



ZARCLEAR HOLDINGS LIMITED

UNAUDITED CONDENSED
CONSOLIDATED RESULTS
FOR THE SIX MONTHS ENDED
31 DECEMBER 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")

UNAUDITED CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

- NAV of 441 cents per share (31 December 2019: 559 cents) (30 June 2020: 600 cents)
- Capital reduction distribution of 190 cents per share executed in December 2020 amounting to R429,5 million.
- Operating profit from earnings-focused segment (market-infrastructure and regulation technology investments) of R1,9 million (31 December 2019: R7,2 million) (30 June 2020: loss of R23,7 million)
- Further disposal of 3,093,744 shares in Stenprop Limited realising R82,7 million

Commentary

On 21 January 2020, shareholders were advised that Zarclear Holdings Limited ("Zarclear") had changed its financial year from 31 March to 30 June. Accordingly, these interim results take the form of unaudited results for the 6 months ended 31 December 2020, the comparable periods being the unaudited results for the 9 months ended 31 December 2019 and audited results for the 15 months ended 30 June 2020.

At 441 cents per share ("cps"), net asset value ("NAV") reflected a decrease of 26.5% over the 600 cps as at 30 June 2020. The key driver of this decrease is the capital reduction distribution of 190 cps, effected in December 2020. Excluding the distribution, NAV on a like-for-like basis would have increased 5.2% since 30 June 2020. The discount to NAV at which the Company's shares traded has improved significantly from 32.3% at 30 June 2020 to 11.6% at 31 December 2020. There was no change in the Company's share capital during the period other than the capital reduction distribution. Closing the discount to NAV remains a priority of the board.

On 31 December 2020, cash and cash equivalents amounted to nearly R500 million (30 June 2020: R745 million). The decrease was driven directly as a result of the capital reduction distribution, which was offset to some extent by cash inflows from trading activities and the disposal of further shares in Stenprop Limited ("Stenprop"). The cash balances support the Company's hedge-fund investments and are encumbered in part.

In November 2020, the Group, through its 100% holding in SCIL sold 21% (3,093,744 shares) of the holding in Stenprop shares for a total consideration of R82,7 million, bringing the current holding to 3.81% of the issued share capital of Stenprop.

Income from portfolio investments includes mark-to-market write-ups and realised profits on listed equities of R52,6 million compared to a mark-to-market write down of R14,8 million for the fifteen months to 30 June 2020. Unlisted investments in associates recorded a fair value write up of R16,8 million, compared to increases of R6,3 million for the fifteen months to 30 June 2020.

On 24 November 2020, shareholders were advised that as a result of the extensive take-up of the general offer made to Zarclear shareholders by Legae Peresec Capital Proprietary Limited, only c.4.22% of Zarclear's total shares in issue are now held by public shareholders, well below the minimum spread requirements for Main Board JSE-listed companies.

Shareholders were further 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 Company's board of directors (the "Board") has determined that the costs and expenses associated with the Company's listings on the JSE and A2X are no longer justified. Accordingly, the Board has resolved that it would be in the best interests of Zarclear and its shareholders to seek a delisting of Company's shares from the JSE and A2X on the basis that the delisting be accompanied by a fair cash offer to relevant existing shareholders.

Shareholders will be kept informed of developments by way of announcements as and when appropriate.

Investment strategy

Zarclear's current investment strategy remains unchanged and is premised on the understanding that the Company's portfolio carried with it the inherent likelihood of a persisting discount to NAV, which discount would be difficult to overcome without a clearly articulated, compelling investment case.

The Company's investment 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.

The Board believes that the flexibility and liquidity of its capital and the returns offered by the funds' managers serve the broader strategy of the business. Stenprop, albeit a legacy asset, remains a core part of the portfolio. However, during the latter part of the current reporting period, we monetised approximately 21% of this investment to reduce our holding from 5.1% of the issued capital of this entity to 3.8%.

The second leg of the Company's investment strategy entails management actively and closely deploying financial and other resources to a few high conviction financial-market infrastructure and regulation technology investments in which the Company is able to actively engage with management while adding strategic, governance and other value.

Targeted investments are in regulated exchanges, trade repositories, clearing houses, securities depositories and investment and technology platforms within the financial markets sector in general and South Africa in particular.

The Company has four investments in this area, including the 5.47% shareholding acquired in Equity Express Securities Exchange Proprietary Limited ("Equity Express") during the 30 June 2020 financial year. The other investments comprise a 28% holding in Nala A2X Proprietary Limited ("Nala A2X"), 100% of Zarclear Proprietary Limited ("Zarclear Proprietary"), providing infrastructure and regulation technology services to financial services companies, and 60% of Zarclear Securities Lending Proprietary Limited ("Zarclear Securities Lending"). All these businesses have required relatively low initial investments, rely heavily on new technologies and look to exploit the changing regulatory landscape by fulfilling market needs brought about by new legislation.

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

08 March 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Unaudited as at 31 December 2020 R'000s	Unaudited as at 31 December 2019 R'000s	Audited as at 30 June 2020 R'000s
Assets			
<i>Non-current assets</i>	499,444	671,425	535,253
Property, plant and equipment	1,323	1,353	1,482
Intangible assets	–	5,570	–
Goodwill	14,944	14,944	14,944
Financial investments	329,012	523,612	382,202
Investment in associates	150,946	125,653	134,174
Deferred taxation	3,219	294	2,451
<i>Current assets</i>	3,436,268	1,420,636	1,894,386
Financial investments	81,606	113,886	79,371
Trade and other receivables	2,904,556	810,398	1,069,774
Taxation	149	698	149
Cash and cash equivalents	449,957	495,654	745,092
Total assets	3,935,712	2,092,061	2,429,639
Equity and liabilities			
<i>Equity and reserves</i>	1,003,353	1,266,254	1,361,294
Share capital	44,875	474,400	474,400
Foreign currency translation reserve	107,526	32,577	147,728
Accumulated profit	845,262	757,103	734,808
Total attributable to equity holders of the Company	997,663	1,264,080	1,356,936
Non-controlling interests	5,690	2,174	4,358
<i>Non-current liabilities</i>	34,846	12,649	96
Deferred taxation	34,846	12,649	96
<i>Current liabilities</i>	2,897,513	813,158	1,068,249
Taxation payable	512	3,068	604
Trade and other payables	2,897,001	810,090	1,067,645
Total equity and liabilities	3,935,712	2,092,061	2,429,639
NAV (cents per share)	441	559	600

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 6 months ended 31 December 2020

	Unaudited 6 month period to 31 December 2020 R'000s	Unaudited 9 month period to 31 December 2019 R'000s	Audited 15 month period to 30 June 2020 R'000s
Income from portfolio investments	165,194	88,528	68,713
Fee income	19,435	28,987	52,087
Total income	184,629	117,515	120,800
Impairment charges	–	–	(5,863)
Operating expenses	(49,934)	(46,559)	(85,420)
Profit from operations	135,695	70,956	29,517
Net interest received	11,388	11,913	18,149
Interest received	11,390	20,039	29,042
Interest paid	(2)	(8,126)	(10,893)
Profit before taxation	147,083	82,869	47,666
Taxation	(35,297)	(13,165)	1,927
Profit for the period	111,786	69,704	49,593
Items that shall be subsequently classified to profit and loss			
Currency translation differences	(40,202)	(17,663)	97,488
Total comprehensive income for the period	71,584	52,041	147,081
Profit for the period attributable to:			
Equity holders of the Company	110,454	67,925	45,630
Non-controlling interests	1,332	1,779	3,963
	111,786	69,704	49,593
Total comprehensive income for the period attributable to:			
Equity holders of the Company	70,252	50,262	143,118
Non-controlling interests	1,332	1,779	3,963
	71,584	52,041	147,081
Basic and diluted earnings per share (cents)*	48.86	30.05	20.18
Headline earnings per share (cents)*	48.86	30.05	22.78

Based on weighted average of 226 065 696 ordinary shares in issue (30 June 2020: 226 065 696)

* Zarclear has no dilutionary shares in issue.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 6 months ended 31 December 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)	662,248	–	1,101,687
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	689,178	395	1,214,213
Total comprehensive income for the period	–	17,663	67,625	1,779	52,041
Balance at 31 December 2019	474,400	32,557	757,103	2,174	1,266,254
Total comprehensive income for the period	–	115,151	(22,295)	2,184	95,040
Balance at 30 June 2020	474,400	147,728	734,808	4,358	1,361,294
Total comprehensive income for the period	–	(40,202)	110,454	1,332	71,584
Transaction with owners recorded directly in equity:					
Capital reduction distribution	(429,525)	–	–	–	(429,525)
Balance at 31 December 2020	44,875	107,526	845,262	5,690	1,003,353

CONSOLIDATED STATEMENT OF CASH FLOWS

for the 6 months ended 31 December 2020

	Unaudited 6 month period to 31 December 2020 R'000s	Unaudited 9 month period to 31 December 2019 R'000s	Audited 15 month period to 30 June 2020 R'000s
Cash flows from operating activities	137,612	(52,775)	177,055
Cash utilised by operations	(34,528)	(22,348)	(5,636)
Interest received	11,390	20,039	29,042
Interest paid	(2)	(8,126)	(10,893)
Dividend received from equity investment	10,356	12,044	23,705
Investment in financial investments	–	–	(2,669)
Investment in associates	–	(109,555)	(258,591)
Dividend received from capital reduction distribution – associate	–	–	130,719
Proceeds from sale of financial investments	82,707	–	132,804
Proceeds from sale of financial investments (trading activity)	69,097	56,747	101,803
Proceeds from sale of financial investments (redemptions) – Hedge Funds	–	–	39,903
Increase in loan receivables – associates	–	(53)	(76)
Taxation paid	(1,408)	(1,523)	(3,055)
Cash flows from investing activities	–	(3,629)	(4,202)
Acquisition of property, plant, equipment	–	(3,629)	(4,202)
Cash flows from financing activities	(429,525)	–	–
Capital reduction distribution to shareholders	(429,525)	–	–
Net (decrease)/increase in cash and cash equivalents	(291,913)	(56,405)	172,853
Effects of exchange rate changes on cash and cash equivalents	(3,222)	(6,235)	13,945
Cash and cash equivalents at beginning of period	745,092	558,294	558,294
Cash and cash equivalents at end of period	449,957	495,654	745,092

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. High Growth Offshore Segregated Portfolio (formerly SA Alpha Fund)
- c. Rinjani Holdings Limited
- d. African Phoenix Investments Proprietary Limited
- e. Cash

SEGMENTAL INFORMATION

Statement of comprehensive income

	Market infrastructure and regulation technology investments R'000s	Portfolio investments R'000s	Total R'000s
Unaudited 6 month period to 31 December 2020			
Investment income from portfolio activities	–	165,194	165,194
Fee income	19,435	–	19,435
Total income	19,435	165,194	184,629
Operating expenses	(17,412)	(31,364)	(48,776)
Depreciation	(158)	–	(158)
Profit from operations	1,865	133,830	135,695
Net interest received	88	11,300	11,388
Interest received	90	11,300	11,390
Interest paid	(2)	–	(2)
Profit before taxation	1,953	145,130	147,083
Taxation	(547)	(34,750)	(35,297)
Profit for the period	1,406	110,380	111,786
Profit for the period attributable to:			
Equity holders of the Company	74	110,380	110,454
Non-controlling interests	1,332	–	1,332
	1,406	110,380	111,786

SEGMENTAL INFORMATION (CONTINUED)

Statement of financial position

	Market infrastructure and regulation technology investments R'000s	Portfolio investments R'000s	Total R'000s
Unaudited as at 31 December 2020			
Segment assets			
<i>Non-current assets</i>	21,674	477,770	499,444
Property, plant and equipment	1,323	–	1,323
Goodwill	14,944	–	14,944
Financial investments	2,188	326,824	329,012
Investment in associates	–	150,946	150,946
Deferred taxation	3,219	–	3,219
<i>Current assets</i>	2,899,935	536,333	3,436,268
Financial investments	481	81,125	81,606
Trade and other receivables	2,895,357	9,199	2,904,556
Taxation	149	–	149
Cash and cash equivalents	3,948	446,009	449,957
Total assets	2,921,609	1,014,103	3,935,712
Segment liabilities			
<i>Non-current liabilities</i>	–	34,846	34,846
Deferred taxation	–	34,846	34,846
<i>Current liabilities</i>	2,882,474	15,039	2,897,513
Taxation payable	512	–	512
Trade and other payables	2,881,962	15,039	2,897,001
Total liabilities	2,882,474	49,885	2,392,359

SEGMENTAL INFORMATION (CONTINUED)

Statement of financial position

	Market infrastructure and regulation technology investments R'000s	Portfolio investments R'000s	Total R'000s
Unaudited 9 month period to 31 December 2019			
Investment income from portfolio activities	2,191	86,337	88,528
Fee income	28,987	–	28,987
Total income	31,178	86,337	117,515
Operating expenses	(23,802)	(22,611)	(46,413)
Depreciation	(146)	–	(146)
Profit from operations	7,230	63,726	70,956
Net interest received	333	11,580	11,913
Interest received	392	19,647	20,039
Interest paid	(59)	(8,067)	(8,126)
Profit before taxation	7,563	75,306	82,869
Taxation	(1,510)	(11,655)	(13,165)
Profit for the period	6,053	63,651	69,704
Profit for the period attributable to:			
Equity holders of the Company	4,274	63,651	67,925
Non-controlling interests	1,779	–	1,779
	6,053	63,651	69,704

SEGMENTAL INFORMATION (CONTINUED)

Statement of financial position

	Market infrastructure and regulation technology investments R'000s	Portfolio investments R'000s	Total R'000s
Unaudited as at 31 December 2019			
Segment assets			
<i>Non-current assets</i>	22,161	649,265	671,426
Property, plant and equipment	1,353	–	1,353
Intangible assets	5,570	–	5,570
Goodwill	14,944	–	14,944
Financial investments	–	523,612	523,612
Investment in associates	–	125,653	125,653
Deferred taxation	294	–	294
<i>Current assets</i>	1,294,926	125,710	1,420,636
Financial investments	–	113,886	133,886
Trade and other receivables	809,340	1,058	810,398
Taxation	199	499	698
Cash and cash equivalents	485,387	10,267	495,654
Total assets	1,317,087	774,975	2,092,062
Segment liabilities			
<i>Non-current liabilities</i>	–	12,649	12,649
Deferred taxation	–	12,649	12,649
<i>Current liabilities</i>	806,028	7,130	813,158
Taxation payable	550	2,518	3,068
Trade and other payables	805,478	4,612	810,090
Total liabilities	806,028	19,799	825,807

SEGMENTAL INFORMATION (CONTINUED)

Statement of comprehensive income

	Market infrastructure and regulation technology investments R'000s	Portfolio investments R'000s	Total R'000s
Audited 15 month period ended 30 June 2020			
Investment income from portfolio activities	(28,565)	97,278	68,713
Fee income	52,087	–	52,087
Total income	23,522	97,278	120,800
Impairment charges	(5,863)	–	(5,863)
Operating expenses	(41,073)	(44,050)	(85,123)
Depreciation	(297)	–	(297)
(Loss)/Profit from operations	(23,711)	53,228	29,517
Net interest received	443	17,706	18,149
Interest received	596	28,446	29,042
Interest paid	(153)	(10,740)	(10,893)
(Loss)/Profit before taxation	(23,269)	70,934	47,666
Taxation	(1,489)	3,416	1,927
(Loss)/Profit for the period	(24,757)	74,350	49,593
(Loss)/Profit for the period attributable to:			
Equity holders of the Company	(28,720)	74,350	45,630
Non-controlling interests	3,963	–	3,963
	(24,757)	74,350	49,593

SEGMENTAL INFORMATION (CONTINUED)

Statement of financial position

	Market infrastructure and regulation technology investments R'000s	Portfolio investments R'000s	Total R'000s
Audited as at 30 June 2020			
Segment assets			
<i>Non-current assets</i>	21,065	514,188	535,253
Property, plant and equipment	1,482	–	1,482
Goodwill	14,944	–	14,944
Financial investments	2,188	380,014	382,202
Investment in associates	–	134,174	134,174
Deferred taxation	2,451	–	2,451
<i>Current assets</i>	1,071,813	822,574	1,894,387
Financial investments	481	78,890	79,371
Trade and other receivables	1,064,216	5,559	1,069,775
Taxation	149	–	149
Cash and cash equivalents	6,967	738,125	745,092
Total assets	1,092,878	1,336,762	2,429,640
Segment liabilities			
<i>Non-current liabilities</i>	–	96	96
Deferred taxation	–	96	96
<i>Current liabilities</i>	1,055,151	13,099	1,068,250
Taxation payable	604	–	604
Trade and other payables	1,054,547	13,099	1,067,646
Total liabilities	1,055,151	13,195	1,068,346

BASIS OF PREPARATION

The condensed consolidated 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 condensed 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 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 15-month period ended 30 June 2020. 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.

There are no new or amended standards that are relevant or applicable to the Group that required new adoption in the current financial year.

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

In November 2020, the Group, through its 100% holding in SCIL sold 21% (3,093,744 shares) of the holding in Stenprop shares for a total consideration of R82,7 million, bringing the current holding to 3.81% of the issued share capital of Stenprop.

INVESTMENT IN ASSOCIATES

	31 December 2020 R'000s	31 December 2019 R'000s	30 June 2020 R'000s
Nala A2X Proprietary Limited – preference shares (100%)	–	25,142	–
Nala A2X Proprietary Limited – loan account	–	140	–
Nala A2X Proprietary Limited – preference dividends capitalised	–	5,474	–
Nala Empowerment Proprietary Limited – loan account	–	5	–
African Phoenix Investments Proprietary Limited – ordinary shares	150,946	94,892	134,174
	150,946	125,653	134,174

INCOME

	Unaudited 6 month period to 31 December 2020 R'000s	Unaudited 9 month period to 31 December 2019 R'000s	Audited 15 month period to 30 June 2020 R'000s
Investment income:			
Dividend income – listed equity	10,356	12,044	23,704
Dividend income – unlisted preference shares	–	2,191	–
Investment returns – hedge funds	8,430	(1,557)	(1,199)
Investment returns – directly managed investment account	75,638	(2,729)	31,493
Fair value adjustments – private equity	1,380	4,163	5,691
Fair value adjustments – listed equity	52,618	81,014	(14,777)
Net fair value adjustment – unlisted associate	16,772	(6,598)	6,302
Fair value adjustment – unlisted associate	16,772	6,598	(124,417)
Dividend income – associate – capital reduction distribution	–	–	130,719
Realised gain on foreign currency translation	–	–	46,092
Impairment of loan to associate	–	–	(28,593)
Subtotal: Investment income	165,194	88,528	68,713
Fee income	19,435	28,987	52,087
Total income	184,629	117,515	120,800

TAXATION

	31 December 2020 R'000s	31 December 2019 R'000s	30 June 2020 R'000s
South African normal taxation			
• Current year	(1,315)	(4,274)	(3,892)
Deferred taxation	(33,982)	(8,891)	5,819
• Current year (SA)	(20,396)	10,734	11,331
• Current year (Foreign CFC)	(13,586)	(18,085)	(3,902)
• Prior year under provision (SA and CFC)	–	(1,540)	(1,610)
	35,297	(13,165)	1,927

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 December 2020 R'000s	31 December 2019 R'000s	30 June 2020 R'000s
Bank balances denominated in South African Rand	421,665	244,635	716,444
Bank balances denominated in US\$, GBP and EUR	28,292	251,019	28,648
	449,957	495,654	745,092

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 December 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	308,577	–	–	308,577
Listed equities, fixed income and other instruments	24,281	–	–	24,281
Private equity investments	–	18,246	2,670	20,916
Hedge-fund investments	–	56,844	–	56,844
Investment in associates	–	150,946	–	150,946
Total financial assets carried at fair value	332,858	226,036	2,670	561,564

FAIR VALUE HIERARCHY (CONTINUED)

The following table presents the Group's financial instruments that are measured at fair value as at 31 December 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	502,774	–	–	502,774
Listed equities, fixed income and other instruments	22,098	–	–	22,098
Private equity investments	–	20,838	1	20,839
Hedge-fund investments	–	91,786	–	91,786
Investment in associates	242,764	–	25,142	267,906
Total financial assets carried at fair value	767,636	112,624	25,143	905,403

The following table presents the Group's financial instruments that are measured at fair value as at 30 June 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	361,938	–	–	361,938
Listed equities, fixed income and other instruments	17,975	–	–	17,975
Private equity investments	–	18,076	2,669	20,745
Hedge-fund investments	–	60,915	–	60,915
Investment in associates	–	134,174	–	134,174
Total financial assets carried at fair value	379,913	213,165	2,669	595,747

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

	R'000
Value of level 3 category assets at 31 December 2019	25,143
Impairment of investment Nala A2X	(25,142)
Acquisition of unlisted investment – Catalyst preference shares	481
Acquisition of unlisted investment – Equities Express	2,188
Value of level 3 category assets at 31 December 2020	2,670

The assets categorised in level 3 are effectively valued at cost, which is determined to be fair value.

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.	R171,8 million	
(30 June 2020 R154,9 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	R16 thousand (30 June 2020 R12 thousand)	Recurring

RELATED-PARTY BALANCES AND TRANSACTIONS

Transactions with Peresec Prime Brokers Proprietary Limited (Peresec Prime Brokers)

Post the conclusion of the general offer, the shareholders of Zarclear and Peresec Prime Brokers are similar. Peresec Prime Brokers is a financial services firm which provides a range of trading, custodial and prime broking services. The Group utilises the services of Peresec Prime Brokers in relation to its ongoing investment portfolio operations and is also a client/service provider to Peresec Prime Brokers as part of its market infrastructure and regulatory technology services.

CAPITAL COMMITMENTS AND GUARANTEES.

Zarclear Holdings Limited has issued guarantees to certain lenders of scrip as a result of the securities lending activities undertaken by Zarclear Securities Lending. The guaranteed obligations are for all existing and future obligations arising under and in terms of the Global Master Securities Lending Agreement ("GMSLA") entered into between Zarclear Securities Lending and the lenders.

Zarclear Securities Lending's borrowers are required to provide sufficient collateral in relation to their scrip loans and Zarclear Securities Lending provides collateral to their lenders to ensure that their obligations can be met in the event that the borrower is unable to return borrowed securities. The value of the collateral provided always exceeds the value of the scrip loan. At 31 December 2020, Zarclear Securities Lending assumes credit risk to the extent that the collateral provided R11 794 481 thousand (30 June 2020: R8 356 807 thousand) exceeds the loan book value R8 714 297 thousand (30 June 2020: R7 391 029 thousand).

As a result of this practice, the obligations of Zarclear Securities Lending are adequately secured as part of the collateral management process that is in place and the likelihood of Zarclear Holdings Limited having to act on the guarantee provided is extremely remote.

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, supported by strong cash reserves and the ability to take advantage of investing opportunities as they arise.

SCHEDULE OF INVESTMENTS

Investment	Proportion owned	Fair Value 31 December 2020 R'000	Fair Value 31 December 2019 R'000	Fair Value 30 June 2020 R'000
Listed equities				
Stenprop Limited (£)	3.81%	308,577	502,774	361,938
Private equities				
African Phoenix Investments Proprietary Limited	23.50%	150,946	242,764	134,174
Rinjani Holdings Limited (£/€)	79.4%	18,246	20,838	18,075
Nala A2X Proprietary Limited	28%	–	25,142	–
Nala Empowerment Investment Company Proprietary Limited	30%	–	–	–
Equity Express Securities Exchange Proprietary Limited	5.47%	2,188	–	2,188
Firefly Investments 61	50%	1	1	1
Catalyst Advisory Propriety Limited (Pref shares)	n/a	481	–	481
Listed equities, fixed income and other instruments				
Directly managed portfolio	100%	24,281	22,100	17,975
Hedge-funds				
Peregrine Capital Flexible Opp H4 QI HF Class A	0%	–	44,826	–
Peregrine Capital High Growth Offshore Segregated Portfolio (US\$)	6.97%	56,845	46,826	60,915