



ZARCLEAR HOLDINGS LIMITED

REVIEWED CONDENSED CONSOLIDATED
RESULTS FOR THE TWELVE MONTHS
ENDED 31 MARCH 2020



ZARCLEAR HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2000/013674/06)

Share code: ZCL ISIN: ZAE000249645

("Zarclear" or "the Group" or "the Company")

REVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE TWELVE MONTHS ENDED 31 MARCH 2020

- NAV of 562 cents per share (31 March 2019: 537 cents)
- Operating profit from earnings focused segment (market infrastructure and regulation-technology investments) R9.6 million (31 March 2019: R5.1 million)
- Acquisition of 24% of African Phoenix Investments Limited
- Acquisition of 5.5% of Equity Express Securities Exchange Proprietary Limited

COMMENTARY

On 21 January 2020, shareholders were advised that Zarclear had changed its financial year from 31 March to 30 June. Accordingly, these results take the form of reviewed results for the 12 months ended 31 March 2020. Audited results for the 15 months ended 30 June 2020 will be prepared in due course.

At 562 cents per share ("cps"), net asset value ("NAV") reflected an increase of 4.7% over the 537 cps as at 31 March 2019. The discount to NAV at which the Company's shares traded deteriorated from 28.3% at 31 March 2019 to 32.3% at 31 March 2020 largely as a result of the increase in the NAV while the closing price of the Company's traded shares remained virtually static year on year. This was despite the share price decreasing significantly in March 2020, as driven by the COVID-19 pandemic. There was no change in the Company's share capital during the period. Closing the discount to NAV remains a priority of the board.

On 31 March 2020, cash and cash equivalents amounted to R1 467 million (2019: R559 million). The closing balance of cash and cash equivalents increased substantially because of fund inflows in the scrip lending business.

Relative to the previous year-end, the cash and cash equivalents balance in the portfolio investment segment remained stable despite the Company's investment in African Phoenix Investments Limited ("African Phoenix") due, in part, to the increased value of the offshore cash holdings benefiting from the weakening of the South African Rand against the major currencies. The cash balances support the Company's hedge-fund investments and are encumbered in part.

The investment 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. A further 24 200 000 shares were acquired in March 2020 taking the current holding in African Phoenix to just under 24%.

On 25 March 2020, the Company acquired a 5.5% holding in Equity Express Securities Exchange Proprietary Limited ("Equity Express").

Income from portfolio investments includes mark-to-market write downs on listed equities of R88 million for the twelve months to 31 March 2020, compared to increases of R21 million for the twelve months to 31 March 2019.

INVESTMENT STRATEGY

Zarclear's investment strategy remains unchanged from that previously communicated. Essentially, this strategy comprises two legs. The first leg consists of managing a portfolio of assets including listed equities, contracts for difference, fixed-income and other investments which provide liquidity, transparency and market-related returns (and whose liquidity underpins the second strategic leg). The second leg is concerned with developing, investing in, and managing market infrastructure and regulation-technology operations. This segment returned an operating profit of R9.6 million in the twelve months reported.

This second leg is concerned with developing, investing in, and managing market-infrastructure and regulation-technology operations. This segment returned an operating profit of R9.6 million in the twelve months reported.

Management and the board are satisfied with the progress achieved in the twelve months to end-March 2020 on the second leg. All necessary requirements for obtaining a trade-repository licence were adequately undertaken and requisite submissions made.

On 28 February 2020, the Company advised shareholders of its intention to make an offer to its shareholders to voluntarily tender for the repurchase of their existing shareholding in the Company (the “share repurchase offer”) at an offer price of R4.40 per share (the “share repurchase offer consideration”).

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

In compliance with the JSE Listings Requirements and A2X Listings Requirements, the delisting must be accompanied by an offer (which an independent expert has confirmed to be fair to shareholders) which is to be made to holders of all of Zarclear’s securities. Zarclear will therefore proceed with its envisaged share repurchase offer to repurchase all, or a portion of, Zarclear shares from any shareholder who, post the approval of the delisting, either cannot or does not wish to continue to hold Zarclear shares in an unlisted structure, at the share repurchase offer consideration.

Given the board’s decision to delist the Company, the rationale for the establishment of a concert party arrangement amongst Legae Peresec Capital Proprietary Limited, Hampden Capital Proprietary Limited and Zolospan Proprietary Limited in respect of Zarclear has fallen away and, in consequence, such shareholders have formally notified the Takeover Regulation Panel that they have come out of concert. As such, while the Company will proceed to make the share repurchase offer, it is not anticipated that any mandatory offer will be triggered under section 123 of the Companies Act 71 of 2008 as a result of the share repurchase offer.

Full details of the share repurchase offer and delisting will be set out in a circular which will be distributed by Zarclear to its shareholders in due course, and which will include the opinion of an independent expert in respect of the share repurchase offer, a notice of general meeting of Zarclear shareholders to approve the share repurchase offer and delisting, and the applicable salient dates and times relating to the share repurchase offer and delisting.

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

12 June 2020

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

*(*Independent non-executive)*

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

Company Secretary: CIS Company Secretaries Proprietary Limited

Transfer Secretaries: Computershare Investor Services Proprietary Limited

Sponsor: Java Capital Trustees and Sponsors Proprietary Limited

REVIEWED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

| | Reviewed as at 31 March 2020 R'000s | Audited as at 31 March 2019 R'000s |
|---|--|---|
| Assets | | |
| <i>Non-current assets</i> | 668,727 | 497,577 |
| Property, plant and equipment | 1,539 | 435 |
| Intangible assets | 5,737 | 3,005 |
| Goodwill | 14,944 | 14,944 |
| Financial investments | 459,742 | 450,629 |
| Investment in associates | 155,633 | 28,517 |
| Deferred taxation | 31,132 | 47 |
| <i>Current assets</i> | 2,995,390 | 777,644 |
| Financial investments | 128,343 | 160,732 |
| Trade and other receivables | 1,399,405 | 58,068 |
| Taxation | 199 | 550 |
| Cash and cash equivalents | 1,467,443 | 558,294 |
| Total assets | 3,664,117 | 1,275,221 |
| Equity and liabilities | | |
| <i>Equity and reserves</i> | 1,272,428 | 1,214,213 |
| Share capital | 474,400 | 474,400 |
| Foreign currency translation reserve | 203,211 | 50,240 |
| Accumulated profit | 592,019 | 689,178 |
| Total attributable to equity holders of the Company | 1,269,630 | 1,213,818 |
| Non-controlling interests | 2,798 | 395 |
| <i>Non-current liabilities</i> | | |
| Deferred taxation | - | 3,512 |
| <i>Current liabilities</i> | 2,391,689 | 57,496 |
| Taxation payable | 1,165 | 168 |
| Financial liabilities | 69,329 | - |
| Trade and other payables | 2,321,195 | 57,328 |
| Total equity and liabilities | 3,664,117 | 1,275,221 |
| NAV (cents per share) | 562 | 537 |

REVIEWED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 12 months ended 31 March 2020

| | Reviewed as at 31 March 2020 R'000s | Audited as at 31 March 2019 R'000s |
|--|--|---|
| (Loss)/income from portfolio investments | (119,441) | 133,926 |
| Fee income | 39,488 | 8,153 |
| Total (loss)/income | (79,953) | 142,079 |
| Operating expenses | (60,899) | (90,794) |
| (Loss)/profit from operations | (140,852) | 51,285 |
| Net interest received | 13,869 | 755 |
| Interest received | 24,435 | 3,304 |
| Interest paid | (10,566) | (2,549) |
| (Loss)/profit before taxation | (126,983) | 52,041 |
| Taxation | 32,226 | (24,886) |
| (Loss)/profit for the period | (94,757) | 27,155 |
| Items that shall be subsequently classified to profit and loss | | |
| Currency translation differences | 152,971 | 85,201 |
| Total comprehensive income for the period | 58,214 | 112,356 |
| (Loss)/profit for the period attributable to: | | |
| Equity holders of the Company | (97,160) | 26,930 |
| Non-controlling interests | 2,403 | 225 |
| | (94,757) | 27,155 |
| Total comprehensive income for the period attributable to: | | |
| Equity holders of the Company | 55,811 | 112,131 |
| Non-controlling interests | 2,403 | 225 |
| | 58,214 | 112,356 |
| Basic, diluted and headline (loss)/earnings per share (cents)* | (42.98) | 11.91 |
| Based on weighted average of 226 065 696 ordinary shares in issue (2019: 226 065 696) | | |

* Zarclear has no dilutionary shares in issue.

REVIEWED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 12 months ended 31 March 2020

| | 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 31 March 2018 | 474,400 | (34,961) | 662,249 | - | 1,101,688 |
| Total comprehensive income for the period | - | 85,201 | 26,930 | 225 | 112,356 |
| Transactions with owners recorded directly in equity: | | | | | |
| Non-controlling interest in business acquired | - | - | - | 170 | 170 |
| Balance at 31 March 2019 | 474,400 | 50,240 | 689,179 | 395 | 1,214,214 |
| Total comprehensive income for the period | - | 152,971 | (97,160) | 2,403 | 58,214 |
| Balance at 31 March 2020 | 474,400 | 203,211 | 592,019 | 2,798 | 1,272,428 |

REVIEWED CONSOLIDATED STATEMENT OF CASH FLOWS

for the 12 months ended 31 March 2020

| | Reviewed as at 31 March 2020 R'000s | Audited as at 31 March 2019 R'000s |
|---|--|---|
| Cash flows from operating activities | 1,060,504 | (55,456) |
| Cash generated/(utilised) by operations | 892,696 | (76,631) |
| Interest received | 24,435 | 3,304 |
| Interest paid | (10,566) | (2,549) |
| Interest received from equity investments | – | 15 |
| Dividend received from equity investment | 24,243 | 14,633 |
| Dividend received from capital reduction distribution – associate | 130,719 | – |
| Taxation (paid)/refund received | (1,023) | 5,772 |
| Cash flows from investing activities | (200,103) | 649,692 |
| Proceeds from sale of financial investments | – | 305,981 |
| Acquisition of property, plant, equipment | (1,323) | (459) |
| Acquisition of intangible assets | (2,732) | (3,005) |
| Proceeds from loans and receivables settled | – | 98,622 |
| Investments in business | – | (15,173) |
| Acquisition of unlisted investment | (2,188) | – |
| Acquisition of financial investments | (4,545) | – |
| Investment in associates | (189,262) | (4,933) |
| Increase in loan receivables – associates | (53) | – |
| Cash classified in directly managed hedge fund | – | 268,659 |
| Cash flows from financing activities | – | (120,000) |
| Repayment of loans and other payables | – | (120,000) |
| Net increase in cash and cash equivalents | 860,401 | 474,236 |
| Effects of exchange rate changes on cash and cash equivalents | 48,748 | 7,628 |
| Cash and cash equivalents at beginning of period | 558,294 | 76,430 |
| Cash and cash equivalents at end of period | 1,467,443 | 558,294 |

SEGMENTAL INFORMATION

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
 - d. Equity Express Securities Exchange 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 | Market infrastructure and regulation-technology investments R'000s | Portfolio investments R'000s | Total R'000s |
|---|---|---------------------------------|------------------|
| Reviewed 31 March 2020 | | R'000s | |
| Investment income from portfolio activities | 2,953 | (122,394) | (119,441) |
| Fee income | 39,488 | – | 39,488 |
| Total income | 42,441 | (122,394) | 79,953 |
| Operating expenses | (32,616) | (28,064) | (60,680) |
| Depreciation and amortisation | (219) | – | (219) |
| Profit/(loss) from operations | 9,606 | (150,458) | (140,852) |
| Net interest received | 395 | 13,474 | 13,869 |
| Interest received | 504 | 23,931 | 24,435 |
| Interest paid | (109) | (10,457) | (10,566) |
| Profit/(loss) before taxation | 10,001 | (136,984) | (126,983) |
| Taxation | (1,979) | 34,205 | 32,226 |
| Profit/(loss) for the period | 8,022 | (102,779) | (94,757) |
| Profit for the period attributable to: | | | |
| Equity holders of the Company | 5,619 | (102,779) | (97,160) |
| Non-controlling interests | 2,403 | – | 2,403 |
| | 8,022 | (102,779) | (94,757) |

SEGMENTAL INFORMATION

| Statement of financial position | Market infrastructure and regulation- technology investments R'000s | Portfolio investments R'000s | Total R'000s |
|--|--|------------------------------------|-------------------------|
| Reviewed 31 March 2020 | | | |
| Segment assets | | | |
| <i>Non-current assets</i> | 56,369 | 612,358 | 668,727 |
| Property, plant and equipment | 1,539 | – | 1,539 |
| Intangible assets | 5,737 | – | 5,737 |
| Goodwill | 14,944 | – | 14,944 |
| Financial investments | 2,188 | 457,554 | 459,742 |
| Investment in associates | 31,522 | 124,111 | 155,633 |
| Deferred taxation | 439 | 30,693 | 31,132 |
| <i>Current assets</i> | 2,337,054 | 658,336 | 2,995,390 |
| Financial investments | – | 128,343 | 128,343 |
| Trade and other receivables | 1,397,613 | 1,792 | 1,399,405 |
| Taxation | 199 | – | 199 |
| Cash and cash equivalents | 939,242 | 528,201 | 1,467,443 |
| Total assets | 2,393,423 | 1,270,694 | 3,664,117 |
| Segment liabilities | | | |
| <i>Current liabilities</i> | 2,322,991 | 68,778 | 2,391,689 |
| Inter-segment balances | 3,300 | (3,300) | – |
| Taxation payable | 1,165 | – | 1,165 |
| Financial liabilities | – | 69,329 | 69,329 |
| Trade and other payables | 2,318,446 | 2,749 | 2,321,195 |
| Total liabilities | 2,322,911 | 68,778 | 2,391,689 |

SEGMENTAL INFORMATION

| Statement of comprehensive Income | Market infrastructure and regulation technology investments R'000s | Portfolio investments R'000s | Total R'000s |
|---|---|------------------------------------|-------------------------|
| Audited 31 March 2019 | | | |
| Investment income from portfolio activities | 3,282 | 130,644 | 133,926 |
| Fee income | 8,153 | – | 8,153 |
| Total income | 11,435 | 130,644 | 142,079 |
| Operating expenses | (6,291) | (84,479) | (90,770) |
| Depreciation and amortisation | (24) | – | (24) |
| Profit from operations | 5,120 | 46,165 | 51,285 |
| Net interest received | 49 | 706 | 755 |
| Interest received | 402 | 2,902 | 3,304 |
| Interest paid | (353) | (2,196) | (2,549) |
| Profit before taxation | 5,169 | 46,871 | 52,041 |
| Taxation | (526) | (24,360) | (24,866) |
| Profit for the period | 4,644 | 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 | Market infrastructure and regulation technology investments R'000s | Portfolio investments R'000s | Total R'000s |
|---------------------------------|---|------------------------------------|------------------|
| Audited 31 March 2019 | | | |
| Segment assets | | | |
| <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> | 63,259 | 714,385 | 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 | 110,207 | 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 |

BASIS OF PREPARATION

The condensed consolidated reviewed 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 71 of 2008. 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 the 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 reviewed 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. 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.

Auditor's review

These condensed consolidated financial statements for the year ended 31 March 2020 have been reviewed by BDO South Africa Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Company's registered office together with the financial statements identified in the auditor's report. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office or by emailing the company at louiseb@zarclear.com.

Disposals

No disposals were made during the period under review.

Acquisitions

On 6 August 2019 shareholders were advised that Zarclear had acquired 306 316 054 African Phoenix Investments Limited shares ("AXL shares") for a purchase price of 80 cents per AXL share (and a 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).

On 3 December 2019 African Phoenix declared a capital reduction distribution as a return of contributed tax capital ("Distribution"), which equated to 42.00 cents per ordinary share. Zarclear received this distribution on the 311 235 546 shares it owned at the time resulting in a cash inflow of R130 718 929 on 13 January 2020. These funds were utilised to paydown the gearing incurred on the original investments in African Phoenix.

In March 2020 a further 24 200 000 shares in African Phoenix were acquired at a purchase price of 38 cents per AXL share such that Zarclear owned 335 435 546 AXL shares as at 31 March 2020.

African Phoenix is an investment holding company which is listed on the Main Board of the JSE and at the time of Zarclear's initial investment had interests in API Capital Fund, Standard General Insurance Company Limited, Gilt Edged Management Services Proprietary Limited, Ellerine Holdings Limited and Residual Debt Services Limited. Standard General Insurance Company Limited, API Capital Fund, Ellerine Holdings Limited and Residual Debt Services Limited were disposed of by African Phoenix in the six months to 31 March 2020.

On 23 April 2020 shareholders in African Phoenix were advised on SENS of the firm intention of Legae Peresec Proprietary Limited to make an offer to acquire AXL shares and proposed a delisting of African Phoenix from the Johannesburg Stock Exchange. The proposed offer price is 40 cents per ordinary share. Zarclear has irrevocably undertaken to vote in favour of the delisting and not to accept the offer. At 31 March 2020, the closing price of AXL shares was 37 cents and the fair value at that time was assessed as such.

On 25 March 2020, Zarclear purchased a 5.47% shareholding in Equities Express Securities Exchange Proprietary Limited ("Equity Express") for a total price paid of R2 188 235. Equity Express is a holding company incorporated in South Africa with interests in the financial services industry.

INVESTMENT IN ASSOCIATES

| | 31 March 2020 R'000s | 31 March 2019 R'000s |
|---|-------------------------|-------------------------|
| Nala A2X Proprietary Limited – preference shares (100%) | 25,142 | 25,142 |
| Nala A2X Proprietary Limited – loan account | 140 | 92 |
| Nala A2X Proprietary Limited – preference dividends capitalised | 6,235 | 3,283 |
| Nala Empowerment Proprietary Limited – loan account | 5 | – |
| African Phoenix Investments Limited – ordinary shares (24%) | 124,111 | – |
| | 155,633 | 28,517 |

(LOSS)/INCOME FROM PORTFOLIO INVESTMENTS

| | 31 March 2020 R'000s | 31 March 2019 R'000s |
|--|-------------------------|-------------------------|
| Dividend income – listed equity | 24,243 | 14,633 |
| Dividend income – unlisted preference shares | 2,953 | 3,283 |
| Investment returns – hedge funds | (13,719) | 114,712 |
| Investment returns – directly managed investment account | (55,125) | – |
| Interest paid – trading portfolio | – | (31,586) |
| Fair value adjustments – private equity | 2,362 | 14,038 |
| Fair value adjustments – listed equity (Stenprop) | (84,166) | 21,345 |
| Net fair value adjustment – listed associate | (3,761) | – |
| Fair value adjustments – listed associate | (134,480) | – |
| Dividend income – associate – capital reduction distribution | 130,719 | – |
| Fair value adjustments – private equity fund | – | (7) |
| Profit (loss) on disposal of financial investments | – | 142 |
| Realised gain on foreign currency translation | 7,772 | – |
| Interest received – private equity loans | – | 15 |
| Impairment of loan to associate | – | (2,694) |
| | (119,441) | 133,926 |

TAXATION

| | 31 March 2020 R'000s | 31 March 2019 R'000s |
|---|-------------------------|-------------------------|
| South African normal taxation | | |
| Current year | (2,371) | (573) |
| Deferred taxation | 34,597 | (24,313) |
| Current year (SA) | 24,669 | (14,504) |
| Current year (Foreign CFC) | 11,538 | 1,270 |
| Prior year under provision (SA and CFC) | (1,610) | (11,079) |
| | 32,226 | (24,886) |

CASH AND CASH EQUIVALENTS

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

Analysis of cash and cash equivalents

| | 31 March 2020 R'000s | 31 March 2019 R'000s |
|---|-------------------------|-------------------------|
| Bank balances denominated in South African Rand | 278,437 | 316,488 |
| Other balances denominated in South African Rand – JSE Trustees | 929,960 | – |
| Bank balances denominated in US\$, GBP and EUR | 259,046 | 241,806 |
| | 1,467,443 | 558,294 |

OPERATING EXPENSES

| | 31 March 2020 R'000s | 31 March 2019 R'000s |
|------------------------------------|-------------------------|-------------------------|
| Include: | | |
| Auditors' remuneration | 1,684 | 1,476 |
| – Audit fees | 1,542 | 1,041 |
| – Reporting accountant | – | 120 |
| – Advisory fees | 142 | 315 |
| Executive directors' emoluments | | |
| – Salaries and contributions | 4,566 | 1,285 |
| – Bonus | 900 | – |
| Salary and related costs | 5,466 | 1,285 |
| Non-executive directors' fees | 1,414 | 1,445 |
| Investment management advisory fee | – | 75,000 |
| Operating lease rentals* | | |
| – Premises | 788 | 46 |
| – Office equipment | 24 | – |

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

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 31 March 2020:

| | 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 | 434,535 | – | – | 434,535 |
| Listed equities, fixed income and other instruments | 33,988 | – | – | 33,988 |
| Private equity investments | – | 23,019 | 2,188 | 25,207 |
| Hedge-fund investments | – | 94,355 | – | 94,355 |
| Investment in associates | 124,111 | – | 25,142 | 149,253 |
| Total financial assets carried at fair value | 592,634 | 117,374 | 27,330 | 737,338 |

The following table presents the Group's financial instruments 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 |

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

| | 31 March 2020 R'000 | 31 March 2019 R'000 |
|---|------------------------|------------------------|
| Opening value of level 3 category assets | 25,142 | 22,857 |
| Acquisition of unlisted investment – Equities Express | 2,188 | |
| Share subscription – Nala A2X | | 2,285 |
| Closing value of level 3 category assets | 27,330 | 25,142 |

The assets categorised in level 3 are effectively valued at cost, representing the investment in Nala A2X which has equity investments in A2X Proprietary Limited (A2X) and the investment acquired in March 2020 in Equities Express. The underlying investment in A2X is still in the development and investment stage, and therefore valuations are based on available shareholder financial information and management interactions and reports from the investee. A fair value assessment of all investments categorised in level 3 was performed and no adjustment was considered necessary.

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. | R27,331 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 | R522 thousand F19: R664 thousand | Recurring |

RELATED-PARTY BALANCES AND TRANSACTIONS

Transactions with Legae Peresec Proprietary Limited (Legae Peresec)

The current CEO of the Company Mr Warren Chapman is a director of Legae Peresec Holdings, 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 funds from Legae Peresec to fund the acquisition of the African Phoenix shares. Borrowings at 31 March 2020 amounted to R69 329 117 and interest of R7 480 343 was paid on these borrowings during the period.

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 within its securities lending operations with a maximum exposure to credit risk of R7 129 513 677 (March 2019: R4 216 290 701).

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

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.

Apart from the considerations with regard to the impact of the COVID-19 pandemic and the proposed delisting from the Main Board of the JSE and A2X as reported within the commentary to these results, there has been no material impact on the Group subsequent to the reporting date.

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

SCHEDULE OF INVESTMENTS

| | Proportion owned | Fair Value 31 March 2020 R'000 | Fair Value 31 March 2019 R'000 |
|--|------------------|--------------------------------------|--------------------------------------|
| Investment | | | |
| Listed equities | | | |
| Stenprop Limited (£) | 7.1% | 434,535 | 431,383 |
| African Phoenix Investments Limited | 24% | 124,111 | – |
| Private equities | | | |
| Rinjani Holdings Limited (£/€) | 79.4% | 23,018 | 19,244 |
| Nala A2X Proprietary Limited | 28% | 25,142 | 25,142 |
| Nala Empowerment Investment Company Proprietary Limited | 30% | – | – |
| Equity Express Securities Exchange Proprietary Limited | 5.47% | 2,188 | |
| Firefly Investments 61 | 50% | 1 | 1 |
| Listed equities, fixed income and other instruments | | | |
| Directly managed portfolio | 100% | 33,988 | 65,905 |
| Hedge-funds | | | |
| Peregrine Capital Flexible Opp H4 QI HF Class A | 48.9% | 39,152 | 46,330 |
| Peregrine Capital High Growth Offshore Segregated Portfolio (US\$) | 6.97% | 55,203 | 48,497 |
| | | 737,338 | 636,502 |