ZARCLEAR HOLDINGS LIMITED

AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 12 MONTHS ENDED 30 JUNE 2021

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Prepared under the supervision of AJ Hannington (CA) SA, Group Chief Financial Officer

DIRECTORS’ RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the audited consolidated and separate financial statements and related financial information included in this report. It is their responsibility to ensure that the audited consolidated and separate financial statements fairly present the state of affairs of the group and company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the audited consolidated and separate financial statements.

The audited consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and company and all employees are required to maintain the highest ethical standards in ensuring the group and company’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group and company is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group and company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited consolidated and separate financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group and company’s cash flow forecast for the year to 30 June 2022 and, in light of this review and the current financial position, they are satisfied that the group and company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group and company’s financial statements. The financial statements have been examined by the group and company’s external auditors and their report is presented on pages 11 to 14.

The directors, whose names are stated below, hereby confirm that:

a) The annual financial statements set out on pages 15 to 62, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

b) No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

c) Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

d) The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal controls and any fraud that involves directors, and have taken the necessary remedial action.

The audited consolidated and separate financial statements set out on pages 15 to 62, which have been prepared on the going concern basis were approved by the board of directors on 2 September 2021 and were signed on their behalf by:

Approval of annual financial statements

The audited consolidated and separate financial statements of Zarclear Holdings Limited, as identified in the first paragraph, were approved by the board of directors on 2 September 2021 and signed by:

Warren Chapman	**Andrew Hannington**
Chief Executive Officer	*Chief Financial Officer*

Sandton
2 September 2021

DECLARATION BY THE COMPANY SECRETARY

Declaration

In accordance with the provisions of section 88(2)(e) of the South African Companies Act 71 of 2008. I certify that for the period ended 30 June 2021 the Company has lodged with the Registrar of Companies all such returns as are required of a company in terms of the Act, and that all such returns are true, correct and up to date.

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

Sandton
2 September 2021

DIRECTORS' REPORT for the 12 months ended 30 June 2021

Overall performance summary

The directors present their report which forms part of the consolidated and separate financial statements for the 12-month period ended 30 June 2021. The financial statements set out fully the financial position, results of operations and cash flows for the Company and the Group ("Zarclear") for the financial period ended 30 June 2021. The financial statements have been prepared under the supervision of AJ Hannington CA (SA), the Group Chief Financial Officer.

Management and the board continued to focus on generating growth in net asset value ("NAV") per share. As such, NAV per share remained the Company's overarching key performance indicator and NAV per share is used as the measure of financial results for trading-statement purposes.

At 474 cents per share ("cps"), NAV reflected a decrease of 21.0% 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 10.7% 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 11.4% at 30 June 2021. 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 30 June 2021, cash and cash equivalents amounted to R541 million (30 June 2020: R745 million). The decrease was driven directly as a result of the capital reduction distribution, which was offset to a large extent by positive 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. The board has every confidence that the Company's investment strategy will utilise excess cash resources, to the benefit of shareholders.

Financial results

The Group's results for the financial year were favourably impacted by the performance of the hedge funds which generated positive returns as we were able to take advantage of the volatility in the market as well as the buoyant equity market.
The Group's exposure to the major world currencies has increased in the current year from 37% of NAV to 45%, driven by the capital reduction distribution which reduced the overall NAV with the resultant significant ZAR cash outflow. Performance and closing valuations were impacted by a strengthening in Rand exchange rates against the major world currencies (GBP, EURO or USD), against which the Rand strengthened over the course of the year by 7.4%, 12.7% and 17.5% respectively (2020 weakened by: 13.2%, 19.8% and 19.7%).

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

Note that results for the 2021 financial year span a period of 12 months compared to 15 months for the 2020 financial year arising from the change in financial year end in the prior reporting period.

Salient financial highlights for the year ended and as at 30 June 2021 are:

- NAV per share at 30 June 2021 of 474 cps (30 June 2020: 600 cps), a decrease of 21.0% over the year. Excluding intangible assets, NAV decreased by 21.2% to 468 cps over the same measure at the end of the 2020 financial year.
- 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 10.7% since 30 June 2020.
- NAV per share at 30 June 2021 of GBP 23.97 pence per share (pps) (30 June 2020: GBP 28.09 pps), a decrease of 14.7%, driven by the capital reduction distribution and the strengthening of the Rand against the major world currencies, but underlining the Rand hedge strength of the Company's share.
- Investment gains of R289,8 million (2020: R68,7 million) together with R35,5 million (2020: R52,1million) revenue from the market infrastructure and regulation technology investments.
- Impairment of investment in and loans to Nala Empowerment – R1,5 million (2020: R28,6 million).
- Operating expenses of R92,5 million, including R43,0 million performance fees and expenses related to the directly managed fund as well as R33,3 million operating expenses from the market infrastructure and regulation technology segment. 2020 reported operating expenses of R85,4 million, including R30,7 million performance fees and expenses related to the directly managed fund as well as R41,1 million operating expenses from the market infrastructure and regulation technology segment.
- Operating profits of R232,8 million, after impairments of R7,3 million (2020: R29,5 million, after impairments of R34,4 million).
- Basic profits attributable to ordinary shareholders of R188,7 million (2020: R45.6 million).
- A significant portion of the Group's operating profits relate to unrealised gains on the listed and unlisted investments as well as hedge funds and directly managed funds in which the Group remains invested.

DIRECTORS' REPORT for the 12 months ended 30 June 2021
continued

Acquisitions

No significant acquisitions were made during the year.

By agreement with Nala Empowerment Investment Company Holdings Proprietary Limited ("NEICH"), the 70% shareholder in Nala CILCo, who repurchased from Zarclear, Zarclear's 30% shareholding in Nala CILCO in exchange for Nala CILCo's 72% shareholding in Nala A2X, resulting in Zarclear being the sole shareholder of Nala A2X.

Disposals

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

- In November 2020, and March 2021 the Group, through its 100% holding in SCIL sold 3,093,744 and 1,384,703 shares of the holding in Stenprop for a total consideration of R123,2 million bringing the current holding to circa 3.35% of the issued share capital of Stenprop.
- Effective 1 February 2021, Zarclear reached agreement with Nala Empowerment Investment Company Holdings Proprietary Limited, the 70% shareholder in Nala Empowerment Investment Company Proprietary Limited ("Nala CILCo") to the effect that Nala CILCo repurchased from Zarclear, Zarclear's 30% shareholding in Nala CILCO in exchange for Nala CILCo's 72% shareholding in Nala A2X, and subsequently sold all its claims by way of loan account against Nala CILCo to NEICH for R1.

Share capital

Authorised shares

As at 30 June 2021 the authorised share capital of the Company comprised 500,000,000 (2020: 500,000,000) ordinary shares of no par value.

Issued shares

As at 30 June 2021 the issued share capital of the Company comprised 226,065,696 (2020: 226,065,696) ordinary shares of no par value.

Unissued shares

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

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

Dividends

The Company did not declare nor pay any dividends (2020: Nil) in respect of the current financial period. Whilst the intention remains to reinvest income derived from investments into new investment opportunities, the Board will keep all options with regards to dividends as it assesses its available cash resources, investment opportunities, the cost of being listed, the company's share liquidity and the market capitalisation discount to its NAV.

Directorate

The directors in office at the date of this report are as follows:

Directors		
W Chapman	Chief Executive Officer	Executive
P Baloyi		Non-executive*
A Munro-Smith		Executive
F Vawda		Non-executive*
A Hannington	Chief Financial Officer	Executive
Z Matthews		Non-executive*

*Independent

There have been no changes to the directorate for the year under review.

Directors' interests in shares

As at 30 June 2021, the current directors held in aggregate 110,080,919 Zarclear shares (2020: 76,590,688), representing 48.7% (2020: 33.9%) of the issued share capital of the Company.

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

Interests in shares

Directors	2021 Direct	2020 Direct	2021 Indirect	2020 Indirect	2021 Total	2020 Total
W Chapman	**–**	–	**101,376,810**	73,412,917	**101,376,810**	73,412,917
P Baloyi	**–**	–	**2,845,947**	1,023,198	**2,845,947**	1,023,198
F Vawda	**–**	–	**5,857,298**	2,153,709	**5,857,298**	2,153,709
A Hannington	**864**	864	**–**	–	**864**	864
	864	864	**110,080,055**	76,589,824	**110,080,919**	76,590,688

Subsidiaries

The Group has three operating subsidiaries, namely:

- Sandown Capital International Limited, a wholly-owned investment holding Company registered and operating in Guernsey.
- Peresec Technology Solutions Proprietary Limited, a wholly-owned operating company registered in South Africa.
- Zarclear Securities Lending (RF) Proprietary Limited an operating subsidiary in which the Group had a 60% interest which is registered in South Africa.
- African Phoenix A2X Proprietary Limited (formerly Nala A2X Proprietary Limited), which is now a wholly owned subsidiary registered in South Africa. Prior to 1 Feb 2021, this entity was an associate in which Zarclear held 28%.

Portfolio investments in which the Group has a majority non-controlling interest – currently Rinjani– are fair value accounted as financial investments, through profit and loss designated at inception.

The aggregate profits after taxation attributable to Group companies amounted to R117,4 million (2020: profit of R71,5 million).

Borrowing powers

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

Events subsequent to reporting date and going concern

The directors are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the consolidated and separate financial statements, which could significantly affect the financial position of the Group and Company or the results of its operations. The directors gave consideration to the impact of the proposed repurchase offer and delisting, as detailed below, and concluded that this had no material impact on the Group and Company 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 and Company 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.

Compliance with applicable laws

Zarclear has complied with the Companies Act, particularly with reference to the incorporation provisions as set out in the Companies Act and has operated in conformity with Zarclear's Memorandum of Incorporation during the period under review.

Independent auditor

BDO South Africa Incorporated will continue in office in accordance with the provisions of the Companies Act, subject to the approval of shareholders at the upcoming annual general meeting.

DIRECTORS' REPORT for the 12 months ended 30 June 2021
continued

The financial statements for the year ended 30 June 2021 have been audited by BDO South Africa Inc., who issued an unmodified audit opinion on the financial statements. The full audit report may be requested by emailing Zarclear at mandym@zarclear.com.

Secretary

The Company Secretary is CIS Company Secretaries Proprietary Limited.

Investment strategy

Zarclear's current investment strategy remain 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 current period has seen reduced corporate activity with some further divestment of holdings in Stenprop and a restructuring of holdings in the "Nala" entities, Nala A2X and Nala Empowerment Investment Company ("Nala CILCo"). In addition, focus was maintained on extracting opportunities from our trading portfolio within the directly managed portfolio managed by Peregrine Capital, which performed particularly well in the current volatile environment.

Stenprop, albeit a legacy asset, remains a core part of the portfolio. However, during the current financial year, we continued to monetise a portion of the shareholding. In November 2020 and March 2021, the Group, through its 100% holding in Sandown Capital International Limited ("SCIL") sold 3,093,744 and 1,384,703 shares of the holding in Stenprop shares for a total consideration of R123,2 million, bringing the current holding to 10,000,000 shares (2020: 14,487,447 shares) and now representing circa 3.35% (2020: 5.1%) of the outstanding shares in issue.

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.

Effective 1 February 2021, Zarclear reached agreement with Nala Empowerment Investment Company Holdings Proprietary Limited ("NEICH"), the 70% shareholder in Nala CILCo to the effect that Nala CILCo repurchased from Zarclear, Zarclear's 30% shareholding in Nala CILCO in exchange for Nala CILCo's 72% shareholding in Nala A2X, resulting in NEICH now being the sole shareholder of Nala CILCo and Zarclear being the sole shareholder of Nala A2X. Subsequent to the transactions detailed above, Nala A2X changed its name to African Phoenix A2X Proprietary Limited.

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 with 5.47% shareholding acquired in Equity Express Securities Exchange Proprietary Limited ("Equity Express") in 2020. The other investment comprising the aforementioned 100% holding in African Phoenix A2X Proprietary Limited ("AP A2X"), 100% of Peresec Technology Solutions Proprietary Limited ("PTS") (formerly Zarclear Proprietary Limited), providing infrastructure and regulation technology services to financial services companies, and 60% of Zarclear Securities Lending Proprietary Limited ("Zarclear Securities Lending"). All 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.

Corporate activity update

On 31 August 2020, shareholders were advised that despite the withdrawal of the delisting offer made on 5 August 2020, Legae Peresec Capital expressed its desire to the Board to further increase its strategic holding in the Company and informed the Board that Legae Peresec Capital would proceed with a general offer at an offer price of R4.40 per Zarclear share. Although the offer price was below the bottom end of the Independent Expert's fair value range, the Offeror was of the view that the general offer still presented those shareholders who wished to monetise their shareholding with an opportunity to do so at a price that reflected a meaningful premium to the recently traded price of Zarclear shares at the time.

DIRECTORS' REPORT for the 12 months ended 30 June 2021
continued

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.

On 4 August 2021, shareholders were advised that the board of directors of Zarclear had resolved that, subject to securing the requisite approval from its shareholders in a general meeting and the JSE and A2X approving the Company's delisting application, 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 the A2X Listings Requirements (the "delisting").

In compliance with the JSE Listings Requirements and the A2X Listings Requirements, the delisting must be accompanied by an offer (that an independent expert has confirmed to be fair to shareholders) which is to be made to holders of all Zarclear's listed securities.

As such, subject to the delisting being approved in accordance with all regulatory requirements, Zarclear has issued a circular on 26 August 2021 wherein Zarclear makes an offer to all of its shareholders in terms of section 5.67(B) of the JSE Listings Requirements to voluntarily tender for repurchase all, or only a portion, of their existing shareholding in the Company at an offer price of R4.60 per share (the "share repurchase offer consideration"), in compliance with the relevant provisions of the Companies Act 71 of 2008, the Takeover Regulations promulgated thereunder, the JSE Listings Requirements and the A2X Listings Requirements (the "share repurchase offer").

The delisting and share repurchase offer will be implemented on the basis that shareholders are afforded an opportunity to either monetise their investment in Zarclear at a fair price or to continue to hold shares in Zarclear in an unlisted environment. All shareholders will be entitled to elect to remain invested in Zarclear and any shareholder who does not wish to accept the share repurchase offer may retain its shareholding in Zarclear post the delisting.

AUDIT AND RISK COMMITTEE REPORT

for the 12 months ended 30 June 2021

1. MEMBERS OF THE AUDIT COMMITTEE

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

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

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

2. RESPONSIBILITIES OF THE AUDIT COMMITTEE

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

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

In accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements, the committee has assessed the suitability of the appointment of the external auditor and the designated audit partner.

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

The committee considered, and adopted, an enterprise risk management framework aligned to the COSO enterprise risk management 2017 framework. In addition, it approved an own risk and liquidity assessment compiled by management.

The committee has further considered, and is satisfied with, the expertise and experience of the chief financial officer, Andrew Hannington, and that of the finance function.

The committee also undertook a self-assessment of its effectiveness.

AUDIT AND RISK COMMITTEE REPORT

for the 12 months ended 30 June 2021

continued

3. EXTERNAL AUDITOR

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

The committee has considered and is satisfied that the tenure of the external auditor has not compromised their independence and that no change be recommended, particularly considering their recent appointment.

Following a review of the consolidated and separate financial statements, the committee is of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act of South Africa and IFRS, the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the JSE Listings Requirements, and that they fairly present in all material respects, the results of operations, cash flows and financial position of the Company and the Group for the year-ended 30 June 2021.

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

On behalf of the audit committee

F Vawda
Chairman Audit Committee

Sandton

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ZARCLEAR HOLDINGS LIMITED

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Zarclear Holdings Limited (the group and company) set out on pages 15 to 62, which comprise the consolidated and separate statements of financial position as at 30 June 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Zarclear Holdings Limited as at 30 June 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters in respect of the separate financial statements. The following key audit matter relates to the consolidated financial statements only.

Key audit matter	How our audit addressed the key audit matter
Valuation of financial investments and investment in associate (consolidated financial statements)	
The group's financial investments represent approximately 28% of the group's consolidated total assets and are accounted for at fair value through profit and loss. We considered the valuation of financial investments and the valuation of group's investment in its unlisted associate to be a matter of most significance in our audit of the consolidated financial statements for the year-end, due to the following reasons: • The significance of the financial investments balance of R419 million, comprising listed investments of R298 million and unlisted investments of R121 million, and the significance of the unlisted investment in associate of R167 million, in relation to the group's consolidated assets; • The significant judgment and estimation uncertainty in respect of the valuation of the unlisted investments; and • The allocation of audit effort to these account balances is significant in relation to the overall audit.	We have performed the following audit procedures, amongst others: • Obtained a schedule of the underlying investment valuations making up the total amount of investments and related returns. We agreed the schedule to the amounts recognised in the consolidated financial statements and tested the mathematical accuracy of the schedule; • Obtained third-party statements from the administrators for each of the hedge fund investments, and compared the fair value reflected on the statements to the client's schedule of financial investments. • Obtained the assurance report issued by a professional accountant on the design, implementation and operating effectiveness of the controls at the investment administrator responsible for the offshore hedge fund investments. The professional accountant's engagement was performed in terms of ISAE 3402 Assurance Reports on Controls at Service Organisations. We inspected the scope of the service auditor's engagement and its findings in order to assess its sufficiency and appropriateness of controls with respect to the valuation of the investments. • For the discretionary hedge fund that is managed by Peregrine Capital, a sample of underlying investments was selected in order to verify the quantities to broker notes, and to agree the values to the JSE Limited closing prices at the year-end. • Agreed listed securities to broker notes and published market values. We also recalculated the fair value adjustments and compared the recalculated amounts to the group's schedule of financial investments; • Agreed the cash held in the directly managed fund to underlying statements at the year-end. • Agreed the right and title to unlisted and private equity investments to the relevant share certificates and agreed the fair value included to the consolidated financial statements to the underlying valuation models prepared by management. The assumptions applied to the fair value of the unlisted investments was assessed for reasonableness. • The fair value of the unlisted investment in associate was based on the adjusted net asset value of this entity. As an investment holding company net asset value is deemed the appropriate fair value. The determination of the adjusted net asset value was assessed through the evaluation of the reasonability and completeness of the components that make up the adjusted net asset value, taking into account the fair values of listed equities, cash and cash equivalents, fair value and completeness of liabilities and reasonability of assumptions applied to value unlisted investments. • Evaluated the adequacy of disclosures against the requirements of International Financial Reporting Standard (IFRS) 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments Classification and IFRS 13 Fair Value Measurement (refer notes 8;9; 28 and 29).

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Zarclear Holdings Limited Annual Financial Statements for the year ended 30 June 2021", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Zarclear Holdings Limited for 3 years.

BDO South Africa Incorporated

BDO South Africa Incorporated
Registered Auditors

Soné Jeanette Kock
Director
Registered Auditor

2 September 2021

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

STATEMENTS OF FINANCIAL POSITION as at 30 June 2021

	Notes	Group 2021 R'000s	Group 2020 R'000s	Company 2021 R'000s	Company 2020 R'000s
Assets					
Non-Current Assets		**517,214**	535,253	**260,375**	226,831
Plant and equipment	4	**1,235**	1,482	**–**	–
Goodwill	5	**14,944**	14,944	**–**	–
Investments in subsidiaries	7	**–**	–	**90,468**	90,468
Investments in associates	8	**167,718**	134,174	**167,718**	134,174
Financial investments	9	**329,317**	382,202	**2,189**	2,189
Deferred tax	10	**4,000**	2,451	**–**	–
Current Assets		**969,669**	1,894,386	**486,379**	605,050
Trade and other receivables	11	**338,977**	1,069,774	**1,269**	5,559
Financial investments	9	**89,130**	79,371	**30,570**	17,975
Current tax receivable		**149**	149	**–**	–
Cash and cash equivalents	12	**541,413**	745,092	**454,540**	581,516
Total Assets		**1,486,883**	2,429,639	**746,754**	831,881
Equity and Liabilities					
Equity					
Equity and reserves		**1,078,683**	1,361,294	**644,230**	788,193
Share capital	13	**44,875**	474,400	**44,875**	474,400
Reserves		**103,657**	147,728	**–**	640
Retained income		**923,535**	734,808	**599,355**	313,153
Total attributable to equity holders of the company		**1,072,067**	1,356,936	**644,230**	788,193
Non-controlling interest		**6,616**	4,358	**–**	–
Non-Current Liabilities					
Deferred tax	10	**57,920**	96	**57,920**	96
Current Liabilities		**350,280**	1,068,249	**44,604**	43,592
Trade and other payables	15	**350,176**	1,067,645	**13,632**	13,100
Inter-company balances	14	**–**	–	**30,972**	30,492
Current tax payable		**104**	604	**–**	–
Total Liabilities		**408,200**	1,068,345	**102,524**	43,688
Total Equity and Liabilities		**1,486,883**	2,429,639	**746,754**	831,881

STATEMENTS OF COMPREHENSIVE INCOME for the 12 months ended 30 June 2021

	Notes	Group 2021 R'000s	Group 2020* R'000s	Company 2021 R'000s	Company 2020* R'000s
Investment income	16	**289,831**	68,713	**388,079**	245,249
Fee income	16	**35,476**	52,087	**–**	–
Total Income	16	**325,307**	120,800	**388,079**	245,249
Impairment charges		**–**	(5,863)	**–**	–
Operating expenses		**(92,496)**	(85,420)	**(58,130)**	(43,331)
Operating profit	17	**232,811**	29,517	**329,949**	201,918
Interest received	18	**16,573**	29,042	**14,077**	25,442
Interest paid	19	**(2)**	(10,893)	**–**	(10,740)
Profit before taxation		**249,382**	47,666	**344,026**	216,620
Taxation	20	**(58,398)**	1,927	**(57,824)**	3,416
Profit for the year/period		**190,984**	49,593	**286,202**	220,036
Other comprehensive income:					
Items that will be subsequently reclassified to profit or loss:					
Currency translation differences		**(44,071)**	97,488	**(640)**	640
Other comprehensive income for the year/period net of taxation		**(44,071)**	97,488	**(640)**	640
Total comprehensive income for the year/period		**146,913**	147,081	**285,562**	220,676
Profit attributable to:					
Equity holders of the company		**188,727**	45,630	**286,202**	220,036
Non-controlling interest		**2,257**	3,963	**–**	–
		190,984	49,593	**286,202**	220,036
Total comprehensive income attributable to:					
Equity holders of the company		**144,656**	143,118	**285,562**	220,676
Non-controlling interest		**2,257**	3,963	**–**	–
		146,913	147,081	**285,562**	220,676
Basic and diluted earnings per share (cents)	24	**83,48**	20,18		
Headline and diluted headline earnings per share (cents)	24	**83,48**	22,78		

** Fifteen months*

STATEMENTS OF CHANGES IN EQUITY for the 12 months ended 30 June 2021

Group	Share capital R'000	Foreign currency translation reserve R'000	Retained income R'000	Total attributable to equity holders of the group/ company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 31 March 2019	474,400	50,240	689,178	1,213,818	395	1,214,213
Total comprehensive income for 15 months	–	97,488	45,630	143,118	3,963	147,081
Total comprehensive income for the period	–	97,488	45,630	143,118	3,963	147,081
Balance at 30 June 2020	474,400	147,728	734,808	1,356,936	4,358	1,361,294
Total comprehensive income for the year	–	(44,071)	188,727	144,656	2,258	146,914
Total comprehensive income for the year	–	(44,071)	188,727	144,656	2,258	146,914
Capital reduction distribution to shareholders	(429,525)	–	–	(429,525)	–	(429,525)
Total contributions by and distributions to owners of company recognised directly in equity	(429,525)	–	–	(429,525)	–	(429,525)
Balance at 30 June 2021	**44,875**	**103,657**	**923,535**	**1,072,067**	**6,616**	**1,078,683**
Notes	13					
Company						
Balance at 31 March 2019	474,400	–	93,116	567,516	–	567,516
Total comprehensive income for 15 months	–	640	220,036	220,676	–	220,676
Total comprehensive income for the period	**–**	**640**	**220,036**	**220,676**	**–**	**220,676**
Balance at 30 June 2020	**474,400**	**640**	**313,153**	**788,193**	**–**	**788,193**
Total comprehensive income for the year	–	(640)	286,202	285,562	–	285,562
Total comprehensive income for the year	**–**	**(640)**	**286,202**	**285,562**	**–**	**285,562**
Capital reduction distribution to shareholders	(429,525)	–	–	(429,525)	–	(429,525)
Total contributions by and distributions to owners of company recognised directly in equity	**(429,525)**	**–**	**–**	**(429,525)**	**–**	**(429,525)**
Balance at 30 June 2021	**44,875**	**–**	**599,355**	**644,230**	**–**	**644,230**
Notes	13					

STATEMENT OF CASH FLOWS for the 12 months ended 30 June 2021

	Notes	Group		Company	
		2021 R'000s	**2020* R'000s**	**2021 R'000s**	**2020* R'000s**
Cash flows from operating activities					
Cash utilised in operations	21	**(50,176)**	(5,636)	**(60,110)**	(55,885)
Interest income		**16,573**	29,042	**14,077**	25,442
Dividends received from subsidiaries		**–**	–	**212,639**	241,969
Dividends received from investments		**18,521**	23,705	**2,222**	505
Dividends received capital reduction distribution – associate		**–**	130,719	**–**	130,719
Interest paid		**(2)**	(10,893)	**–**	(10,740)
Taxation (paid)/refund received	22	**(2,623)**	(3,055)	**–**	500
Investment in financial investments		**–**	(2,669)	**–**	(2,188)
Investment in associates		**–**	(258,591)	**–**	(258,591)
Proceeds from sale of financial investments		**123,169**	132,803	**–**	–
Proceeds from sale of financial investments (trading activities)		**135,221**	101,803	**135,221**	101,803
Proceeds from sale of financial investments – Hedge Funds		**–**	39,903	**–**	39,903
Increase in loan receivable – associates		**(7,376)**	(76)	**(1,500)**	(76)
Net cash from operating activities		**233,307**	177,055	**302,549**	213,361
Cash flows (utilised in)/from investing activities					
Purchase of plant and equipment and intangible assets	4	**(70)**	(4,202)	**–**	–
Divestment in subsidiaries		**–**	–	**–**	66,544
Net cash (utilised in)/from investing activities		**(70)**	(4,202)	**–**	66,544
Cash flows utilised in financing activities					
Capital reduction distribution to shareholders	13	**(429,525)**	–	**(429,525)**	–
Advances made to inter-company		**–**	–	**–**	(134)
Net cash utilised in financing activities		**(429,525)**	–	**(429,525)**	(134)
Total cash and cash equivalents movement for the year/period		**(196,288)**	172,853	**(126,976)**	279,773
Cash and cash equivalents at the beginning of the year/period		**745,092**	558,294	**581,516**	301,743
Effect of exchange rate movement on cash balances		**(7,391)**	13,945	**–**	–
Total cash and cash equivalents at end of the year/period	12	**541,413**	745,092	**454,540**	581,516

** Fifteen months*

ACCOUNTING POLICIES

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements incorporate the following principal accounting policies for the consolidated and separate financial statements of Zarclear Holdings Limited, which are consistent with those applied in the previous year. All relevant IFRS standards and interpretations effective 30 June 2021 have been applied in the preparation of these financial statements.

1.1 BASIS OF PREPARATION

These financial statements are prepared in accordance with, and comply with, IFRS and Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the JSE Listings Requirements. These financial statements are prepared in accordance with the going concern principle under the historical cost basis, other than financial assets measured at fair value through profit or loss.

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 and company's accounting policies. The areas involving a high degree of judgement or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1.4.

In January 2020 shareholders were advised that Zarclear had changed its financial year from 31 March to 30 June. Hence the 2020 reporting period was for the 15 months ended 30 June 2020, whilst the current reported year is for 12 months ended 30 June 2021 and are therefore not directly comparable.

1.2 CONSOLIDATION

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

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

With respect to subsidiaries that either provide administrative or investment services in the Group and are therefore consolidated, the acquisition method of accounting is used to account for the acquisition of subsidiaries. In these instances the cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus the value of any non-controlling interest measured in accordance with IFRS 3 plus the acquisition-date fair value of the Group's previously held equity interest in the acquiree. Costs attributable to such acquisitions are expensed when incurred. Identifiable assets acquired (including intangible assets) and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values, with the exception of those assets held for sale in terms of IFRS 5, which are recognised at their fair value less costs to sell, at the acquisition date, irrespective of the extent of any non-controlling interest. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.3 ASSOCIATES

Where an investment which meets the definition of an associate is acquired and held for purposes of the Group's investment activities, it is not accounted for under the equity method but is classified as held at fair value through profit and loss as a result of the investment entity exemption and accounted for on the basis set out in accounting policy Note 1.7.

1.4 CRITICAL ACCOUNTING VARIATIONS AND JUDGEMENTS

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

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

Key sources of estimation uncertainty

Fair value measurement and valuation processes

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

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

Unobservable inputs are mostly directors' valuations based on shareholder financial information available and interactions with management of the investee.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed in Note 29.

Deferred taxation

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

Estimated impairment of goodwill and intangibles

The Group will annually test whether goodwill and intangibles have suffered any impairment, in accordance with the accounting policy disclosed. The recoverable amounts of cash-generating units (CGU) will be determined based on value-in-use calculations with growth rate assumptions in line with historical achievement and discount rates approximating the determined cost of capital at the time.

Intangibles in the form of software and trade repository licences were evaluated and considered to have been written off in the prior financial year.

The goodwill raised on the acquisition of the investment in Zarclear Securities Lending has been considered and evaluated by management, using the aforementioned approach and it has been determined that no impairment of the goodwill is required.

The inputs used in the aforementioned goodwill evaluation were cash generated, based on a five-year forecast prepared by management and a terminal value using a 2.5% growth rate. Such cash flows determined were discounted to present value using a pre-tax discount rate of 15.00% which was determined as a reasonable, risk adjusted rate considering borrowing costs and cost of capital for the Group.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.5 PLANT AND EQUIPMENT

Plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Plant and equipment is initially measured at cost.

Plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	**Depreciation method**	**Average useful life**
Computer hardware	Straight-line	Five years
Art	–	Indefinite useful life

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

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

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

1.6 INTANGIBLE ASSETS

Internally developed software

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

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

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

Trade repository licence

The direct costs incurred to secure a trade repository licence for entities within the Group were capitalised as an intangible asset as it was anticipated that such a licence will generate probable future economic benefits. As disclosed in Note 6 and Note 1.4, this asset was fully impaired in the 2020 financial year.

Subsequent measurement

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

The useful lives for software and licences acquired to date has been assessed as impaired and are no longer recorded as an asset within the Group.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.6 INTANGIBLE ASSETS (CONTINUED)

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

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

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

1.7 FINANCIAL ASSETS

Classification

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

Financial assets at fair value through profit or loss

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

Assets values at amortised cost

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

Measurement

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

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

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

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.7 FINANCIAL ASSETS (CONTINUED)

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

Impairment

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

Impairment provisions for current and non-current loans and trade receivables are recognised based on the general approach within IFRS 9. Under the general approach an entity calculates expected credit losses for long-term loans and receivables at initial recognition by considering the consequences and probabilities of possible defaults only for the next 12 months, rather than the life of the asset. It continues to apply this method until a significant increase in credit risk has occurred, at which point the loss allowance is measured based on lifetime expected credit losses. A significant increase in credit risk is defined as when the debt is past due or when other objective evidence was received that a specific counterparty will default. Past due is defined as 30 days or more beyond due date.

De-recognition or written-off

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

Financial assets are written off and derecognised when there is no reasonable expectation of recovering any of the carrying amount.

Financial liabilities

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

Classification and measurement

Financial liabilities at fair value through profit or loss

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

Financial liabilities at amortised cost

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

De-recognition

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

Cash and cash equivalents

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.8 TAXATION

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

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

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

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

1.9 LEASES

Payments made on leases for premises that are short-term and variable in nature are recognised as lease payments as incurred.

1.10 SHARE CAPITAL AND EQUITY

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

1.11 INCOME

Group income comprises two high-level categories:

a. Investment income from portfolio activities:

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

- Gain on sale of financial investments.
- Changes in the fair value of assets classified as at fair value through profit or loss.
- Interest earned on loans made as part of the Group's investing activities.
- Interest paid on hedge-fund gearing.
- Dividend income.

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.11 INCOME (CONTINUED)

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

a. *Fee income:*

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

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

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

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

Measurement

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

1.12 FINANCE COSTS

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

1.13 FOREIGN CURRENCIES

Functional and presentation currency

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

Transactions and balances

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.13 FOREIGN CURRENCIES (CONTINUED)

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

Foreign operations

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

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

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

Earnings per share

Basic earnings per share is calculated on the adjusted weighted average number of shares in issue, net of treasury shares in respect of the current period, and is based on the profit attributable to the ordinary shareholders. Undistributed earnings are allocated to shares not yet vested in accordance with their respective rights to participate in dividends. Headline earnings per share is calculated in terms of the requirements set out in Circular 01/2021 issued by SAICA.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. Diluted headline earnings is calculated in terms of the requirements of Circular 01/2021 issued by SAICA.

1.14 GOODWILL

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

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

NOTES TO THE AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the 12 months ended 30 June 2021

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretation:	Effective date: Years beginning on or after	Impact:
• Definition of a business – Amendments to IFRS 3 1 January 2020	1 January 2020	No material impact
• Presentation of Financial Statements: Disclosure initiative	1 January 2020	No material impact
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	1 January 2020	No material impact

In the current year, the Group has chosen not to early adopt the following standards and interpretations that have been published and are mandatory for later periods.

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 3 – Conceptual framework for financial reporting	1 January 2022	Unlikely there will be a material impact
• IAS 37 – Provisions, contingent liabilities and contingent assets	1 January 2022	Unlikely there will be a material impact
• IAS 16 – Property, plant and equipment	1 January 2022	Unlikely there will be a material impact
• IAS 1 – Presentation of financial statements	1 January 2023	Unlikely there will be a material impact
• IAS 8 – Accounting estimates	1 January 2023	Unlikely there will be a material impact
• IAS 12 – Deferred tax	1 January 2023	Unlikely there will be a material impact

3. SEGMENTAL INFORMATION

The Group manages the businesses and related strategies in two distinct, but related segments. A portfolio investment segment focused on NAV and a market infrastructure and regulation technology segment which is earnings focused. This latter segment houses the Groups interest in Peresec Technology Solutions (formerly Zarclear Proprietary) (100%), Zarclear Securities Lending (60%) and African Phoenix A2X (100%) (formerly Nala A2X (28%)), (which houses the Group's investment in A2X), and the shareholding in Equity Express (5.47%).

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

I. Market infrastructure and regulation technology investments (earnings focused)
   a. Peresec Technology Solutions
   b. Zarclear Securities Lending
   c. African Phoenix A2X
   d. Equity Express
II. Portfolio Investments (NAV focused)
   a. Stenprop
   b. Peregrine Capital managed portfolios
      i. Managed account
      ii. Peregrine Offshore Segregated Portfolio (USD) (formerly, SA Alpha Fund)
   c. Rinjani
   d. African Phoenix
   e. Cash

3. SEGMENTAL INFORMATION (CONTINUED)

Statement of Comprehensive Income	Group Market Infrastructure and Regulation Technology Investments R'000s	Portfolio Investments R'000s	Total R'000s
12 months ended 30 June 2021			
Investment income	–	289,831	289,831
Fee income	35,476	–	35,476
Total income	35,476	289,831	325,307
Impairment charges	–	–	–
Operating expenses	(33,014)	(59,165)	(92,179)
Depreciation and amortisation	(317)	–	(317)
Profit from operations	2,145	230,666	232,811
Net interest received	134	16,437	16,571
Interest received	136	16,437	16,573
Interest paid	(2)	–	(2)
Profit before taxation	2,279	247,103	249,382
Taxation	(574)	(57,824)	(58,398)
Profit for the year	1,705	189,279	190,984
Profit for the year attributable to:			
Equity holders of the Company	(552)	189,279	188,727
Non-controlling interests	2,257	–	2,257
	1,705	189,279	190,984

3. SEGMENTAL INFORMATION (CONTINUED)

Statement of Comprehensive Income	Group		
	Market Infrastructure and Regulation Technology Investments R'000s	Portfolio Investments R'000s	Total R'000s
15 months ended 30 June			
Investment income	(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 and amortisation	(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	(23,268)	70,934	47,666
Taxation	(1,489)	3,416	1,927
(Loss)/Profit for the period	(24,757)	74,350	49,593
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

3. SEGMENTAL INFORMATION (CONTINUED)

Statement of Financial Position	Group Market Infrastructure and Regulation Technology Investments R'000s	Portfolio Investments R'000s	Total R'000s
30 June 2021			
Segment Assets			
Non-current assets	22,367	494,847	517,214
Plant and equipment	1,235	–	1,235
Intangible Assets	–	–	–
Goodwill	14,944	–	14,944
Financial investments	2,188	327,129	329,317
Investment in Associates	–	167,718	167,718
Deferred tax	4,000	–	4,000
Current assets	353,714	615,955	969,669
Financial investments	481	88,649	89,130
Trade and other receivables	337,708	1,269	338,977
Taxation	149	–	149
Cash and cash equivalents	15,376	526,037	541,413
Total assets	376,081	1,110,802	1,486,883
Segment Liabilities			
Non-current liabilities	–	57,920	57,920
Deferred taxation	–	57,920	57,920
Current liabilities	336,648	13,632	350,280
Taxation payable	104	–	104
Trade and other payables	336,544	13,632	350,176
Total Liabilities	336,648	71,552	408,200

3. SEGMENTAL INFORMATION (CONTINUED)

Statement of Financial Position	Group		
	Market Infrastructure and Regulation Technology Investments R'000s	Portfolio Investments R'000s	Total R'000s
30 June 2020			
Segment Assets			
Non-current assets	21,065	514,188	535,253
Plant and equipment	1,482	–	1,482
Intangible Assets	–	–	–
Goodwill	14,944	–	14,944
Financial investments	2,188	380,014	382,202
Investment in Associates	–	134,174	134,174
Deferred tax	2,451	–	2,451
Current assets	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			
Non-current liabilities	–	96	96
Deferred taxation	–	96	96
Current liabilities	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

4. PLANT AND EQUIPMENT

Group (R'000s)	Opening balance 1 April 2019	Additions	Closing balance 30 June 2020	Additions	Closing balance 30 June 2021
Cost					
Computer hardware	459	1,122	1,581	70	**1,651**
Artwork	–	221	221	–	**221**
	459	1,343	1,802	70	**1,872**
Accumulated Depreciation					
Computer hardware	(24)	(296)	(320)	(317)	**(637)**
	(24)	(296)	(320)	(317)	**(637)**
Net Book Value					
Computer hardware	435	826	1,261	(247)	**1,014**
Artwork	–	221	221	–	**221**
	435	1,047	1,482	(247)	**1,235**

5. GOODWILL

Group (R'000s)	Closing balance 31 March 2019	Additions	Impairment	Closing balance 30 June 2020	Additions	Impairment	Closing balance 30 June 2021
Goodwill raised on acquisition of subsidiary	14,944	–	–	14,944	–	–	**14,944**

Goodwill recognised relates to the acquisition of a 60% shareholding in Zarclear Securities Lending on 1 March 2019.

Goodwill is not amortised but assessed annually for impairment.

Critical accounting estimates and assumptions applied in testing for the impairment of goodwill and intangibles are detailed in Note 1.4.

6. INTANGIBLE ASSETS

Reconciliation of intangible assets – Group – 2020

	Opening balance 31 March 2019	Additions	Impairment loss	Closing balance 30 June 2020
Internally developed computer software	2,555	2,858	(5,413)	–
Trade repository licence	450	–	(450)	–
	3,005	**2,858**	**(5,863)**	**–**

Other information

Due to the economic environment and uncertainty around recoverability of costs incurred, software development and trade repository licence costs incurred in anticipation of setting up Zarclear Proprietary to provide market infrastructure and regulation services were fully impaired in the prior financial year.

7. INVESTMENT IN SUBSIDIARY COMPANIES

Company

Name of company	Carrying amount 2021	Carrying amount 2020
Zarclear Securities Lending	**15,200**	15,200
Peresec Technology Solutions	**15,000**	15,000
SCIL	**60,268**	60,268
African Phoenix A2X Proprietary Limited (formerly Nala A2X Proprietary Limited)	**–**	–
	90,468	90,468

The company continues to hold a 60% shareholding in Zarclear Securities Lending which was acquired with effect from 1 March 2019.

Zarclear Holdings continues to hold 100% of the issued share capital of Peresec Technology Solutions Proprietary Limited (“PTS” (formally Zarclear Proprietary Limited) for which the shareholding was subscribed in the 2019 financial year.

SCIL, a wholly-owned subsidiary of the Company, registered in Guernsey, holds the offshore investments of the Group. In March 2020 SCIL effected a partial share capital return to Zarclear Holdings in an amount of R66,544,004 to reduce the investment in this subsidiary to R60,268,359. The partial share capital return had no impact on the Company’s effective shareholding in the subsidiary which remains at 100%.

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

Subsequent to the transactions relating to the “Nala entities” as detailed within the directors report and Investment in associates note being effective from 1 February 2021, Nala A2X changed its name to African Phoenix A2X Proprietary Limited (“AP A2x”) and is now 100% owned by Zarclear on payment of R72 share subscription price to Nala CILCo.

7. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

AP A2X holds an effective 7.44% shareholding in A2X Proprietary Limited as at 30 June 2021.

The underlying investment within this investment, A2X Proprietary Limited, is still relatively immature and in the development and investment stage. Based on available shareholder financial information, management interactions and reports from the investee, the directors have determined that the likelihood of the investee being able to generate sufficient free cash flows and distributable reserves to pay dividends in the near- to medium-term is remote. Therefore, it is deemed prudent to evaluate the fair value of the investment as Nil (2020: R Nil) and as such the investment, accrued preference dividends and loans have been valued at R Nil in the previous financial year in line with accounting policy Note 1.3.

Summary of impairment and fair value charges incurred in relation to African Phoenix A2X

	African Phoenix A2X	
	2021 R'000	**2020 R'000**
Fair value adjustment of investment in associates	**–**	(25,142)
Impairment of preference dividends previously capitalised	**–**	(3,283)
Impairment of loans to associates	**–**	(140)
Total impairment and fair value adjustment charges for the period	**–**	(28,565)
Amount carried forward from prior years	**(28,565)**	–
Cumulative impairment and fair value adjustment charges relating to African Phoenix A2X	**(28,565)**	(28,565)

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

8. INVESTMENTS IN ASSOCIATES

Group

Name of company	**% ownership interest 2021**	**% ownership interest 2020**	**Carrying amount 2021**	**Carrying amount 2020**
African Phoenix A2X Proprietary Limited (formally Nala A2X Proprietary Limited)	*	28.00%	**–**	–
Nala Empowerment Investment Company Proprietary Limited	**00.00%**	30.00%	**–**	–
African Phoenix Investments Limited	**23.50%**	23.50%	**167,718**	134,174
			167,718	134,174

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

Company

Name of company	% ownership interest 2021	% ownership interest 2020	Carrying amount 2021	Carrying amount 2020
African Phoenix A2X Proprietary Limited (formally Nala A2X Proprietary Limited)	*	28.00%	**–**	–
Nala Empowerment Investment Company Proprietary Limited	**00.00%**	30.00%	**–**	–
African Phoenix Investments Limited	**23.50%**	23.50%	**167,718**	134,174
			167,718	134,174

* With effect from 1 February 2021 African Phoenix A2X is 100% owned subsidiary and is reflected as such.

African Phoenix Investments

Zarclear continues to hold 335 435 546 African Phoenix Investments Limited shares ("AXL shares") as at 30 June 2021.

African Phoenix is an investment holding company which was listed on the Main Board of the JSE and was de-listed in April 2020.

African Phoenix has been valued based on an adjusted Net Asset value as at 30 June 2021. Zarclear directors have assessed this to be a fair value of the investment as at 30 June 2021.

Nala Empowerment Investment Company Proprietary Limited ("Nala CILCo")

At 1 July 2020, Zarclear held 30% ownership in Nala CILco which in turn held 15,060,112 shares in Consolidated Infrastructure Group Limited (CIG) acquired from Nala PGR Proprietary Limited, as part of the Peregrine restructure and 72% ownership of Nala A2X Proprietary Limited which held an ownership stake in A2X Proprietary Limited.

Effective 1 February 2021, Zarclear reached agreement with Nala Empowerment Investment Company Holdings Proprietary Limited ("NEICH"), the 70% shareholder in Nala CILCo to the effect that Nala CILCo repurchased from Zarclear, Zarclear's 30% shareholding in Nala CILCO in exchange for Nala CILCo's 72% shareholding in Nala A2X, resulting in:

a. NEICH is now the sole shareholder of Nala CILCo;
b. Zarclear is now the sole shareholder of Nala A2X.

Pursuant to this agreement, Zarclear increased its loan to Nala CILCo by R1,500,000 and subsequently sold all its claims by way of loan account against Nala CILCo amounting to R4,176,570 to NEICH for R1.

Accordingly, Zarclear incurred a write off of its full loan account to NalaCILCo amounting to R1,500,000 advanced under the aforementioned agreement and R2,676,570, advanced in prior years and fully impaired in prior years.

African Phoenix A2X Proprietary Limited ("African Phoenix A2X" or "AP A2X")

With effect from 1 February 2021 African Phoenix A2X is 100% owned subsidiary and is reflected as such.

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information of associates

Financial information reflected below for Nala Empowerment Investment Company and African Phoenix A2X includes results up to the date of change of control (31 January 2021).

Summarised Statement of Profit or Loss and Other Comprehensive Income	Nala Empowerment Investment Company		African Phoenix A2X		African Phoenix	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Revenue	(9,638)	(25,452)	–	–	23,899	21,001
Losses and other comprehensive income for the year/period	(21,282)	(44,235)	(2,729)	(28,143)	178,644	(25,091)

Summarised Statement of Financial Position	Nala Empowerment Investment Company		African Phoenix A2X		African Phoenix	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Total assets	–	10,693	–	–	926,249	757,893
Total liabilities	–	(239,702)	–	(210)	(66,409)	(76,697)
Total net (liabilities) asset	–	(229,009)	–	(210)	859,840	681,196

Summary of impairment charges incurred in relation to Nala Empowerment Investment Company

	Nala Empowerment Investment Company	
	2021 R'000	2020 R'000
Impairment of investment in associates		–
Impairment of preference dividends previously capitalised		–
Impairment of loans to associates	(1,500)	(28)
Total impairment charges for the year/period	(1,500)	(28)
Amount carried forward from prior years	(2,677)	(2,649)
Cumulative impairment charges relating to Nala Empowerment Investment Company	(4,177)	(2,677)

9. FINANCIAL INVESTMENTS

	Notes	Group 2021 R'000s	Group 2020 R'000s	Company 2021 R'000s	Company 2020 R'000s
At fair value through profit or loss – designated at inception					
Listed Investments					
Stenprop Holdings Limited ("Stenprop")	9.1	**298,777**	361,938	**–**	–
Private equity investments					
Equity Express	9.2	**2,188**	2,188	**2,188**	2,188
Rinjani Holdings Limited	9.3	**28,351**	18,075	**–**	–
Firefly Investments 61	9.4	**1**	1	**1**	1
Fixed income and other investment	9.5	**30,570**	17,975	**30,570**	17,975
Unlisted investments	9.6	**481**	481	**–**	–
Hedge Funds	9.7	**58,079**	60,915	**–**	–
		418,447	**461,573**	**32,759**	**20,164**
Non-current assets					
At FV through profit/(loss)		**329,317**	382,202	**2,189**	2,189
Current assets					
At FV through profit/(loss)		**89,130**	79,371	**30,570**	17,975
		418,447	**461,573**	**32,759**	**20,164**

9. FINANCIAL INVESTMENTS (CONTINUED)

9.1 STENPROP HOLDINGS LIMITED ("STENPROP")

Stenprop is a UK REIT listed on the LSE and the JSE. The objective of the Company is to deliver sustainable growing income to its investors. Stenprop's investment policy is to invest in a diversified portfolio of UK multi-let industrial (MLI) properties with the strategic goal of becoming the leading MLI business in the UK.

The investment, representing approximately 3.5% (2020: 5.1%) of the outstanding shares in issue, is reported at fair value through profit and loss since inception.

Opening 1 July 2020 shareholding in Stenprop amounted to 14,478,447 ordinary shares. In November 2020 and March 2021 3,093,744 and 1,384,703. Stenprop shares respectively were sold for a total consideration of R123,169,180 bringing the current holding to 10,000,000 ordinary shares.

Movements in the fair value of the investment are recognised as investment income, through profit and loss with the foreign exchange translation movement recognised directly in equity in Group. For the current period a positive fair value adjustment of R86,057,846 was recorded compared to negative R14,777,846 in the 2020 financial year.

9.2 PRIVATE EQUITY INVESTMENTS: EQUITY EXPRESS

On 25 March 2020, Zarclear purchased a 5.47% shareholding in 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. The directors have considered the fair valuation of this investment based on financial information availed to them by the entity and are of the opinion that the investment is still fairly valued at the acquisition cost.

9.3 PRIVATE EQUITY INVESTMENTS: RINJANI HOLDINGS LIMITED

The Group continues to hold a 79.41% equity interest in Rinjani Holdings Limited (Rinjani), a property holding Company registered in the BVI.

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

A positive fair value adjustment of R11,619,421 (2020: R613,389) has been recognised in investment income for the period ended 30 June 2021.

9.4 PRIVATE EQUITY INVESTMENTS: FIREFLY INVESTMENTS 61

The Group has a 50% interest a private equity fund, Firefly Investments 61 which has been valued at R1,000 as at 30 June 2021 (2020: R1,000).

9.5 LISTED EQUITIES, FIXED INCOME AND OTHER INSTRUMENTS

As at 30 June 2021, the Group was invested in a directly managed portfolio of Equities, Fixed Income and Other instruments: R30,569,879 (2020: R17,974,507) held in Equities, Fixed income and Other instruments in a directly managed portfolio by Peregrine Capital.

9.6 UNLISTED INVESTMENT

Zarclear Securities Lending remains invested in Redeemable Preference Share with a value of R480,500 in Catalyst Advisory Proprietary Limited. Catalyst Advisory Proprietary Limited offers preference shares as part of its Supplier Development services related B-BBBEE strategy and compliance.

9.7 HEDGE FUND

As at 30 June 2021 the Group held one (2020: one) hedge-fund investment. R58,079,028 (2020: R60,915,409) in the Peregrine Capital High Growth Offshore Segregated Portfolio (previously known as the SA Alpha Peregrine High Growth USD Fund.

A register of investments is available for inspection at the registered office of the Company in terms of section 26 of the Companies Act, and more detail is provided in Note 32: Schedule of investments.

10. DEFERRED TAX

	Group		Company	
	2021 R'000s	**2020 R'000s**	**2021 R'000s**	**2020 R'000s**
Deferred tax assets and (liabilities) are attributable to the following:				
Fair value adjustments – financial investments	**(35,277)**	(10,048)	**(35,277)**	(10,048)
Estimated tax losses	**4,228**	15,686	**228**	13,235
Unrealised gains earned in low/no tax Jurisdictions	**(22,645)**	(3,057)	**(22,645)**	(3,057)
Unrealised translation gain	**(226)**	(226)	**(226)**	(226)
Total deferred tax liability	**(53,920)**	2,355	**(57,920)**	(96)
Breakdown of deferred tax asset in subsidiary and liability in holding company:				
Deferred tax liability	**(57,920)**	(96)	**(57,920)**	(96)
Deferred tax asset	**4,000**	2,451	**–**	–
Total net deferred tax (liability) asset	**(53,920)**	2,355	**(57,920)**	(96)
Reconciliation of deferred tax (liability)/asset				
At beginning of year	**2,355**	(3,465)	**(96)**	(3,512)
Fair value adjustments – financial investments	**(25,229)**	3,987	**(25,229)**	3,987
Tax loss utilised	**–**	6,116	**–**	3,712
Estimated assessable losses for set-off against future income	**(11,457)**	–	**(13,006)**	–
Unrealised (gains) earned in low/no tax Jurisdictions	**(19,589)**	(4,283)	**(19,589)**	(4,283)
	(53,920)	2,355	**(57,920)**	(96)

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 R'000s	**2020 R'000s**	**2021 R'000s**	**2020 R'000s**
Financial instruments:				
Investment and other receivables	**9,224**	20,000	**1,269**	5,559
Cash collateral and other receivables	**329,183**	1,049,479	**–**	–
Non-financial instruments:				
Prepayments	**570**	295	**–**	–
Total trade and other receivables	**338,977**	1,069,774	**1,269**	5,559
Analysis of movement in trade and other receivables				
At amortised cost	**1,069,774**	58,068	**5,559**	9,602
Cash flow movements in trade and other receivables (decrease)/increase	**(730,797)**	1,011,706	**(4,290)**	(4,043)
	338,977	1,069,774	**1,269**	5,559

Fair value of trade and other receivables

Cash collateral and other receivables relates to Zarclear Securities Lending. Cash collateral is delivered to lenders in order to cover loan exposure on borrowed securities. The cash collateral is returnable to Zarclear Securities Lending in the event of a reduction in exposure (due to closure of loans or market-related moves) or substitution of alternate collateral.

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

Investment receivables relate to the directly managed funds referred to in Note 9.

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 R'000s	**2020 R'000s**	**2021 R'000s**	**2020 R'000s**
Cash and cash equivalents consist of:				
Bank balances in local currency	**470,016**	716,444	**454,540**	581,516
Bank balances in foreign currency	**71,397**	28,648	**–**	–
	541,413	745,092	**454,540**	581,516

13. SHARE CAPITAL

	Group		Company	
	2021 R'000s	2020 R'000s	2021 R'000s	2020 R'000s
Authorised				
500,000,000 Ordinary shares of no par value	**–**	–	**–**	–
Issued				
226,065,696 Ordinary shares of no par value	**44,875**	474,400	**44,875**	474,400
Reconciliation:				
Opening balance	**474,400**	474,400	**474,400**	474,400
Capital reduction distribution	**(429,525)**	–	**(429,525)**	–
	44,875	474,400	**44,875**	474,400

In December 2020, Zarclear effected a capital reduction distribution to all shareholders of 190 cents per share. This amounted to a reduction in share capital of R429,524,822 with no change to the actual number of issued shares of no par value.

14. INTER-COMPANY BALANCES

SCIL	**–**	–	**30,972**	30,492

The loan is unsecured, interest free and has no fixed terms of repayment.

15. TRADE AND OTHER PAYABLES

Financial instruments:				
Trade and administrative	**13,573**	21,246	**1,077**	959
Employee costs	**3,234**	2,532	**2,372**	1,929
Cash collateral and other payables	**323,186**	1,033,655	**–**	–
Investment payables	**10,183**	10,212	**10,183**	10,212
	350,176	1,067,645	**13,632**	13,100
Analysis of movement in trade and other payables				
Opening balance	**1,067,645**	57,328	**13,100**	7,316
Cash flow movements from the year(decrease)/increase	**(717,469)**	1,010,317	**532**	5,784
	350,176	1,067,645	**13,632**	13,100

Fair value of trade and other payables

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

Cash collateral and other payables relates to Zarclear Securities Lending. Cash collateral is provided by borrowers in order to cover loan exposure on borrowed securities. The cash collateral is returnable to the borrower in the event of a reduction in exposure (due to closure of loans or market related moves) or substitution of alternate collateral.

The fair value of cash collateral and other payables approximates carrying value.

16. REVENUE

	Group 2021 R'000s	Group 2020 R'000s	Company 2021 R'000s	Company 2020 R'000s
Income from portfolio investments				
Impairment of investments	**–**	(28,593)	**–**	(28,593)
Dividend income – subsidiary	**–**	–	**212,639**	241,969
Dividend income – listed equities	**18,521**	23,704	**2,222**	505
Investment return – hedge funds	**6,451**	(1,199)	**–**	(6,427)
Investment return – directly managed investment account	**141,014**	31,493	**141,014**	31,493
Fair value adjustment – private equity	**11,619**	5,691	**–**	–
Fair value adjustment – listed equities	**86,058**	(14,777)	**–**	–
Net fair value adjustment – associate (previously listed)	**33,544**	6,302	**33,544**	6,302
Impairment of loans to associates	**(7,376)**	–	**(1,500)**	–
Realised/unrealised gain on foreign currency translation	**–**	46,092	**160**	–
	289,831	68,713	**388,079**	245,249
Revenue from contracts with customers				
Fee income	**35,476**	52,087	**–**	–
	325,307	120,800	**388,079**	245,249

17. OPERATING PROFIT

Operating profit for the year/period is stated after charging/(crediting) the following, amongst others:

	Group 2021 R'000s	Group 2020 R'000s	Company 2021 R'000s	Company 2020 R'000s
Auditor's remuneration – external				
Audit fees	**1,812**	2,598	**973**	1,878
Audit fees – prior year overprovision	**(650)**	–	**(650)**	–
Advisory services	**190**	212	**190**	142
	1,352	2,810	**513**	2,020
Employee costs				
Executive directors' emoluments	**5,552**	6,978	**5,552**	6,978
Non-executive directors' fees	**1,408**	1,766	**1,408**	1,766
Total employee costs	**6,960**	8,744	**6,960**	8,744
Leases				
Variable rentals				
Premises	**500**	881	**500**	–

The leases for premises were short-term and variable in nature with no contractual obligations and hence no right-of-use asset nor related liability were recorded.

18. INTEREST RECEIVED

	Group		Company	
	2021 R'000s	**2020 R'000s**	**2021 R'000s**	**2020 R'000s**
Interest income				
Investments in financial assets:				
Other interest income on financial assets at amortised cost	**4,777**	1,560	**4,642**	994
South African Revenue Services	**–**	46	**–**	46
Interest income from cash and cash equivalents	**11,796**	27,436	**9,435**	24,402
Total interest income	**16,573**	29,042	**14,077**	25,442

19. INTEREST PAID

Interest expense for borrowings at amortised cost	**2**	10,876	**–**	10,740
South African Revenue Service	**–**	17	**–**	–
Total finance costs	**2**	10,893	**–**	10,740

20. TAXATION

Major components of the tax expense/(income)				
Current				
Local income tax – current period	**(2,123)**	(3,892)	**–**	–
Deferred				
Current year (SA)	**(36,686)**	11,331	**(38,236)**	8,928
Current year (foreign CFC)	**(19,589)**	(3,902)	**(19,588)**	(3,902)
Prior year under provision	**–**	(1,610)	**–**	(1,610)
	(56,275)	5,819	**(57,824)**	3,416
	(58,398)	1,927	**(57,824)**	3,416
Reconciliation of the tax expense	**%**	%	**%**	%
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	**28.00**	28.00	**28.00**	28.00
Exempt dividends from equity instruments	**(2.01)**	(14.64)	**(0.18)**	(0.22)
Disallowed – impairment of dividends received from associated	**–**	1.93	**–**	0.42
Exempt dividends received from subsidiaries	**–**	–	**(17.31)**	(31.28)
Taxable gains in low/no tax jurisdictions	**(3.37)**	8.07	**5.69**	7.52
Realised translation gains on funds transferred from offshore subsidiaries	**–**	(25.36)	**–**	(5.58)
Disallowed – expenditure of a capital nature and apportioned relative to taxable income	**0.79**	0.40	**0.61**	0.09
Difference in translation exchange rates (accounting vs tax)	**–**	0.18	**–**	0.04
Prior year under provision	**–**	(2.62)	**–**	(0.57)
	23.41	(4.04)	**16.81**	(1.58)

21. CASH USED IN OPERATIONS

	Group		Company	
	2021 R'000s	**2020 R'000s**	**2021 R'000s**	**2020 R'000s**
Profit before taxation	**249,382**	47,666	**344,026**	216,620
Adjustments for:				
Depreciation	**317**	296	**–**	–
Dividends received from subsidiaries	**–**	–	**(212,639)**	(241,969)
Dividends received from investments	**(18,521)**	(23,705)	**(2,222)**	(505)
Interest income	**(16,573)**	(29,042)	**(14,077)**	(25,442)
Interest paid	**2**	10,893	**–**	10,740
Investment returns attributable to hedge-fund investments, net of interest paid on hedge-fund loans	**(154,269)**	(52,675)	**(147,817)**	(47,448)
Fair value of private equity investments	**(131,217)**	7,862	**(33,541)**	(6,302)
Impairment of intangible assets	**–**	5,863	**–**	–
Revaluation of loan to offshore subsidiary	**–**	–	**(160)**	–
Impairment of investment in and loans to associate	**7,376**	28,593	**1,500**	28,593
Changes in working capital:				
Trade and other receivables	**730,797**	(1,011,707)	**4,290**	4,043
Trade and other payables	**(717,470)**	1,010,320	**530**	5,785
	(50,176)	(5,636)	**(60,110)**	(55,885)

22. TAX REFUNDED/(PAID)

Balance at beginning of the year/period	**455**	(382)	**–**	500
Current tax for the year recognised in profit or loss	**2,123**	3,892	**–**	–
Balance at end of the year/period	**45**	(455)	**–**	–
	2,623	3,055	**–**	500

23. NET ASSET VALUE PER SHARE

Net asset value per share as at 30 June				
Equity attributable to equity holders	**1,072,067**	1,356,936	**–**	–
Weighted average number of shares in issue	**226,065,696**	226,065,696	**–**	–
Net asset value per share (cents)	**474**	600	**–**	–

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

Tangible net asset value per share as at 30 June				
Tangible net asset value	**1,057,123**	1,341,992	**–**	–
Weighted average number of shares in issue	**226,065,696**	226,065,696	**–**	–
Net tangible asset value per share (cents)	**468**	594	**–**	–

24. EARNINGS AND HEADLINE EARNINGS PER SHARE

	Group		Company	
	2021 R'000s	**2020 R'000s**	**2021 R'000s**	**2020 R'000s**
Basic and diluted earnings per share				
Earnings	**188,727**	45,630	**–**	–
Weighted average number of shares in issue	**226,065,696**	226,065,696	**–**	–
Basic and diluted earnings per share (cents)	**83,48**	20,18	**–**	–
Headline and diluted headline earnings per share				
Earnings	**188,727**	45,630	**–**	–
Impairment of intangible assets	**–**	5,863	**–**	–
Headline earnings	**188,727**	51,493	**–**	–
Weighted average number of shares in issue	**226,065,696**	226,065,696	**–**	–
Headline and diluted headline earnings per share (cents)	**83,48**	22,78	**–**	–

25. 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.

Note 28 provides further details of the obligations assumed by Zarclear Securities Lending as a result of the securities lending activities undertaken. 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.

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.

26. RELATED PARTIES

Relationships

Subsidiaries	Refer to note 7
Associates	Refer to note 8

Related party balances

Loan accounts – Owing (to)/by related parties

SCIL

	Group		Company	
	2021 R'000s	**2020 R'000s**	**2021 R'000s**	**2020 R'000s**
The loan is unsecured, interest free with no fixed terms of repayment	**–**	–	**(30,972)**	(30,490)

Related party transactions

Transactions with Peresec Prime Brokers (Peresec)

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.

Directors

Details of directors' shareholding in the Company are disclosed in the Directors' Report. Directors' emoluments are disclosed in Note 27.

Subsidiaries

Details of investments in subsidiaries are disclosed in Note 7. Transactions between subsidiaries are conducted in the ordinary course of business at arm's-length. Dividends paid by subsidiary companies are recognised in investment income by the holding Company. Dividends received from subsidiaries amounted to R212,6m (2020: R241,7m). Inter-company transactions and balances are eliminated on consolidation.

27. DIRECTORS' EMOLUMENTS

Paid to executive directors of the company for managerial services

	Emoluments R'000s	Allowances and contributions R'000s	Performance bonus R'000s	Total R'000s
For the 12 months ended 30 June 2021				
W Chapman	**900**	**9**	**–**	**909**
A Munro-Smith	**1,913**	**309**	**400**	**2,622**
A Hannington	**1,500**	**21**	**500**	**2,021**
	4,313	**339**	**900**	**5,552**
For the 15 months ended 30 June 2020				
W Chapman	1,125	12	–	1,137
A Munro-Smith	2,365	378	700	3,443
A Hannington	1,875	23	500	2,398
	5,365	413	1,200	6,978

Non-executive

	Directors' fees R'000s	Committee fees – Audit and Risk R'000s	Committee fees – Remco and Nom R'000s	Committee fees – Social and Ethics R'000s	Total R'000s
For the 12 months ended 30 June 2021					
P Baloyi	**440**	**99**	**44**	**55**	**638**
F Vawda	**176**	**132**	**55**	**44**	**407**
Z Matthews	**176**	**99**	**44**	**44**	**363**
	792	**330**	**143**	**143**	**1 408**
For the 15 months ended 30 June 2020					
P Baloyi	550	124	55	69	798
A Munro-Smith	40	30	10	10	90
F Vawda	220	165	69	55	509
Z Matthews	179	101	45	45	370
	989	420	179	179	1 767

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Analysis of assets and liabilities by financial instrument classification

Categories of financial assets	Notes	Fair value through profit or loss	Amortised cost	Non-financial instruments	Total	Fair value*
Group – 2021						
Plant and equipment		**–**	**–**	**1,235**	**1,235**	**–**
Investments in associates	8	**167,718**	**–**	**–**	**167,718**	**167,718**
Intangible assets and goodwill		**–**	**–**	**14,944**	**14,944**	**–**
Financial investments (non-current)	9	**329,317**	**–**	**–**	**329,317**	**329,317**
Deferred tax		**–**	**–**	**4,000**	**4,000**	**–**
Financial investments (current)	9	**89,130**	**–**	**–**	**89,130**	**89,130**
Trade and other receivables	11	**–**	**338,407**	**570**	**338,977**	**–**
Cash and cash equivalents	12	**–**	**541,413**	**–**	**541,413**	**–**
Taxation		**–**	**–**	**149**	**149**	**–**
		586,165	**879,820**	**20,898**	**1,486,883**	**586,165**
Group – 2020						
Plant and equipment		–	–	1,482	1,482	–
Investments in associates	8	134,174	–	–	134,174	134,174
Intangible assets and goodwill		–	–	14,944	14,944	–
Financial investments (non-current)	9	382,202	–	–	382,202	382,202
Deferred tax		–	–	2,451	2,451	–
Financial investments (current)	9	79,371	–	–	79,371	79,371
Trade and other receivables	11	–	1,067,479	295	1,069,774	–
Cash and cash equivalents	12	–	745,092	–	745,092	–
Taxation		–	–	149	149	–
		595,747	1,812,571	19,321	2,429,639	595,747
Company – 2021						
Investments in subsidiaries	7	**–**	**–**	**90,468**	**90,468**	**–**
Investments in associates	8	**167,718**	**–**	**–**	**167,718**	**167,718**
Financial investments (non-current)	9	**2,189**	**–**	**–**	**2,189**	**2,189**
Financial investments (current)	9	**30,570**	**–**	**–**	**30,570**	**30,570**
Trade and other receivables	11	**–**	**1,269**	**–**	**1,269**	**–**
Cash and cash equivalents	12	**–**	**454,540**	**–**	**454,540**	**–**
		200,477	**455,809**	**90,468**	**746,754**	**200,477**

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Categories of financial assets	Notes	Fair value through profit or loss	Amortised cost	Non-financial instruments	Total	Fair value*
Company – 2020						
Investments in subsidiaries	7	–	–	90,468	90,468	–
Financial investments (non-current)	9	2,189	–	–	2,189	2,189
Investments in associates	8	134,174	–	–	134,174	134,174
Financial investments (current)	9	17,975	–	–	17,975	17,975
Trade and other receivables	11	–	5,559	–	5,559	–
Cash and cash equivalents	12	–	581,516	–	581,516	–
		154,338	**587,075**	**90,468**	**831,881**	**154,338**

Categories of financial liabilities	Notes	Amortised cost	Non-financial instruments	Total	Fair value*
Group – 2021					
Trade and other payables	15	**346,942**	**3,234**	**350,176**	**–**
Taxation		**–**	**104**	**104**	**–**
Deferred taxation		**–**	**57,920**	**57,920**	**–**
		346,943	**61,257**	**408,200**	**–**
Group – 2020					
Trade and other payables	15	1,065,113	2,532	1,067,645	–
Taxation		–	604	604	–
Deferred taxation		–	96	96	–
		1,065,113	3,232	1,068,345	–
Company – 2021					
Trade and other payables	15	**11,260**	**2,372**	**13,632**	**–**
Inter-company loans	14	**30,972**	**–**	**30,972**	**–**
Deferred taxation		**–**	**57,920**	**57,920**	**–**
		42,232	**60,292**	**102,524**	**–**
Company – 2020					
Trade and other payables	15	11,171	1,929	13,100	–
Deferred tax		–	96	96	–
Inter-company loan	14	30,492	–	30,492	–
		41,663	2,025	43,688	–

* For items where no fair value is indicated, the carrying value equates to fair value.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management

Overview

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

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

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

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

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

Risk management structure

The key responsibilities provided for in the Group's risk management framework are as follows:

The board of directors is responsible for the strategic direction, supervision and oversight of risk within the Group and for defining the Group's tolerance and appetite for risk.

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

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

Credit risk

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

Default of a counterparty is defined as non-payment 30 days or more beyond due date as this is determined to be an indicator of potential default.

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

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

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Group		2021 Gross carrying amount	2021 Credit loss allowance	2021 Amortised cost	2020 Gross carrying amount	2020 Credit loss allowance	2020 Amortised cost
Trade and other receivables	11	**338,977**	**–**	**338,977**	1,069,774	–	1,069,774
Cash and cash equivalents	12	**541,413**	**–**	**541,413**	745,092	–	745,092
		880,390	**–**	**880,390**	**1,814,866**	**–**	**1,814,866**

Company		2021 Gross carrying amount	2021 Credit loss allowance	2021 Amortised cost	2020 Gross carrying amount	2020 Credit loss allowance	2020 Amortised cost
Trade and other receivables	11	**1,269**	**–**	**1,269**	5,559	–	5,559
Cash and cash equivalents	12	**454,540**	**–**	**454,540**	581,516	–	581,516
		455,809	**–**	**880,390**	**587,075**	**–**	**587,075**

Impairment

Management has considered and evaluated the key credit risk exposures in line with the accounting policy and methodology described in policy 1.7 (Financial Assets) and concludes that no impairment on financial assets held at amortised cost is required other than the impairment of the loans and receivables from associates as detailed in Note 8.

Off-balance sheet credit risk exposure

Zarclear Securities Lending engages in securities lending activities whereby it borrows securities (scrip) from lenders (typically banks and large security holders) and simultaneously lends those borrowed securities to borrowers. Zarclear Securities Lending does not borrow any securities for proprietary purposes. Borrowers must provide sufficient collateral to Zarclear Securities Lending against the loan of the securities.

Collateral may be provided in the form of either scrip or cash. Cash collateral provided by its borrowers is reflected on balance sheet within Trade and other Payables (Note 15) and in relation to cash collateral provided by Zarclear Securities Lending to its' lenders within Trade and other Receivables (Note 11). Any scrip collateral provided is transferred outright and thus does not reflect on balance sheet.

Given that any scrip provided as collateral to lenders does not reflect on the Zarclear Securities Lending balance sheet this results in off balance sheet credit risk exposure. The lender is obliged to return any collateral provided by Zarclear back to the company on the return of the borrowed securities (closure of the loan). The lender also has the right to realise any collateral provided by Zarclear Securities Lending in the event that Zarclear Securities Lending's borrowers are unable to return any of the borrowed securities.

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 scrip and therefore the risk of a claim is remote. To date there have been no defaults.

As the return of the borrowed securities and the collateral provided must happen simultaneously (one cannot take place without the other), Zarclear Securities Lending only assumes credit risk to the extent that the collateral provided R7,769,036 thousand (2020: R8,356,807 thousand) loan book value R6,341,757 thousand (2020: R7,391,029 thousand).

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

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

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

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

Liquidity mismatch table	Demand	1 – 6 months	6 months – 1 year	1 – 5 years	>5 years	Non-financial instruments	Total
2021							
Assets	**541,413**	**427,537**	**–**	**497,035**	**–**	**20,898**	**1,486,883**
Liabilities	**–**	**(346,942)**	**–**	**–**	**–**	**(61,258)**	**(408,200)**
	541,413	**80,595**	**–**	**497,035**	**–**	**(40,360)**	**1,078,683**
Equity	**–**	**–**	**–**	**–**	**–**	**1,078,683**	**1,078,683**
Liquidity gap	**541,413**	**80,595**	**–**	**497,035**	**–**	**(1,119,043)**	**–**
Cumulative liquidity gap	**541,413**	**622,008**	**622,008**	**1,119,043**	**1,119,043**	**–**	**–**
2020							
Assets	745,092	1,148,850	–	516,376	–	19,321	2,429,639
Liabilities	–	(1,065,113)	–	–	–	(3,232)	1,068,345
	745,092	83,737	–	516,376	–	16,089	1,361,294
Equity	–	–	–	–	–	1,361,294	1,361,294
Liquidity gap	745,092	83,737	–	516,376	–	(1,342,968)	–
Cumulative liquidity gap	745,092	828,829	828,829	1,345,205	1,345,205	–	–

Foreign currency risk

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

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

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

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Exposure in foreign currency amounts

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

	Group		Company	
	2021 R'000s	**2020 R'000s**	**2021 R'000s**	**2020 R'000s**
US Dollar exposure:				
Current assets	**107,868**	82,032	**–**	–
GBP exposure:				
Non-current assets	**327,128**	380,013	**–**	–
Current assets	**21,608**	7,531	**6,028**	6,509
Net GBP exposure	**348,736**	387,544	**6,028**	6,509
Rand per unit of foreign currency:				
US Dollar	**14,300**	17,330	**–**	–
Euro	**16,990**	19,460	**–**	–
GBP	**19,790**	21,370	**–**	–

Foreign currency sensitivity analysis

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

Impact on pre-tax profit and loss	**45,660**	46,958	**603**	651
Impact on post-tax profit and loss	**32,875**	33,809	**434**	469

Interest rate risk

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

Financial assets and liabilities that are sensitive to interest rate risk comprise those financial instruments carried at amortised cost. These include cash balances, loans and receivables and loans and payables. Borrowings comprise loans from third parties and amounts borrowed against hedge-fund investments. The decision to gear against certain of the hedge-fund investments is to enhance investment returns rather than as a result of a funding decision. The rates paid on hedge-fund gearing are thus managed as part of the overall return expectations of the Group's investment strategy. Currently there is no gearing on hedge-fund investments. (2020: Nil).

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

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

Interest rate sensitivity analysis

A 1% (South Africa) and 0.3% (offshore) increase or decrease in interest rates represents management's assessment of the reasonable possible change in interest rates. The table depicts the sensitivity of a 1% (South Africa) and 0.3% (offshore) parallel shift in the applicable rates respectively.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Increase or decrease in rate	2021 Impact on pre- tax profit or loss	2021 Impact on post-tax profit or loss	2020 Impact on pre- tax profit or loss	2020 Impact on post-tax profit or loss
Group				
Interest-bearing financial assets				
Trade and other receivables	**–**	**–**	–	–
Receivables in directly managed hedge funds	**–**	**–**	–	–
Cash collateral and other receivables	**–**	**–**	–	–
Cash and cash equivalents – local currency	**4,700**	**3,384**	7,164	5,158
Cash and cash equivalents – foreign currency	**214**	**154**	86	62
	4,914	**3,538**	7,250	5,220
Interest-bearing liabilities				
Trade and administrative payables	**–**	**–**	–	–
Cash collateral and other payables	**–**	**–**	–	–
Payables in directly managed hedge funds	**–**	**–**	–	–
	–	**–**	–	–

Market risk

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

Price risk sensitivity analysis

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

	Group		Company	
	2021 R'000s	2020 R'000s	2021 R'000s	2020 R'000s
Hedge-fund investments	**58,079**	60,915	**–**	–
Listed equities, fixed income and other instruments	**30,570**	17,975	**30,570**	17,975
Listed equities	**298,777**	361,938	**–**	–
Private equity investments	**31,021**	20,745	**2,189**	2,189
Investment in subsidiaries	**–**	–	**90,468**	90,468
Investment in associates	**167,718**	134,174	**167,718**	134,174
	586,165	595,747	**290,945**	244,806

Investment into hedge fund

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

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The Group's largest hedge fund investment was the PNF Peregrine fund where Zarclear was effectively the 100% owner of the fund. Consequently, in the latter part of the 2019 financial year a decision was taken to convert to a directly managed fund, through the auspices of Peregrine Capital and to then reflect the individual components of the fund as direct investments within the Group. (See Note 9)

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

Operational controls relating to the investment process include:

- Management according to a fund mandate, which sets out investment parameters including target investments, maximum holdings and exposures, and various investment limits.
- Investor review by way of daily access to portfolio information and regular reporting.
- Monitoring of positions against mandate limits.
- Utilisation of external administrators for the provision of independent accounting, administration and valuation services.
- Utilisation of an appropriate prime broker.
- Internal audit of controls and procedures surrounding fund valuations, mandate monitoring and know your customer compliance.
- An annual audit of the funds by external auditors.

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

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

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

The Group holds listed equities and unlisted private equity investments. It has approximately 66% (2020: 74%) of its capital invested in listed and unlisted private equity as part of its investment activities. Investment decisions are structured within a mandate, approved by the board and implemented and managed as part of the investment of Group capital.

Applying a 10% variation in equity/fund prices, the impact on the fair value carrying value of the financial investments as at 30 June would have been:

Impact on fair value (FV) carrying values

	2021 Increase	2021 Decrease	2020 Increase	2020 Decrease
Financial investments	38,743	(38,743)	44,083	(44,083)
Increase (decrease in FV)	**38,743**	**(38,743)**	**44,083**	**(44,083)**

29. FAIR VALUE INFORMATION

Fair value hierarchy

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

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

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

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

The following table presents the Group's assets that are measured at fair value as at 30 June 2021 and 30 June 2020:

Levels of fair value measurements	Group 2021	Group 2020	Company 2021	Company 2020
Level 1				
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit (loss)				
Listed equities	**298,777**	361,938	**–**	–
Listed equities, fixed income and other instruments	**30,570**	17,975	**30,570**	17,975
Total financial assets at fair value through profit (loss)	**329,347**	379,913	**30,570**	17,975
Level 2				
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit (loss)				
Hedge fund investments	**58,079**	60,915	**–**	–
Private equity investments	**–**	18,076	**–**	1
Investment in associates	**–**	134,174	**–**	134,174
Total financial assets designated at fair value through profit (loss)	**58,079**	213,165	**–**	134,175
Level 3				
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit (loss)				
Private equity investments	**31,051**	2,669	**2,189**	2,188
Investment in associates	**167,718**		**167,718**	
Total	**198,769**	2,669	**169,907**	2,188

29. FAIR VALUE INFORMATION (CONTINUED)

Reconciliation of assets and liabilities measured at level 3	Opening balance	Purchases/ Loans	Impairment	Transfers into Level 3	Closing balance
Group – 2021					
Assets					
Financial assets at fair value through profit (loss)					
Private equity investment	**2,699**	**7,376**	**(7,376)**	**28,352**	**31,051**
Investments in associates	**–**			**167,718**	**167,718**
Total	**2,699**	**7,376**	**(7,376)**	**196,070**	**198,769**
Group – 2020					
Assets					
Financial assets at fair value through profit (loss)					
Private equity investments	25,142	2,669	(25,142)		2,669
Total	25,142	2,669	(25,142)		2,669
Company – 2021					
Assets					
Financial assets at fair value through profit/(loss)					
Private equity investment	**2,188**	**1,500**	**(1,500)**	**1**	**2,189**
Investments in associates	**–**			**167,718**	**167,718**
Total	**2,188**	**1,500**	**(1,500)**	**167,719**	**169,907**
Company – 2020					
Assets					
Financial assets at fair value through profit/(loss)					
Private equity investments	25,142	2,188	(25,142)		2,188
Total	25,142	2,188	(25,142)		2,188

The closing balance of the assets categorised in level 3 are valued at fair value through profit and loss and represents the investment in Equity Express, Rinjani Holdings, Firefly partnership, African Phoenix and AP A2X. The investment in AP A2X was considered to be R nil in the prior financial year as this was determined to be the fair value for the investment. In the current year, the investments in Rinjani Holdings, Firefly partnership and African Phoenix were reclassified from Level 2 to Level 3 as it was determined that a significant element of their valuations was based on unobservable inputs, being directors valuations and representations and shareholder financial information available and interactions with management of the investee.

29. FAIR VALUE INFORMATION (CONTINUED)

Valuation processes applied by the Group

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 /Investment in associates	Techniques 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.	R198,258 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 expenses accruals of the hedge fund entities that are deducted from the sum of the fair values of net investments held by the hedge funds	R6 thousand	Recurring

29. FAIR VALUE INFORMATION (CONTINUED)

Sensitivities around unobservable inputs:

Unobservable inputs related to the investments disclosed in Level 2 and 3 are mostly directors valuations based on shareholder financial information available and interactions with management of the investee. Should the valuations prove to be inaccurate, a 10% variance to the valuations is determined to be material. The impact of such a variance is as follows:

	Carrying value of financial assets at fair value R'000	Impact of 10% investment valuation on pre-tax profit and loss R'000	Impact of 10% investment valuation on post-tax profit and loss R'000
Private equity investments	**31,051**	**3,105**	**2,236**
Investments in associates	**167,718**	**16,772**	**12,076**
	198,258	**19,826**	**14,275**

Offsetting financial assets and financial liabilities

At year ended 30 June 2021 there were no loans/gearing against the unlisted hedge-fund investments and no offsetting took place. (30 June 2020: Nil).

30. GOING CONCERN

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

It is the directors' assessment that, while the current market situation remains extremely unpredictable and volatile, there is noreason 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.

31. EVENTS AFTER THE REPORTING PERIOD

Apart from the considerations with regard to the proposed delisting and share repurchase offer as detailed below, there have been no other matters which may have a material impact on the Group subsequent to the reporting date.

On 4 August 2021, shareholders were advised that the board of directors of Zarclear (the "Board") had resolved that, subject to securing the requisite approval from its shareholders in a general meeting and the JSE and A2X approving the Company's delisting application, 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 the A2X Listings Requirements (the "delisting").

In compliance with the JSE Listings Requirements and the A2X Listings Requirements, the delisting must be accompanied by an offer (that an independent expert has confirmed to be fair to shareholders) which is to be made to holders of all Zarclear's listed securities.

As such, subject to the delisting being approved in accordance with all regulatory requirements, Zarclear intends making an offer to all of its shareholders in terms of section 5.67(B) of the JSE Listings Requirements to voluntarily tender for repurchase all, or only a portion, of their existing shareholding in the Company at an offer price of R4.60 per share (the "share repurchase offer consideration"), which offer will be made in compliance with the relevant provisions of the Companies Act 71 of 2008, the Takeover Regulations promulgated thereunder, the JSE Listings Requirements and the A2X Listings Requirements (the "share repurchase offer").

The delisting and share repurchase offer will be implemented on the basis that shareholders are afforded an opportunity to either monetise their investment in Zarclear at a fair price or to continue to hold shares in Zarclear in an unlisted environment. All shareholders will be entitled to elect to remain invested in Zarclear and any shareholder who does not wish to accept the share repurchase offer may retain its shareholding in Zarclear post the delisting.

A circular containing full details of the share repurchase offer and delisting was distributed to shareholders on 26 August 2021. The circular also includes 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 delisting and voluntary share repurchase offer do not result in any adjustment to the disclosures made in the financial statements.

32. SCHEDULE OF INVESTMENTS

Investment	Description	Proportion Owned	Fair Value 30 June 2021 R'000s	Cost* R'000s	Fund Managers	Fee Basis	Redemption Notice Period	Fair Value 30 June 2020 R'000s
Private equity – Listed								
Stenprop Limited (incorporated in Guernsey)	*Property investment company, dual-listed on the Johannesburg (JSE) and Bermuda stock exchanges*	3.35%	**298,777**	189,500	n/a	–	–	361,938
Private equity – Unlisted								
African Phoenix Investments Limited (incorporated in South Africa)	*Unlisted investment holding company De-listed from JSE in June 2020*	23.5%	**167,718**	127,872	n/a	–	–	134,174
Rinjani Holdings Limited (incorporated in the BVI)	*Unlisted investment SPV, holding various listed and unlisted real estate assets in the UK and Germany*	79.4%	**28,351**	10,478	n/a	–	–	18,075
African Phoenix A2X Proprietary Limited (incorporated in South Africa)	*BEE SPV, with 7.44% holding in A2X (unlisted)*	100%	**–**	–	n/a	–	–	–
Nala Empowerment Investment Company Proprietary Limited (incorporated in South Africa)	*Associate BEE SPV, with 7.45% holding in Consolidated Infrastructure Group (listed on the JSE) and a corresponding non-recourse vendor loan*	0%	**–**	–	n/a	–	–	–
Equity Express Securities Exchange Proprietary Limited (incorporated in South Africa)	*Holding company with interests in the financial services industry*	5.47%	**2,188**	2,188	n/a	–	–	2,188
Firefly Investments 61 (domicled in South Africa)	*Private Equity Fund (in run off)*	50%	**1**	–	n/a	–	–	1
Catalyst Advisory Proprietary Limited (incorporated in South Africa)		n/a	**481**	481	n/a	–	–	481
Listed Equities, Fixed Income & Other Instruments								
Directly Managed Portfolio** (domiciled in South Africa)	*Equities, Contracts for Difference, Fixed Income and other Instruments*	100%	**30,570**	23,558	Peregrine Capital	2/20	Monthly	17,975
Hedge Funds **								
Peregrine Capital High Growth Offshore Segregated Portfolio (USD) (domiciled in Cayman Islands)	*Feeder fund into Peregrine High Growth Fund*	8.03%	**58,079**	44,392	Peregrine Capital	2/20	Monthly	60,915

* *The indicated cost of the non-Portfolio Investments reflects their market-value as at the date of the Peregrine restructure (4 October 2017)*

** *The South African hedge fund investments are free from gearing as at 30 June 2021 and 30 June 2020*