on risk management. It also contains a 2019 King IV application statement which includes information on governance enhancements and policies, including those relating to board diversity.

The full annual financial statements for the year ended 31 March 2019, as well as the summarised consolidated results, are also available online.

# Remuneration and nominations committee report

## Remuneration background

Prior to September 2018, the scope of the remuneration and nominations committee was limited to making recommendations to shareholders on non-executive directors' fees and reviewing the quality and cost-effectiveness of the investment management services provided by the investment advisor.

In November 2018, a new remuneration policy was adopted which includes the committee's remuneration responsibilities. This is published in full on the Company's website. The revised remuneration policy and implementation statement were approved by shareholders.

## Remuneration policy

### Executive management

The new (and current) Zarclear remuneration policy provides for remuneration of executive directors and senior management comprising two elements:

- Guaranteed annual cost-to-company (CTC) package.
- Other benefits, limited to a short-term incentive and a long-term incentive.

The CTC approach allows the company to provide competitive remuneration based on performance and contribution while allowing the opportunity to offer a mix of cash and benefits.

CTC comprises:

- Compulsory benefits
- Cash residue – the amount of CTC remaining after deducting the cost of all benefits.

Executive CTC remuneration consists of all amounts and benefits including Company contributions to a provident fund, medical aid fund and/or Group life and disability scheme. 'Other benefits' comprise short-term incentives which may comprise performance bonuses and long-term incentives which may comprise participation in a deferred bonus scheme or share incentive scheme.

Executive management may be awarded an annual cash bonus which is linked to both individual and Company performance, subject to affordability. Annual long-term incentive share purchase schemes may be offered to qualifying permanent executives and comprise participation in a deferred bonus scheme or share incentive scheme.

### Non-executive directors' remuneration

Non-executive directors are subject to annual performance review, their fees being independently benchmarked against companies of comparable size, market sector and complexity. The remuneration and nominations committee makes recommendations with regard to non-executive directors' fees for tabling, and voting by shareholders, at the annual general meeting of the Company.

## Implementation

Operating expenses in the year included an amount of R75 million for the investment management advisory fee (2018: R8 million). As is noted elsewhere in this integrated report, the 2019 amount included a once-off contract termination fee of R63 million.

The reconstituted board took the view that both executive and non-executive directors be rewarded in a manner commensurate with the nature, size and complexity of the business. The committee believes that this is now done on a scale which will give shareholders confidence in directors' commitment to executing – with the utmost probity – against the Group's new investment strategy.

No executive short-term or long-term incentives were implemented in the year reported and none is recommended to shareholders for the 2020 year.

The board of Zarclear Proprietary, whose membership includes directors of Zarclear Holdings, resolved in March 2019 that non-executive directors' fees would not be paid until the trade repository licence was obtained and Zarclear Proprietary had achieved profitability.

The remuneration policy and the remuneration implementation report will be tabled for separate non-binding advisory votes at each annual general meeting, in line with King IV and the JSE Listings Requirements. These votes allow shareholders to express their views and concerns on the Company's remuneration structures.

In the event that either, or both, the remuneration policy and implementation report are voted against by at least 25% of voting rights, the members of the Zarclear remuneration and nominations committee undertake to engage individually with each dissenting shareholder with a view to addressing their reasonable and legitimate concerns. Where the committee and such dissenting shareholders reach agreement on remedial actions to be taken, these will be communicated to all shareholders. Should agreement not be reached, the differing positions of both the committee and the dissenting shareholders will be presented to all shareholders for resolution – and voting – at the next annual general meeting following the receipt of such objections.

At the 2018 annual general meeting both the remuneration policy and the remuneration implementation report were voted in favour of, by 96.53% and 96.49% of voting rights respectively.



Fatima Vawda  
Chairperson  
Remuneration and nominations committee

Remuneration paid to executive and non-executive directors are fully set out in the annual financial statements.

Executive directors	Emoluments for services	Total emoluments
	R'000s	
<b>2019</b>		
Paid to executive directors of the company - for managerial services		
W Chapman	516	516
A Hannington	769	769
	<u>1,285</u>	<u>1,285</u>
<b>2018</b>		
M Yachad	<u>1,130</u>	<u>1,130</u>

Non-executive directors' fees			Sub-committees			2019 R	2018 R
R'000	Chairperson	Main board	Audit and risk	Rem and nom	Social and ethics		
Paul Baloyi (chairman) <sup>1</sup>	Main board and SEC	227	51	23	28	329	
Mandy Munro-Smith <sup>2</sup>	Audit	91	68	23	22	204	
Fatima Vawda <sup>3</sup>	Remco	91	51	28	23	193	
Lawrie Brozin (chairman) (resigned) <sup>4</sup>	Main board	200	–	–	–	200	215
Andrew Hannington <sup>5</sup>	Audit	80	60	20	20	180	182
Duncan Randall (resigned) <sup>6</sup>	Remco	80	45	25	20	170	170
Cindy Hess (resigned) <sup>7</sup>	SEC	80	45	20	25	170	113
Mandy Yachad (resigned) <sup>8</sup>	–	–	–	–	–	–	40
<b>Total</b>		<b>849</b>	<b>320</b>	<b>139</b>	<b>138</b>	<b>1,446</b>	<b>720</b>

<sup>1</sup> PB was appointed to the board as chairman on 5 September 2018

<sup>2</sup> MMS was appointed to the board and committees on 5 September 2018

<sup>3</sup> FV was appointed to the board and committees on 5 September 2018

<sup>4</sup> LB resigned from the board and as chairman on 5 September 2018

<sup>5</sup> AH moved from being a non-executive to executive director on 5 September 2018

<sup>6</sup> DR resigned from the board, and committees on 5 September 2018

<sup>7</sup> CH resigned from the board and committees on 5 September 2018

<sup>8</sup> MY resigned from the board and committees on 29 November 2017

# Audit and risk committee report

During the year reported on, the audit and risk committee ("the committee") comprised three independent non-executive directors: Mandy Munro-Smith, (chair), Fatima Vawda and Paul Baloyi.

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 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 an 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 SENS results 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 the year to 31 March 2019 the committee was reconstituted, the new members adopting a revised committee mandate.

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.

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, and is satisfied with such appointment.

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.

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

The committee is further 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.

Following a review of the annual financial statements (AFS), the committee was of the opinion that, in all material respects, the AFS 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.

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 approach. In addition, it approved an own risk and liquidity assessment compiled by management. The committee also undertook a self-assessment of its effectiveness.

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 oversaw the compilation of the integrated annual report, including the appointment of individuals with appropriate skills and experience to assist in its preparation. The committee reviewed the Directors' responsibility statement in the AFS and concurs therewith. All members of the committee review the final report prior to its publication.

The committee has recommended to the board the entire integrated annual report for approval.

On 25 June 2019, Mandy Munro-Smith was appointed an executive director. To ensure that the composition of the committee complies with the JSE Listing Requirements, the Companies Act and King IV recommendations, Zolani Kgosie Matthews who was elected an independent non-executive director of the Company on the same day, was appointed by the Board to the audit and risk committee, and Fatima Vawda assumed the position of chairperson of the committee.

In accordance with the committee's terms of reference, at the upcoming annual general meeting, Fatima Vawda and Paul Baloyi and Zolani Kgosie Matthews 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, is published in the 2019 integrated annual report and is accessible on the Company's website.



**Mandy Munro-Smith**  
*Audit and risk committee chairperson*  
Sandton  
26 July 2019

# Analysis of shareholders

## Shareholder information

(As per the share register at 31 March 2019)

Issued share capital: 226 065 696

Shareholder spread	No of shareholders	%	No of Shares	%
1 - 1,000 shares	1 209	51,60	428 736	0,19
1,001 - 10,000 shares	740	31,58	2 708 905	1,20
10,001 - 100,000 shares	256	10,93	8 935 577	3,95
100,001 - 1,000,000 shares	115	4,91	33 402 802	14,78
1,000,001 shares and over	23	0,98	180 589 676	79,88
<b>Totals</b>	<b>2 343</b>	<b>100,00</b>	<b>226 065 696</b>	<b>100,00</b>

Distribution of shareholders	No of shareholders	%	No of Shares	%
Banks/brokers	28	1,20	19 248 152	8,51
Close corporations	36	1,54	7 540 560	3,34
Endowment funds	12	0,51	1 045 627	0,46
Individuals	1 908	81,43	15 368 744	6,80
Insurance companies	15	0,64	1 998 633	0,88
Investment companies	2	0,09	227 117	0,10
Medical schemes	1	0,04	432 970	0,19
Mutual funds	27	1,15	41 430 623	18,33
Other corporations	16	0,68	142 857	0,06
Private companies	68	2,90	112 412 206	49,73
Retirement funds	72	3,07	17 483 329	7,73
Trusts	158	6,74	8 734 878	3,86
<b>Totals</b>	<b>2 343</b>	<b>100,00</b>	<b>226 065 696</b>	<b>100,00</b>

Public/non-public shareholders	No of shareholders	%	No of shares	%
<b>Non-public shareholders</b>	<b>11</b>	<b>0,47</b>	<b>99 699 902</b>	<b>44,10</b>
Directors of the company	10	0,43	79 470 602	35,15
Strategic holdings (More than 10%) (less director holdings)	1	0,04	20 229 300	8,95
<b>Public shareholders</b>	<b>2 332</b>	<b>99,53</b>	<b>126 365 794</b>	<b>55,90</b>
<b>Totals</b>	<b>2 343</b>	<b>100,00</b>	<b>226 065 696</b>	<b>100,00</b>

Beneficial shareholders holding 5% or more	No of Shares	%
Nkhohli Consolidated Inv (Pty) Ltd (less director holdings)	20 229 300	8,95
Chapman, W	33 719 730	14,92
Melnick, S	25 687 275	11,36
Allan Gray	21 221 677	9,39
Zolospan (Pty) Ltd (less director holdings)	12 792 670	5,66
Legae Peresec	12 817 119	5,67
SocGen	12 655 086	5,60
<b>Totals</b>	<b>139 122 857</b>	<b>61,54</b>

# Shareholders' diary

Annual general meeting*	9 September 2019
Interim results for the six months to 30 September 2019 published	November 2019
2019 Audited Annual Financial Statements published	13 June 2019

*\* The annual general meeting of the Company will be held on the 9th floor, Katherine Towers, 1 Park Lane, Wierda Valley, on Monday 9 September 2019, at 09:30. The last day to trade in order to be eligible to participate in and vote at the annual general meeting is 27 August 2019 and the record date for voting purposes is 30 August 2019.*

# Notice of annual general meeting

**Zarclear Holdings Limited** (formerly Sandown Capital Limited)  
(Incorporated in the Republic of South Africa)  
(Registration number 2000/013674/06)  
Share code: ZCL ISIN: ZAG000262820  
("Zarclear Holdings" or "the Company" or "the Group")

Notice is hereby given to the shareholders of the Company as at Friday 26 July 2019, being the record date to receive notice of the annual general meeting in terms of section 59(1)(a) of the Companies Act of South Africa ("Companies Act"), that the annual general meeting of the Company will be held, on the 9th floor, Katherine Towers, 1 Park Lane, Wierda Valley, at 9:30 on Monday, 9 September 2019 to (i) consider and, if deemed fit to pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act, as read with the JSE Limited ("JSE") Listings Requirements ("JSE Listings Requirements") and (ii) deal with such other business as may lawfully be dealt with at the meeting, which meeting is to be participated in and voted at by shareholders registered as such as at Friday 30 August 2019, being the record date to participate in and vote at the annual general meeting in terms of section 62(3)(a), read with section 59(1)(b), of the Companies Act. Last day to trade, participate in and vote at the annual general meeting is therefore Tuesday, 27 August 2019.

## **NB: Section 63(1) of the Companies Act – identification of meeting participants**

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, drivers' licences and passports.

## **ORDINARY RESOLUTIONS**

### **Ordinary resolution 1: Adoption of annual financial statements**

"Resolved that the annual financial statements of the Company for the year ended 31 March 2019, be and are hereby received and adopted."

### **Ordinary resolution 2: Re-election of director**

"Resolved that Fatima Vawda, who retires by rotation in terms of clause 5.11.4.1 of the Company's Memorandum of Incorporation and who is eligible and available for re-election, be re-elected as a director of the Company."

A brief curriculum vitae of Fatima Vawda is set out below:

*Fatima (49) has founded two highly successful businesses in Legae Capital and 27 Four Investment Managers. She was awarded the 2017 BBQ Comair Businesswoman of the Year award and the 2016 EY Emerging Entrepreneur of the year award. She also contributes on several committees and associations as follows: executive director of Africa Collective Investments (RF) (Pty) Ltd, 2015, member of the Association of Black Securities and Investment Professionals (ABSIP), member of the board of directors of the Association of Savings and Investment South Africa (ASISA), member of the Financial Sector Charter Council Reporting Working Committee and member of the Nedlac Social Security Task team.*

The board of directors of Zarclear Holdings ("board") has considered Fatima's past performance and contribution to the Company and recommends that Fatima be re-elected as a director of the Company.

### **Ordinary resolution 3: Election of director**

"Resolved that Zolani Matthews be elected as a director of the Company."

The board has reviewed Zolani's qualifications and experience and recommends that he be appointed a director of the Company.

### **Ordinary resolution 4: Appointment of auditor**

"Resolved that BDO South Africa Inc be and are hereby re-appointed as auditor of the Company for the ensuing financial year and to note that the individual designated auditor who will undertake the audit during the financial year-ending 31 March 2020 will be Rudi Huiskamp."

The audit and risk committee has recommended BDO South Africa Inc for re-appointment as independent auditors of the Company pursuant to section 90(2) (c) of the Companies Act and further confirm that their appointment together with the designated individual audit partner, Rudi Huiskamp, is in accordance with paragraph 3.84(g) (iii) of the JSE Listings Requirements.

#### Ordinary resolution 5: Appointment of audit and risk committee members

“Resolved, subject to the adoption of ordinary resolutions 2 and 3, that the members of the Company’s audit and risk committee set out below be and are hereby appointed, each by way of a separate vote, with effect from the end of this annual general meeting in terms of section 94(2) of the Companies Act. The membership as proposed by the board is (resolution 5.1) Fatima Vawda (chairperson), (5.2) Paul Baloyi and (5.3) Zolani Kgosie Matthews, all of whom are independent non-executive directors.”

A brief curriculum vitae of Fatima Vawda is set out above. Brief curricula vitae of Paul Baloyi and Zolani Kgosie Matthews are set out below:

Paul Baloyi (63) is the managing director of CAP Leverage (Pty) Ltd, an industrial holding company. From June 2006 until April 2012, he was the chief financial officer and managing director of the Development Bank of Southern Africa (DBSA). Paul also served as chief executive officer and managing director of the DBSA Development Fund. Prior to this, Paul spent 30 years in the financial services sector with both Standard Bank and the Nedbank Group. Other directorships include serving on the board of directors of Old Mutual South Africa, enX Group Limited and Basil Read Limited where he is the chairperson.

Zolani Matthews is a non-executive director of the South African Post Office and a member of its audit and risk committee as well as being chairman of the Postbank committee. He is the managing director of Valhalla Capital. Zolani was previously the executive chairman of Imvulu Group in Johannesburg, managing director of Fordworks and Associates in New York, senior manager at Armscor in Pretoria, vice-chairman at Washington Strategic Consulting Group in Washington DC and the director of state and local government affairs at American Express in New York.

#### Ordinary resolution 6: Control over unissued ordinary shares

“Resolved that the authorised, but unissued, shares in the capital of the Company be and are hereby placed under the control of the Directors of the Company until the next annual general meeting to allot or issue such shares at their discretion, subject to the provisions of the Companies Act and the JSE Listings Requirements, provided that such allotment and/or issue shall not exceed 5% of the Company’s issued share capital as from the date of passing of this ordinary resolution less the aggregate number of shares, if any, held by the Company and its subsidiaries (but specifically excluding any share trusts), from time to time, as treasury shares.”

#### Ordinary resolution 7: Remuneration policy and implementation report

##### Non-binding resolution 7.1: Endorsement of remuneration policy

“Resolved that, through a non-binding advisory vote, the Company’s remuneration policy, a summary of which is disclosed on page 16 of the integrated annual report be and is hereby endorsed.”

##### Non-binding resolution 7.2: Endorsement of remuneration implementation report

“Resolved that, through a non-binding advisory vote, the Company’s remuneration implementation report, as disclosed on pages 16 and 17 of the integrated annual report be and is hereby endorsed.”

In line with the King IV Report on Corporate Governance, the remuneration policy and the remuneration implementation report must be tabled at each annual general meeting, both to be endorsed by shareholders, through separate non-binding advisory votes. This allows shareholders to express their views on the Company’s remuneration structures and policies.

In the event that either the remuneration policy or the remuneration implementation report, or both, are voted against by 25% or more of the voting rights exercised by shareholders, the board, and to the extent required, the remuneration and nominations committee will engage with shareholders to address all legitimate objections and concerns in the manner set out on page 16 of the integrated report.

#### Ordinary resolution 8: General authority to issue shares for cash

“Resolved that, subject to the restrictions set out below and subject to the provisions of the Companies Act and the JSE Listings Requirements, the directors of the Company be and are hereby authorised until this authority lapses at the next annual general meeting of the Company or 15 months from the date on which this resolution is passed, whichever is the earlier date, to allot and issue shares of the Company for cash, on the basis that:

- a. The shares which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such shares or rights as are convertible into a class already in issue.
- b. The allotment and issue of shares for cash shall be made only to persons qualifying as “public shareholders”, as defined in the JSE Listings Requirements, and not to “related parties”.
- c. Shares which are the subject of general issues for cash shall not exceed 11,303,285 shares being 5% of the Company’s issued shares as at the date of this notice of annual general meeting, provided that:
  - i. Any shares issued under this authority, prior to this authority lapsing, shall be deducted from the 11,303,285 shares which the Company is authorised to issue in terms of this authority, and
  - ii. In the event of a sub-division or consolidation of shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;

- d. The maximum discount at which shares may be issued is 10% of the weighted average traded price of such shares measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the shares, and
- e. After the Company has issued shares in terms of this general authority to issue shares for cash representing on a cumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the Company shall publish an announcement containing full details of that issue, including, the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 business days prior to the date that the issue is agreed in writing between the Company and the party/ies subscribing for the shares and an explanation, including supporting information (if any) of the intended use of the funds."

#### Ordinary resolution 9: Signature of documentation

"Resolved that any director of the Company or the company secretary be and is hereby authorised to sign all such documents and do all such things as may be necessary or incidental to the implementation of ordinary resolutions 1 to 9, and special resolutions 1, 2 and 3."

In order for:

- Each of ordinary resolutions 1 to 7 and ordinary resolution 8 to be adopted, the support of a majority of the total number of votes exercisable by shareholders, present in person or by proxy, is required;
- Ordinary resolution 8 to be adopted, support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

#### SPECIAL RESOLUTIONS

##### Special resolution 1: Directors' fees

"Resolved as a special resolution that payment to the non-executive directors of a maximum of the following annual fees for services as Directors, with effect from the commencement of the financial year, 1 April 2019, until the date of the next annual general meeting, be and is hereby authorised:

	Main board	Audit and risk	Remuneration and nominations	Social and ethics
Chair	R 440,000	R 132,000	R 55,000	R 55,000
Member	R 176,000	R 99,000	R 44,000	R 44,000

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

The reason for special resolution 1 is to comply with the provisions of the Companies Act.

The effect of the special resolution is that, if approved by shareholders at the annual general meeting, the annual fees payable to non-executive directors until the next annual general meeting will be no more than as set out above.

The above fees have been proposed to ensure that the remuneration of non-executive directors remains competitive in order to enable the Company to retain and attract persons of the calibre, appropriate capabilities, skills and experience required in order to make meaningful contributions to the Company. The proposed fees exclude VAT.

##### Special resolution 2: Repurchase of shares

"Resolved as a special resolution that, subject to the Companies Act, the JSE Listings Requirements and the restrictions set out below, the repurchase of shares of the Company either by the Company or by any subsidiary of the Company be and is hereby authorised by way of a general authority, on the basis that:

- The general authority given in terms of this special resolution shall remain in force from the date of passing of this special resolution until the conclusion of the next annual general meeting of the Company or 15 months from the date on which this resolution is passed, whichever is the earlier date.
- The general authority shall provide authorisation to the board of directors to repurchase on behalf of the Company, shares in the issued share capital of the Company as follows:
  - It will be limited, in any financial year of the Company, to a maximum of 20% of the issued share capital of the Company (or 10% in aggregate of the issued share capital of the Company where the repurchase is affected by a subsidiary) as at the date on which this special resolution is passed.
  - The repurchase of shares issued by the Company may not be at a price greater than 10% above the weighted average of the market value at which Zarclear Holdings shares of the same class traded on the JSE for the five business days immediately preceding the date on which the repurchase of shares is effected.
  - Any such repurchase will be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party.

- iv. An announcement will be published as soon as the Company or any of its subsidiaries has repurchased ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue prior to the repurchase pursuant to which the aforesaid 3% threshold was reached (and for each 3% in aggregate of the initial number of that class acquired thereafter). Such announcement must contain full details of such repurchases.
  - v. The Company (or any subsidiary) must be authorised to do so in terms of its Memorandum of Incorporation.
  - vi. At any point in time, the Company may only appoint one agent to effect any repurchase(s) on the Company's behalf, and
  - vii. Repurchases may not take place during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless there is a repurchase programme in place, the dates and quantities of shares to be repurchased during the prohibited period are fixed, and full details thereof have been submitted to the JSE in writing prior to commencement of the prohibited period.
- c. The exercise by the directors of the authority to procure the repurchase by the Company's subsidiaries of shares in terms of (b) shall be subject, mutatis mutandis, to the same terms and conditions as those set out above.
- d. A resolution has been passed by the Board of the Company or its subsidiaries authorising the repurchase, and the Company has passed the solvency and liquidity test as set out in section 4 of the Companies Act, and that, there have been no material changes to the financial position of the Company since the application of the solvency and liquidity test by the Board.

Having considered the aggregate effect of the maximum repurchase of 20% of the Company's issued share capital in any one financial year pursuant to the general authority to repurchase shares, the board of directors is of the opinion that, for a period of 12 months after the date of this notice of annual general meeting:

- The Company and the Group will be able to repay their debts, in the ordinary course of business;
- The Company's and the Group's assets will be in excess of the liabilities of the Company and the group. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited Group annual financial statements, and
- The Company's and the Group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

The board is of the opinion that this authority should be in place so as to enable the Company, as and when the opportunity presents itself, to repurchase shares.

The following additional information is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- Major beneficial shareholders – see "analysis of shareholders" section in Zarclear Holdings' 2019 Audited Annual Financial Statements
- Share capital of the Company – see "note 6" in the Audited Annual Financial Statements.

#### **Reason for and effect of special resolution 2**

The reason for the passing of special resolution 2 is to authorise the Company to repurchase shares issued by it and to enable its subsidiary companies to acquire shares in its share capital.

The effect of the passing of special resolution 2 is that the Company is authorised to repurchase shares issued by it and that the Company's subsidiary companies will be able to repurchase shares in the share capital of the Company, as set out above.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

The directors, whose names appear in the "directorates" section in the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all necessary information.

#### **MATERIAL CHANGES**

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

#### **Special resolution 3: Financial assistance to related and inter-related parties**

"Resolved that to the extent required by the Companies Act, the Board may, subject to compliance with the requirements of the Company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, authorise the Company to provide direct or indirect financial assistance as contemplated in section 45 of the Companies Act by way of loans, guarantees, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other Company or corporation that is or becomes related or inter-related (as defined in the Companies Act) to the Company for any purpose or in connection with any matter, such authority to endure for a period of two years from the date of the passing of this special resolution."

### Special resolution 3: Financial assistance to related and inter-related parties continued

“Resolved that to the extent required by the Companies Act, the Board may, subject to compliance with the requirements of the Company’s Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, authorise the Company to provide direct or indirect financial assistance as contemplated in section 45 of the Companies Act by way of loans, guarantees, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other Company or corporation that is or becomes related or inter-related (as defined in the Companies Act) to the Company for any purpose or in connection with any matter, such authority to endure for a period of two years from the date of the passing of this special resolution.”

#### Reason for and effect of special resolution 3

The Company would like the ability to provide financial assistance, if necessary, in accordance with section 45 of the Companies Act. Under the Companies Act, the Company will, however, require the special resolution referred to above to be adopted. In the circumstances and in order to, inter alia, ensure that the Company’s subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the Company, it is necessary to obtain the approval of shareholders, as set out in special resolution 3. Therefore, the reason for, and effect of, special resolution 3 is to permit the Company to provide direct or indirect financial assistance (within the meaning attributed to that term in section 45 of the Companies Act) to the entities referred to in special resolution 3.

In order for each of special resolutions 1, 2 and 3 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

#### QUORUM

A quorum for the purposes of considering the resolutions above shall consist of three shareholders of the Company personally present or represented by proxy and entitled to vote at the annual general meeting. In addition, a quorum shall comprise 25% of all voting rights entitled to be exercised by shareholders in respect of the resolutions above.

#### FORM OF PROXY

In terms of section 62(3) (e) of the Companies Act:

- A shareholder who is entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or two or more proxies to attend and participate in and vote at the annual general meeting in the place of the shareholder, by completing the form of proxy in accordance with the instructions set out therein, and
- A proxy need not be a shareholder of the Company.

A form of proxy is attached for the convenience of any Zarclear Holdings shareholder holding certificated shares who cannot attend the annual general meeting of Zarclear Holdings shareholders or who wishes to be represented thereat. Forms of proxy may also be obtained on request from the Company’s registered office. For administrative purposes, the completed forms of proxy should be deposited at or posted to the office of the transfer secretaries of the Company to be received by 9:30 on Thursday, 5 September 2019 to allow for processing of the proxy forms.

Alternatively, the form of proxy may be handed to the chairperson of the annual general meeting or to the transfer secretaries at the annual general meeting at any time prior to the commencement of the annual general meeting or prior to voting on any resolution proposed at the annual general meeting. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should the member subsequently decide to do so.

Zarclear Holdings shareholders who have already dematerialised their Zarclear Holdings shares through a Central Securities Depository Participant (“CSDP”) or broker and who wish to attend the annual general meeting of Zarclear Holdings shareholders must instruct their CSDP or broker to issue them with the necessary Letter of Representation to attend.

Dematerialised Zarclear Holdings shareholders, who have elected own-name registration in the sub-register through a CSDP and who are unable to attend, but wish to vote at the annual general meeting of Zarclear Holdings shareholders, must complete and return the attached form of proxy and lodge it with the transfer secretaries of the Company, by 9:30 on Thursday, 5 September 2019 to allow for processing. Alternatively, the form of proxy may be handed to the chairperson of the annual general meeting at any time prior to the commencement of the annual general meeting or prior to voting on any resolution proposed at the annual general meeting.

Dematerialised Zarclear Holdings shareholders, who have not elected own-name registration in the sub-register through a CSDP and who are unable to attend but who wish to vote at the annual general meeting of Zarclear Holdings shareholders should ensure that the person or entity (such as a nominee) whose name has been entered into the sub-register maintained by a CSDP or broker completes and returns the attached relevant forms of proxy in terms of which they appoint a proxy to vote at the annual general meeting of Zarclear Holdings shareholders.

## ELECTRONIC PARTICIPATION

Shareholders or their proxies may participate in the meeting by way of telephone conference call. Shareholders or their proxies who wish to participate in the annual general meeting via the teleconference facility will be required to advise the Company thereof by no later than 17:00 on Thursday 5 September 2019 by submitting, by email to Mr A Hannington at info@zarclear.com, for the attention of Mr A Hannington, relevant contact details including email address, cellular number and landline, as well as full details of the shareholder's title to the shares issued by the Company and proof of identity, in the form of copies of identity documents and share certificates (in the case of certificated shareholders), and (in the case of dematerialised shareholders) written confirmation from the shareholder's CSDP confirming the shareholder's title to the dematerialised shares. Upon receipt of the required information, the shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the annual general meeting.

Shareholders who wish to participate in the annual general meeting by way of telephone conference call must note that they will not be able to vote during the annual general meeting. Such shareholders, should they wish to have their vote counted at the annual general meeting, must, to the extent applicable, (i) complete the form of proxy; or (ii) contact their CSDP or broker, in both instances, as set out above.

## CONSENT TO RECEIVE DOCUMENTATION

Included in the form of proxy is a consent for those shareholders who wish to receive notices, statements, reports, accounts or any other documents pertaining to the Company by email.  
By order of the board.



CIS Company Secretaries Proprietary Limited - company secretary  
Johannesburg Date: 26 July 2019

# Form of proxy

Zarclear Holdings Limited  
 Incorporated in the Republic of South Africa  
 Registration number 2000/013674/06  
 Share code: ZCL  
 ISIN: ZAG000262820  
 ("Zarclear Holdings" or "the Company")

This form of proxy is for use by the holders of the company's certificated shares ("certificated shareholders") and/or dematerialised shares held through a Central Securities Depository Participant ("CSDP") or broker who has selected own-name registration and who cannot attend but wish to be represented at the annual general meeting of the company to be held on the 9th floor, Katherine Towners, 1 Park Lane, Wierda Valley, on Monday, 9 September 2019 at 9:30 or any adjournment, if required. Additional forms of proxy are available at the company's registered office or the transfer secretaries of the company.

Not for use by holders of the company's dematerialised shares who have not selected own-name registration. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary authorisation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting but wish to be represented thereat, in order for the CSDP or broker to vote in accordance with their instructions.

I/We \_\_\_\_\_ (names in block letters)  
 of \_\_\_\_\_ (address in block letters)  
 being the holder/s of \_\_\_\_\_ shares in the Company do hereby appoint \_\_\_\_\_  
 of \_\_\_\_\_ or failing him/her  
 of \_\_\_\_\_

or failing him/her the chairperson of the annual general meeting as my/our proxy to act for me/us at the annual general meeting of the Company to be held on the 9th floor, Katherine Towers, 1 Park Lane, Wierda Valley, at 9:30 on Monday, 9 September 2019, and at any adjournment thereof, and to vote for me/us on my/our behalf in respect of the undermentioned resolutions.

Ordinary resolutions	*For	*Against	*Abstain
1. To adopt the annual financial statements of the Company for the year-ended 31 March 2019			
2. To re-elect Fatima Vawda as a Director of the Company			
3. To elect Zolani Matthews as a director of the Company			
4. To re-appoint the auditor, BDO South Africa Inc and Rudi Huiskamp as the individual designated auditor			
5. To appoint the following members of the Audit and Risk Committee:			
5.1. Fatima Vawda as a member and chairperson of the Audit and Risk Committee			
5.2. Paul Baloyi as a member of the Audit and Risk Committee			
5.3. Zolani Matthews as a member and chairperson of the Audit and Risk Committee			
6. To place unissued shares under directors' control			
7. Remuneration policy and implementation report			
7.1. To endorse the Company's remuneration policy			
7.2. To endorse the Company's remuneration implementation report			
8. To approve a general authority to issue shares for cash			
9. To authorise the directors or the company secretary to sign documentation			
<b>Special resolutions</b>			
1. To approve the fees payable to non-executive directors			
2. To grant a general authority to directors to repurchase company shares			
3. Financial assistance to related and inter-related parties			

\* Mark "For", "Against" or "Abstain" as required. If no options are marked the proxy will be entitled to vote as he/she thinks fit.

**Consent in terms of Section 6(10) and (11) of the Companies Act, read with Regulation 7 and Table CR3 and Clause 7 of the Company's Memorandum of Incorporation.**

I/we hereby consent to receive notices, statements, reports, accounts, or any other documents pertaining to the Company at the following email address until such authority is revoked:  
 Email Address: \_\_\_\_\_

I/we undertake to advise the Company within five days of any change in my/our email address by sending notification thereof to info@zarclear.com. This consent may be revoked at any time on the provision of 5 days' notice in writing to the Company to info@zarclear.com.

Please read notes on the reverse side hereof

Signed at \_\_\_\_\_ on the \_\_\_\_\_ day of \_\_\_\_\_ 2019  
 Signature \_\_\_\_\_ Assisted by (where applicable) \_\_\_\_\_

# Notes to the form of proxy

1. Certificated and own-name dematerialised shareholders are therefore advised that they must complete a form of proxy for certificated and own-name dematerialised shareholders in order for their vote/s to be valid.

2. This form of proxy is to be completed only by those members who are holding shares in certificated form or recorded in the sub-register in electronic form in their "own-name".

3. Each shareholder is entitled to appoint one or more proxies (none of whom needs to be a shareholder of the company) to attend, speak and vote in place of that shareholder at the AGM.

4. Shareholders who are certificated or own-name dematerialised shareholders may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairperson of the AGM", but any such deletion must be initialled by the shareholders. The person whose name stands first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy, the chairperson shall be deemed to be appointed as the proxy.

5. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairperson, to vote or abstain from voting as deemed fit and in the case of the chairperson to vote in favour of any resolution.

6. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained from may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.

7. For administrative purposes, forms of proxy should be lodged at, or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61051, Marshalltown 2107) or emailed to proxy@computershare.co.za to be received by 9:30 Thursday, 5 September 2019. Alternatively, the form of proxy may be handed to the chairperson of the AGM or the transfer secretaries, at the AGM prior to the commencement of the AGM, or at any time prior to voting on any resolution proposed at the AGM.

8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote as determined by the order in which the names stand in the register of shareholders, will be accepted. In addition to the afore-going, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy, and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.

9. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares needs to sign this form of proxy.

10. The chairperson of the AGM may reject or accept any form of proxy which is completed and/or received, otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairperson is satisfied as to the manner in which the shareholder concerned wishes to vote.

11. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or Computershare Investor Services Proprietary Limited or waived by the chairperson of the AGM.

12. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

13. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

14. The afore-going notes contain a summary of the relevant provisions of section 58 of the Companies Act.

# Corporate information

## Registered office and postal address of the Company

Zarclear Holdings Limited  
(Registration number 2000/013674/06)  
6A Sandown Valley Crescent  
Sandown, Sandton, 2196  
(PO Box 650361, Benmore, 2010)

## Corporate advisor

Java Capital Proprietary Limited  
(Registration number 2012/089864/07)  
6A Sandown Valley Crescent  
Sandown, Sandton, 2196  
(PO Box 522606, Saxonwold, 2152)

## Auditor

BDO South Africa Inc.  
Registered Auditors (Practice number 905526)  
Wanderers Office Park, 52 Corlett Drive,  
Illovo, Johannesburg, 2196  
(Private Bag X60500, Houghton, 2041)

## Bankers

The Standard Bank of South Africa Limited  
(Registration number: 1962/06073/06)  
Fourways Crossing branch  
1 Twilight Avenue, Lonehill Ext 56,  
Fourways Crossing (Private Bag X103, Bryanston, 2021)

## Sponsor

Java Capital Trustees and Sponsors Proprietary Limited  
(Registration number 2006/005780/07)  
6A Sandown Valley Crescent  
Sandown, Sandton, 2196  
(PO Box 522606, Saxonwold, 2152)

## Company secretary

CIS Company Secretaries Proprietary Limited  
(Registration number 2006/1024994/07)  
Rosebank Towers, 15 Biermann Avenue,  
Rosebank, 2196  
(PO Box 61051, Marshalltown, 2107)

## Transfer secretaries

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
Rosebank Towers, 15 Biermann Avenue,  
Rosebank, 2196  
(PO Box 61051, Marshalltown, 2107)



