

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

- NAV of 536 cents per share
- Operating profit from earnings focused segment (Market infrastructure and regulation-technology investments) R5.3 million
- Acquisition of 22% of African Phoenix Investments Limited

COMMENTARY

At 536 cents per share ("cps") at 30 September 2019, net asset value (NAV) reflected a decrease of 0.3% over the 537 cps as at 31 March 2019 and a decrease of 4.3% over the 559 cps as at 30 September 2018. The discount to NAV at which the Company's shares traded remained virtually static during the period, from 28.3% at 31 March 2019 to 28.1% at 30 September 2019, there has been no change in the Company's share capital during the period. Closing the discount remains a priority of the board.

On 30 September 2019, cash accounted for some 43% of NAV. At R521 million (2018: R187 million), the closing balance of cash and cash equivalents represents a decrease from the year end amount on 31 March 2019 of R558 million. The increase from September 2018 is derived mostly from a restructuring of the balance sheet, particularly a (planned) reduction in the value of financial investments.

Relative to the previous year-end, the reduction in the cash-and-cash-equivalents balance stemmed largely from the Company's investment in African Phoenix Investments Limited ("African Phoenix"). The cash balances support the Company's hedge-fund investments and are encumbered in part.

The investments in African Phoenix, executed in the first week of August 2019, translated into Zarclear acquiring 311 235 546 shares in African Phoenix and will support the board's strategic priority of diminishing Zarclear's discount to NAV – as well as that of African Phoenix.

Income from portfolio investments includes mark to market write downs on listed equities of R17 million for the six months to 30 September 2019, compared to increases of R76 million for the twelve months to 31 March 2019 and R21 million for the six months to 30 September 2018.

INVESTMENT STRATEGY

Zarclear's investment strategy remains unchanged from that previously communicated. Essentially, this strategy comprises two legs: the first leg consisting in managing a portfolio of assets including listed equities, contracts for difference, fixed-income and other investments which provide liquidity, transparency and market-related returns. (And whose liquidity underpins the second strategic leg.)

The second leg is concerned with developing, investing in, and managing market infrastructure and regulation-technology operations. This segment returned an operating profit of R5.3 million in the six months reported. Management and the board are satisfied with the progress achieved in the six months to end-September 2019 on the second leg. All necessary requirements for obtaining a trade-repository licence were adequately undertaken and requisite submissions made.



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

Paul Baloyi
Non-Executive Chairman

Warren Chapman
Chief Executive Officer

Andrew Hannington
Chief Financial Officer

18 November 2019

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

Registered office: 9th Floor, Katherine Towers, 1 Park Lane, Wierda Valley, Sandton, 2196
(PO Box 650361, Benmore, 2010), Telephone: +27 11 722 7516

Company Secretary: CIS Company Secretaries Proprietary Limited

Transfer Secretaries: Computershare Investor Services Proprietary Limited

Sponsor: Java Capital Proprietary Limited

Statement of financial position

as at 30 September

	Unaudited as at 30 September 2019 R'000s	Unaudited as at 30 September 2018 R'000s	Audited as at 31 March 2019 R'000s
Assets			
<i>Non-current assets</i>	734,002	635,413	497,577
Property, plant and equipment	1,188	–	435
Intangible assets	3,884	–	3,005
Goodwill	14,944	–	14,944
Financial investments	435,309	608,260	450,629
Investment in associates	272,745	27,153	28,517
Deferred taxation	5,932	–	47
<i>Current assets</i>	654,208	632,733	777,644
Financial investments	118,072	444,768	160,732
Trade and other receivables	14,546	6	58,068
Taxation	601	500	550
Cash and cash equivalents	520,989	187,459	558,294
Total assets	1,388,210	1,268,146	1,275,221
Equity and liabilities			
<i>Equity and reserves</i>	1,211,979	1,262,813	1,214,213
Share capital	474,400	474,400	474,400
Foreign currency translation reserve	55,058	6,424	50,240
Accumulated profit	680,991	781,989	689,178
Total attributable to equity holders of the company	1,210,449	1,262,813	1,213,818
Non-controlling interests	1,530	–	395
<i>Non-current liabilities</i>			
Deferred taxation	–	4,445	3,512
<i>Current liabilities</i>	176,231	888	57,496
Taxation payable	–	–	168
Financial liabilities	143,398	–	–
Trade and other payables	32,833	888	57,328
Total equity and liabilities	1,388,210	1,268,146	1,275,221
NAV (cents per share)	536	559	537

Statement of comprehensive income

for the 6 months ended 30 September

	Unaudited as at 30 September 2019 R'000s	Unaudited as at 30 September 2018 R'000s	Audited as at 31 March 2019 R'000s
(Losses)/income from portfolio investments	(16,023)	158,499	133,926
Fee income	19,525	–	8,153
Total income	3,502	158,499	142,079
Operating expenses	(30,267)	(12,070)	(90,794)
(Loss)/profit from operations	(26,765)	146,429	51,285
Net interest received/(paid)	11,620	(1,394)	755
Interest received	14,758	802	3,304
Interest paid	(3,138)	(2,196)	(2,549)
(Loss)/profit before taxation	(15,145)	145,035	52,041
Taxation	8,093	(25,294)	(24,886)
(Loss)/profit for the period	(7,052)	119,741	27,155
Items that shall be subsequently classified to profit and loss			
Currency translation differences	4,818	41,385	85,201
Total comprehensive (Loss)/income for the period	(2,234)	161,126	112,356
(Loss)/profit for the period attributable to:			
Equity holders of the Company	(8,187)	119,741	26,930
Non-controlling interests	1,135	–	225
	(7,052)	119,741	27,155
Total comprehensive (loss)/income for the period attributable to:			
Equity holders of the Company	(3,369)	161,126	112,131
Non-controlling interests	1,135	–	225
	(2,234)	161,126	112,356
Basic, diluted and headline (loss) /earnings per share (cents) Based on weighted average of 226 060 696 ordinary shares in issue.	(3.62)	52.97	11.91

Statement of changes in equity

for the 6 months ended 30 September

	Share capital R'000	Foreign currency translation reserve R'000	Attributable to equity holders of the Company R'000	Non- controlling interests R'000	Total equity R'000
Balance at 30 September 2017	127,374	–	45,374	–	172,748
Total comprehensive loss for the period	–	(34,961)	(62,410)	–	(97,371)
Transactions with owners recorded directly in equity:					
- Restructure transactions	347,026	–	679,284	–	1,026,310
Balance at 31 March 2018	474,400	(34,961)	662,248	–	1,101,687
Total comprehensive income for the period	–	41,385	119,741	–	161,126
Balance at 30 September 2018	474,400	6,424	781,989	–	1,262,813
Total comprehensive loss for the period	–	43,816	(92,811)	225	(48,770)
Transactions with owners recorded directly in equity:					
Non-controlling interest in business acquired	–	–	–	170	170
Balance at 31 March 2019	474,400	50,240	689,178	395	1,214,213
Total comprehensive loss for the period	–	4,818	(8,187)	1,135	(2,234)
Balance at 30 September 2019	474,400	55,058	680,991	1,530	1,211,979

Statement of cash flows

for the 6 months ended 30 September

	Unaudited as at 30 September 2019 R'000s	Unaudited as at 30 September 2018 R'000s	Audited as at 31 March 2019 R'000s
Cash flows from operating activities	23,786	8,492	(55,456)
Cash generated/(utilised) by operations	2,262	(12,457)	(76,631)
Interest received	14,758	802	3,304
Interest paid	(3,138)	(2,196)	(2,549)
Interest received from equity investments	–	1,538	15
Dividend received from equity investment	11,427	14,633	14,633
Taxation (paid)/refund received	(1,523)	6,172	5,772
Cash flows from investing activities	(69,748)	219,370	649,692
Proceeds from sale of financial investments	41,037	224,249	305,981
Acquisition of property, plant, equipment	(834)	–	(459)
Acquisition of intangible assets	(879)	–	(3,005)
Proceeds from loans and receivables settled	–	–	98,622
Investments in business	–	–	(15,173)
Investment in associates	(109,072)	(4 879)	(4,933)
Increase in loan receivable from associates	(25)	–	–
Cash classified in directly managed hedge fund	–	–	268,659
Cash flows from financing activities	–	(120,000)	(120,000)
(Repayment) of loans and other payables	–	(120,000)	(120,000)
Net (decrease)/increase in cash and cash equivalents	(45,987)	107,862	474,236
Effects of exchange rate changes on cash and cash equivalents	8,682	3,167	7,628
Cash and cash equivalents at beginning of period	558,294	76,430	76,430
Cash and cash equivalents at end of period	520,989	187,459	558,294

Segmental information

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

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

- I. Market infrastructure and regulation-technology investments (earnings focused)
 - a. Zarclear Proprietary Limited
 - b. Zarclear Securities Lending Proprietary Limited
 - c. Nala A2X Proprietary Limited
- II. Portfolio Investments (NAV focused)
 - a. Stenprop Limited
 - b. Peregrine Capital managed portfolios
 - i. Managed account
 - ii. Flexible Yield Fund
 - iii. SA Alpha Fund
 - c. Rinjani Holdings Limited
 - d. African Phoenix Investments Limited
 - e. Cash

Segmental Information

Statement of Comprehensive Income

Unaudited 30 September 2019

	Market infrastructure and regulation- technology investments R'000s	Portfolio investments R'000s	Total R'000s
Investment income from portfolio activities	1,440	(17,463)	(16,023)
Fee income	19,525	–	19,525
Total income	20,965	(17,463)	3,502
Operating expenses	(15,540)	(14,646)	(30,186)
Depreciation and amortisation	(81)	-	(81)
Profit/(loss) from operations	5,344	(32,109)	(26,765)
Net interest received	236	11,384	11,620
Interest received	266	14,492	14,758
Interest paid	(30)	(3,108)	(3,138)
Profit/(loss) before taxation	5,579	(20,724)	(15,145)
Taxation	(1,182)	9,275	8,093
Profit/(loss) for the period	4,398	(11,450)	(7,052)
Profit for the period attributable to:			
Equity holders of the Company	3,263	(11,450)	(8,187)
Non-controlling interests	1,135	–	1,135
	4,398	(11,450)	(7,052)

Segmental information

Statement of financial position

Unaudited 30 September 2019

Segment assets

	Market infrastructure and regulation- technology investments R'000s	Portfolio investments R'000s	Total R'000s
<i>Non-current assets</i>	50,167	683,835	734,002
Property, plant and equipment	1,188	–	1,188
Intangible assets	3,884	–	3,884
Goodwill	14,944	–	14,944
Financial investments	–	435,309	435,309
Investment in associates	29,982	242,763	272,745
Deferred taxation	169	5,763	5,932
<i>Current assets</i>	47,041	607,167	654,208
Financial investments	–	118,072	118,072
Trade and other receivables	13,299	1,247	14,546
Taxation	101	500	601
Cash and cash equivalents	33,641	487,348	520,989
Total assets	97,208	1,291,002	1,388,210

Segment liabilities

<i>Current liabilities</i>	32,476	143,755	176,231
Inter-segment balances	1,746	(1,746)	–
Financial liabilities	–	143,398	143,398
Trade and other payables	30,730	2,103	32,833
Total liabilities	32,476	143,755	176,231

Segmental Information

Statement of Comprehensive Income

Audited 31 March 2019

	Market infrastructure and regulation technology investments R'000s	Portfolio investments R'000s	Total R'000s
Investment income from portfolio activities	3,282	130,644	133,926
Fee income	8,153	–	8,153
Total income	11,436	130,644	142,079
Operating expenses	(6,291)	(84,479)	(90,770)
Depreciation and amortisation	(24)	–	(24)
Profit from operations	5,120	46,165	51,285
Net interest received	49	706	755
Interest received	402	2,902	3,304
Interest paid	(353)	(2,196)	(2,549)
Profit before taxation	5,169	46,871	52,041
Taxation	(526)	(24,360)	(24,866)
Profit for the period	4,643	22,511	27,155
Profit for the period attributable to:			
Equity holders of the Company	4,419	22,511	26,930
Non-controlling interests	225	–	225
	4,644	22,511	27,155

Segmental information

Statement of financial position

Audited 31 March 2019

Segment assets

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

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

Basis of preparation

The condensed consolidated unaudited interim financial statements are prepared in accordance with the provisions of the JSE Limited Listings Requirements for interim reports, and the requirements of the Companies Act. The JSE Listings Requirements require interim reports to be prepared on a consolidated basis in accordance with the framework concepts applicable to summarised financial statements and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the condensed consolidated unaudited interim financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements as at and for the year ended 31 March 2019, other than the changed policies set out in this report. The items are presented using the historical cost basis with the exception of financial assets at fair value through profit or loss, which is measured at fair value.

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

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

- IFRS 16 – Leases (no material impact on the Group)
- IAS 28 – Investments in associates and joint ventures (no material impact on the Group)

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

These financial statements and any forward-looking statements have not been reviewed or reported on by the Company's auditors, BDO South Africa Incorporated.

Disposals

No disposals were made during the period under review.

Acquisitions

On 6 August 2019 shareholders were advised that Zarclear had acquired an aggregate of 306 316 054 African Phoenix Investments Limited shares ("AXL shares") from Value Capital Partners Limited, Coronation Fund Managers Proprietary Limited and Allan Gray Proprietary Limited for a purchase price of 80 cents per AXL share (and an aggregate purchase price of R242,763,726), which sale was executed by way of a block trade on the JSE on Monday, 5 August 2019. Together with 3 683 946 AXL shares acquired by Zarclear on the JSE on Friday, 2 August 2019 (at an average purchase price of 68.85 cents per AXL share) and 1 235 546 AXL shares acquired on the JSE on Monday, 5 August 2019 (at an average purchase price of 69.96 cents per AXL share), Zarclear owns in aggregate 311 235 546 AXL shares (collectively the "acquisitions").

AXL is an investment holding company which is listed on the Main Board of the JSE and has interests in API Capital Fund, Standard General Insurance Company Limited, Gilt Edged Management Services Proprietary Limited, Ellering Holdings Limited and Residual Debt Services Limited. The acquisitions have enabled Zarclear to acquire a 22% shareholding in AXL at a discount to the underlying net asset value. The resultant shareholding in AXL will enable Zarclear to explore and pursue value-unlocking initiatives for the mutual benefit of both AXL and Zarclear and their respective shareholders. To this end, Zarclear is formally engaging with AXL and its other major shareholders to explore these initiatives and will remain sensitive to the company's current strategy, endeavours and challenges. Zarclear is represented on the AXL board of directors.

Investment in associates

	30 September 2019	30 September 2018	31 March 2019
	R'000s	R'000s	R'000s
Nala A2X Proprietary Limited – preference shares (100%)	25,142	25,142	25,142
Nala A2X Proprietary Limited – loan account	114	92	92
Nala A2X Proprietary Limited – preference dividends capitalised	4,723	1,919	3,283
Nala Empowerment Proprietary Limited – loan account	3	–	–
African Phoenix Investments Limited – ordinary shares (22%)	242,763	–	–
	272,745	27,153	28,517

Financial liabilities

Legae Peresec Proprietary Limited	143,398	–	–
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The loan is secured by various financial investments of the Group; it bears interest calculated daily and compounded monthly in arrear at the rate specified from time to time by the JSE, and has no repayment terms.

(Losses)/income from portfolio investments

	30 September 2019	30 September 2018	31 March 2019
	R'000s	R'000s	R'000s
Dividend income - listed equity	11,427	14,633	14,633
Dividend income - unlisted preference shares	1,440	1,920	3,283
Investment returns - hedge funds	(2,457)	62,618	114,712
Investment returns - directly managed investment account	(13,261)	–	–
Interest paid – trading portfolio	–	(20,364)	(31,586)
Fair value adjustments -private equity	3,866	12,781	14,038
Fair value adjustments - listed equity	(17,038)	75,827	21,345
Fair value adjustments - private equity fund	–	(7)	(7)
Profit (loss) on disposal of financial investments	–	8,238	142
Interest received - private equity loans	–	5,447	15
Impairment of loan to associate	–	(2,594)	(2,649)
	(16,023)	158,499	133,926

Taxation

	30 September 2019	30 September 2018	31 March 2019
	R'000s	R'000s	R'000s
South African normal taxation			
- Current year	(1,304)	–	(573)
Deferred taxation	9,397	(25,294)	(24,313)
- Current year (SA)	9,223	(10,959)	(14,504)
- Current year (Foreign CFC)	1,714	(14,335)	1,270
- Prior year under provision (SA and CFC)	(1,540)	–	(11,079)
	8,093	(25,294)	(24,886)

Analysis of assets and liabilities by financial instrument classification

Unaudited as at 30 September 2019

	Financial instruments at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Non-financial instruments and financial instruments beyond the scope of IFRS 7	Total	Fair value of financial instruments
	R'000	R'000	R'000	R'000	R'000	R'000
Non-current assets	703,214	4,840	–	25,948	734,002	
Property, plant and equipment	–	–	–	1,188	1,188	
Intangible assets and goodwill	–	–	–	18,828	18,828	
Financial investments	435,309	–	–	–	435,309	435,309
Investment in associates	267,905	4,840	–	–	272,745	267,905
Deferred taxation	–	–	–	5,932	5,932	
Current assets	118,072	535,535	–	601	654,208	
Financial investments	118,072	–	–	–	118,072	118,072
Trade and other receivables	–	14,546	–	–	14,546	
Taxation	–	–	–	601	601	
Cash and cash equivalents	–	520,989	–	–	520,989	
Total assets	821,286	540,375	–	26,549	1,388,210	
Current liabilities	–	–	176,231	–	176,231	
Financial liability	–	–	143,398	–	143,398	
Trade and other payables	–	–	32,833	–	32,833	
Total liabilities	–	–	176,231	–	176,231	

Analysis of assets and liabilities by financial instrument classification

Audited as at 31 March 2019

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

Analysis of assets and liabilities by financial instrument classification

Unaudited as at 30 September 2018

	Financial instruments at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Non-financial instruments and financial instruments beyond the scope of IFRS 7	Total	Fair value of financial instruments
	R'000	R'000	R'000	R'000	R'000	R'000
<i>Non-current assets</i>	635,321	92	–	–	635,413	
Financial investments	608,260	–	–	–	608,260	608,260
Investment in associates	27,062	92	–	–	27,153	27,062
<i>Current assets</i>	444,768	187,464	–	500	632,733	
Financial investments	444,768	–	–	–	444,768	444,768
Trade and other receivables	–	6	–	–	6	
Taxation	–	–	–	500	500	
Cash and cash equivalents	–	187,459	–	–	187,459	
Total assets	1,080,090	187,556	–	500	1,268,146	
<i>Non-current liabilities</i>						
Deferred taxation	–	–	–	4,445	4,445	
<i>Current liabilities</i>						
Trade and other payables	–	–	888	–	888	
Total liabilities	–	–	888	4,445	5,333	

Fair value hierarchy

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

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

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

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

The following table presents the Group's financial instruments which are presented at fair value as at 30 September 2019:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets at fair value through profit or loss				
<i>Designated at inception:</i>				
Listed equities	513,992	–	–	513,992
Listed equities, fixed income and other instruments	23,069	–	–	23,069
Private equity investments	–	20,682	–	20,682
Hedge-fund investments	–	95,003	–	95,003
Investment in associates (preference shares)	–	–	25,142	25,142
Total financial assets carried at fair value	537,061	115,685	25,142	677,888

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

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

The following table presents the Group's financial instruments which are presented at fair value as at 30 September 2018:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets at fair value through profit or loss				
Designated at inception:				
Listed equities	434,740	–	–	434,740
Private equity investments	–	173,520	–	173,520
Hedge-fund investments	–	444,768	–	444,738
Investment in associates (preference shares)	–	27,062	–	27,062
Total financial assets carried at fair value	434,740	645,350	–	1,080,090

Valuation techniques applied and inputs to valuation techniques:

Financial assets at fair value though profit or loss	Valuation technique used to determine fair value	Description of significant observable inputs used in valuation technique	Description of significant unobservable inputs used in valuation technique (not applicable for level 1)	Value of significant unobservable inputs used in valuation technique (not applicable for level 1)	Recurring or non-recurring fair value measurement
Private equity investments - Listed equities, fixed income, other instruments and listed associates	Quoted market prices	Unadjusted quoted prices in an active market of underlying investments	N/A	N/A	Recurring
Private equity investments – unlisted/ Investments in associates	Technique used includes amortised cost of loans receivable and independent valuations and cost	Market-related interest rate	Unobservable inputs are mostly directors' valuations based on shareholder financial information available and interactions with management of the investee.	R25,142 million	Recurring
Hedge-fund investments – unlisted	Quoted market prices	The fair value is determined by an independent administrator, based on the quoted market prices of the underlying investments held by the hedge funds	Unobservable inputs are mostly expense accruals of the hedge-fund entities that are deducted from the sum of the fair values of net investments held by the hedge funds	R664 thousand	Recurring

Offsetting financial assets and financial liabilities

At 30 September 2019 there were no loans/gearing against the unlisted hedge-fund investments and therefore no offsetting took place.

At 30 September 2018 the unlisted hedge-fund investments of R 1 062,3 million were presented net of loans of R 617 million. The investments made were on a geared basis with permissible loan ratios of up to 100%. The loan agreement against the investment in the PNF Peregrine Fund stated that the loan will be settled at the same time as a redemption out of the fund. The hedge-fund investments are measured at fair value and the loans are measured at amortised cost.

Related-party balances and transactions

Transactions with Legae Peresec Proprietary Limited (Legae Peresec)

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

During the period, the Group borrowed R143,398 million from Legae Peresec to fund the acquisition of the African Phoenix shares and paid interest of R3,037 million on the loan.

Equity accounted investees

The Group pays certain expenses, on loan account, with respect to fees incurred in the ordinary course of business on behalf of entities in which the Group holds an associate interest. These expenses amounted to R5,000 for the half year (March 2019: R40,250). Loan balances outstanding as at 30 September 2019 were R116,895 (March 2019: R91,895).

Off-balance sheet credit risk exposure

Within Zarclear Securities Lending Proprietary Limited there is an off-balance sheet exposure relating to bond and equity collateral receivables with a maximum exposure to credit risk of R6,902,628,017 (March 2019: R4,216,290,701). This exposure is contra with equal and opposite liabilities related to the same securities lending transactions.

Events subsequent to reporting date

There were no significant events subsequent to this reporting date that would require adjustment to the financial results as currently reported.

Schedule of investments

Investment	Proportion Owned	Fair Value 30 Sept 19 R'000s	Fair Value 30 Sept 18 R'000s	Fair Value 31 Mar 19 R'000s
Listed equities				
Stenprop Limited	7.1%	414,626	434,740	431,383
African Phoenix Investments Limited	22%	242,764	–	–
Private equities				
Rinjani Holdings Limited	79.4%	20,681	57,762	19,244
Capital Step Holdings Limited	0%	–	115,755	–
Nala A2X Proprietary Limited	28%	29,979	27,153	28,517
Nala Empowerment Investment Company Proprietary Limited	30%	–	–	–
Firefly Investments 61	50%	1	1	1
Listed equities, fixed income and other instruments				
Directly managed portfolio	100%	23,069	–	65,905
Hedge-funds				
PNF Peregrine Fund	0%	–	303,628	–
Peregrine Greenoak Fund	0%	–	52,046	–
Peregrine Capital Flexible Opp H4 QI HF Class A	22%	45,193	44,278	46,330
SA Alpha Peregrine High Growth (USD)	3.8%	49,810	44,817	48,497

Corporate information

Registered office and postal address of the Company

Zarclear Holdings Limited
(Registration number 2000/013674/06)
9th Floor, Katherine Towers, 1 Park Lane,
Wierda Valley, 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)

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)