african phoenix
investments limited

INTEGRATED ANNUAL REPORT 2019

CONTENTS

HIGHLIGHTS

NET ASSET VALUE PER ORDINARY SHARE

90.1 cents

(2018: 52.0 cents)

Before a distribution of 42 cents per share on 13 January 2020 amounting to R599 million.

CASH AND FINANCIAL ASSETS AVAILABLE FOR INVESTMENT

R1.19 billion

(2018: R1.96 billion)

Includes R501 million cash available for investment held in the API Capital Fund. This excludes R140 million of expected proceeds from the sale of Stangen.

Before a distribution of 42 cents per share on 13 January 2020 amounting to R599 million.

ABOUT AFRICAN PHOENIX

African Phoenix Investments Limited ("African Phoenix" or "Phoenix" or "the Company" or "the Group") is an investment entity based in the Republic of South Africa. Its income is generated through interest, investment income and dividends received from its investment in The Standard General Insurance Company Limited ("Stangen") and from cash and cash equivalents.

The shares of African Phoenix are listed and tradeable on the Johannesburg Stock Exchange ("JSE").

To obtain a better understanding of the Group the following events occurred after 30 September 2019 (being the year-end reporting date):

- The resignation of four directors and the appointment of two directors, one of which is the CFO
- Distribution of R599 million to shareholders
- Acquisition of all the shares in API Capital Proprietary Limited which effectively internalises the management of investments
- Agreement in principle to merge with Zarclear Holdings Limited

A signed copy of the annual financial statements and the independent auditor's report as well as the King IV™ application register is available for inspection at our registered office and on the Company's website.

EXECUTIVE CHAIRMAN'S REPORT

The board of directors ("Board") is pleased to present the Integrated Annual Report for the year ended 30 September 2019. The Integrated Annual Report does not include all the information and disclosures required in the audited annual financial statements and should be read in conjunction with the Group's audited annual financial statements for the year ended 30 September 2019. The current financial year reported 73% growth in Net Asset Value per ordinary share from 52.0 cents per share to 90.1 cents per share and should be read in the context of progress made to achieve the Group's long-term strategy.

FINANCIAL PERFORMANCE

The Group reported net asset value per share at 30 September 2019 of 90.1 cents per share (30 September 2018: 52.0 cents), an increase of 73% for the year. This was before a distribution of 42 cents per share on 13 January 2020.

The Company and the API Capital Fund had cash equivalents available for investment of R1.2 billion at year-end. This was before a distribution of R599 million on 13 January 2020. The Group remains both liquid and solvent.

The operating loss after tax of R79 million for the year ending 30 September 2019 ("FY2019") was mainly attributable to:

- Fair value losses relating to the write-down of the Company's investment in Stangen, see Operations note below;
- An increase in transaction costs attributed to the transformative transactions proposed in the circular issued to shareholders on 18 February 2019 (the "Circular"); and
- An increase in legal costs attributed to legal proceedings in terms of sections 115 and 164 of the Companies Act.

Total ordinary shareholder's equity at 30 September 2019 amounted to R1.3 billion (30 September 2018: R742 million). The increase was primarily due to the repurchase of the preference shares during the year.

OPERATIONS

INVESTMENT IN THE API CAPITAL FUND

The API Capital Fund was established on 4 April 2019 ("Investment Date") with African Phoenix as the Limited Partner and API Capital Proprietary Limited ("the GP", "the General Partner" or "API Capital") as the General Partner. The composite management arrangements with the General Partner, as well as the investment mandate, strategy and policy as set out in the Circular, were approved by c.89% of shareholders who voted at the meeting on 20 March 2019.

During the period, the General Partner (API Capital) purchased 20 million African Phoenix A shares (1.4% of the issued shares) in the open market as required in terms of the Black Fund Manager ("BFM") structure detailed in the Circular. API Capital also subscribed for 300 million B shares based on the terms and conditions per the Memorandum of Incorporation of the Company ("MOI").

The API Capital investment team had made significant progress in implementing its investment plan. The detailed investment pipeline including details of deal structures, investment thesis, deal status and proposed entry pricing were shared by the General Partner with the African Phoenix Board. As detailed in the announcement released on 30 September 2019, the General Partner had, as requested by the Board of African Phoenix, undertaken to temporarily cease investment activities in terms of the Partnership Agreement. This was pending the shareholder demand for a meeting to terminate the mandate of the General Partner. See the Outlook section of this report for further details.

SALE OF STANGEN INVESTMENT

The sale of the long-term insurance company, The Standard General Insurance Company Limited ("Stangen") to King Price Financial Services Proprietary Limited is based on a purchase price of R140 million on the basis that the net asset value of Stangen at 30 September 2019 is at least R140 million. The Company has received dividends from Stangen during FY2019 of R350 million such that the net asset value of Stangen does equate to the required R140 million at 30 September 2019. Regulatory approval remains the final condition precedent for the closing of the sale transaction.

Stangen reported a net loss after tax of R49 million for FY2019 (FY2018: profit after tax R30.5 million). Stangen experienced a R64.3 million decline in investment income due to a reduction in cash investments following the dividend distribution of R900 million to African Phoenix in September 2018.

Furthermore, Stangen reported R84.7 million in insurance policy maintenance operating costs (FY2018: R44.2 million), the R40.5 million increase primarily relating to additional capacity when Stangen increased head count to improve the underwriting margins. The increase in costs and decline in investment income was partially mitigated by a R36.1 million increase in insurance premiums and reinsurance income.

LEGACY INVESTMENTS

The Company is considering exiting its investments in Residual Debt Services Limited ("RDS") (under curatorship) and Ellerine Holdings Limited ("EHL") (in business rescue). While the equity value of both investments is carried at Rnil on balance sheet at

30 September 2019, there is value attributed to the RDS senior stub instruments. During the year, the Company also received R68 million of proceeds from its investment in Gilt Edged Management Services Proprietary Limited ("GEMS") in the form of dividends of R32 million, return of capital of R14 million and intercompany loans of R23 million. GEMS remains as a dormant company with an effectively Rnil balance sheet value at 30 September 2019.

PREFERENCE SHARE REPURCHASE

One of the key legacy matters that received significant time and attention of the Board in the current year was the repurchase of the non-cumulative, non-participating, non-redeemable preference shares ("Scheme Repurchase"). These shares were inherited from the old African Bank structure and were not suited to an investment entity. Both ordinary and preference shareholders requested the Board to urgently resolve the impasse between the shareholder groups. The Board obtained the requisite legal and expert advice and proposed a repurchase of preference shares at R37.50 per share, a premium of c.40% to the 30-day Volume Weighted Average Price ("VWAP") up to and including 6 September 2018, being the last trading day prior to the first transaction announcement. The Circular was issued to shareholders for a meeting held on 20 March 2019 to approve the required resolutions.

The Scheme Repurchase resolution was supported by more than 75% of ordinary and preference shareholders voting together in accordance with the terms attaching to the ordinary and preference shares as set out in the MOI, including by 78% of ordinary shareholders and 76% of preference shareholders voting at the shareholder's meeting. As detailed in the announcements released on SENS on 4 April 2019 and 5 April 2019, a shareholder that voted against the resolutions requested that the Company seek court approval for the Scheme Repurchase in accordance with section 115(3)(a) of the Companies Act.

The Scheme Repurchase became unconditional following the granting of a court order on 5 June 2019 approving the special resolution pertaining to the Scheme Repurchase. The scheme was implemented in June 2019 per the timetable released on SENS on 7 June 2019. The Scheme Repurchase consideration was paid to preference shareholders, excluding dissenting shareholders who exercised their appraisal rights in accordance with section 164 of the Companies Act.

As announced on 24 July 2019, the Company received a notice of motion in which a dissenting shareholder made an application to court in terms of section 164(14) of the Companies Act for, among others, a determination of the fair value of the preference shares held by the dissenting shareholder. The Board considered the application and filed a notice to oppose the application on 2 August 2019 and filed an answering affidavit on 11 September 2019. As required in terms of the Companies Act, the remaining dissenting shareholders must be joined to the main court application and this was done on 6 December 2019.

GOVERNANCE

African Phoenix is committed to good corporate governance as expressed in the King IV Report on Corporate Governance for South Africa (2016) ("King IV™") as well as established principles of best governance practice.

The application of the King IV™ principles have been encapsulated in the King IV™ application register, a copy of which is available on the Company's website.

As a governing body, the Board ensures that African Phoenix complies with the Listings Requirements of the JSE Limited ("JSE") and all applicable legislation. The Board is responsible for the Company's strategic direction and performance, and is accountable to both regulators and shareholders.

In line with the principles outlined in King IV™, the Company increased its Board in the course of the year, but following the resignation of the independent non-executive directors on 6 November 2019 and the change in strategy announced by the Company on 3 December 2019, including the role of the Executive Chairman and Chief Executive Officer ("CEO"), the Company is considering the Board composition as a priority and shareholders will be updated in due course.

Following the scheduled FTSE Committee review of the Company's FTSE classification, shareholders are advised that with effect from 23 December 2019, African Phoenix will change FTSE classification from the Consumer Finance subsector to the Specialty Finance subsector of the JSE.

STRATEGY

As a publicly listed investment entity, African Phoenix's primary aim is to create and sustain long-term value as measured by consistent growth in net asset value per share, before distributions to shareholders.

Accordingly, the Board has chosen to position African Phoenix as an investment entity, managed by investment professionals who have a proven track record of deploying capital in a manner that generates long-term economic value.

It is the Company's intention to reach its long-term goal by owning meaningful equity interests in a range of diverse businesses that have either a proven

track record or a proven business concept. These businesses should demonstrably generate or be able to generate cash and should earn acceptable returns in relation to the initial capital invested.

The performance of deployed capital is actively assessed against the investment criteria on an ongoing basis to make sure that African Phoenix meets its long-term objective of growing the Company's net asset value by more than the cost of capital at portfolio level.

DISTRIBUTION TO SHAREHOLDERS

Shareholders were advised on 3 December 2019 that on 29 November 2019, the Board resolved to declare a distribution to shareholders as a return of contributed tax capital ("Distribution"). The Distribution amount of R599 million, which equates to 42.00 cents per ordinary share, is not subject to dividend withholdings tax as the Distribution is paid out of contributed tax capital. As the Distribution will be regarded as a return of capital and may have potential capital gains tax consequences, shareholders are advised to consult their tax advisers regarding the impact of the Distribution. As at the date of declaration there were 1.427 billion ordinary shares (or "A Shares") and 300 million unlisted B ordinary no par value shares in issue. The timetable for the Distribution was as follows:

Declaration and finalisation date:
Tuesday, 3 December 2019

Last day to trade "cum-Distribution":
Tuesday, 7 January 2020

First day to trade "ex-Distribution":
Wednesday, 8 January 2020

Record date: Friday, 10 January 2020

Payment date: Monday, 13 January 2020

Share certificates were not able to be rematerialised or dematerialised between Wednesday, 8 January 2020 and Friday, 10 January 2020 (both days inclusive).

OUTLOOK

Following the demand for a shareholders meeting, a Notice for an Extraordinary General Meeting ("EGM") was sent to shareholders. C.90% of Shareholders voted in favour of terminating the GP's mandate to act as the GP of the API Capital Fund on 13 November 2019. The shareholders also voted to appoint one new director to the Board.

Shareholders were updated in the announcement released on 3 December 2019 regarding the proposed strategy of the Company. This included the purchase of all the ordinary shares and loan claims of the GP (the "API Capital acquisition") with effect from 31 December 2019.

The key benefits of this outcome are summarised as follows:

- Provides certainty in relation to the final handover of API Capital's responsibilities to African Phoenix and allows African Phoenix flexibility in the use of API Capital cash resources for potential future strategies of African Phoenix.
- Provides certainty in relation to the amounts due to the shareholders of API Capital, whilst reducing the aggregate cost of the exit for African Phoenix shareholders.
- Provides a suitable mechanism for API Capital's exit of the A shares it holds at a discount to African Phoenix's net asset value.
- Early settles the gearing facility used to acquire API Capital's A shares, reducing African Phoenix's guarantee exposure.
- Provides a suitable mechanism for the internalisation of the outstanding B shares issued to the management team.

All conditions of the API Capital acquisition were met and the terms were fulfilled. African Phoenix currently owns 100% of API Capital. The GP's rights to Termination Fees and the Performance Participation as detailed in Schedule 1 of the MOI are no longer applicable.

In addition to the API Capital acquisition, the Company also announced that the respective boards of directors of the Company and Zarclear Holdings Limited ("Zarclear") have, in principle, agreed to the implementation of a series of transactions to give effect to a merger of Zarclear and African Phoenix (the "proposed merger"). The respective boards of directors of Zarclear and African Phoenix have considered the capital base and structure, the cost base, the empowerment credentials and the strategic options of both companies and are of the view that there are strong operational and capital markets rationale for the proposed merger. A proposed merger will position the merged entity as an investment holding company that is able to execute on its strategies of private equity and market infrastructure investments where management and shareholders are closely aligned. Full details of the proposed merger, implementation terms and conditions and transaction timetable and pro forma financial effects will be communicated to shareholders of the respective companies in due course.

Oyama Mabandla
Executive Chairman

15 January 2020

BOARD OF DIRECTORS

OYAMA ANDREW MABANDLA ("OYAMA")

Executive Chairman

Member:
Remuneration, Nomination, Transformation, Social and Ethics Committee

Appointed:
22 September 2018

Age: 56

Qualification: BA (Political Science), Juris Doctorate (JD)

Current role: Director at Langa Lokulunga Investment Holdings, Supergroup Limited and Mapungubwe Institute for Strategic Reflection.

Prior experience: Investment banker for the Union Bank of Switzerland, Deputy CEO of SAA. He has held various positions during his career, including board chairperson at both Vodacom Group Limited and Consol Glass Proprietary Limited; director of Group Five Limited and Mvela Group Limited; and as a member of the JP Morgan African Advisory Board.

KOKETSO MERCEDES MABE ("KOKETSO")

Lead independent Director

Interim Chairman:
Remuneration, Nomination, Transformation, Social and Ethics Committee
Audit and Risk Committee

Appointed:
15 November 2019

Age: 42

Qualification: BCom (Insurance and Actuarial Science)

Current role: Executive director of Capital Link Partners Proprietary Limited ("Capital Link Partners"), an asset management company.

Prior experience: Executive Head: Private Equity and Structured Investments Products – Public Investment Corporation.

Having held numerous sub-committee positions at both private and public companies, as well as private equity funds, Koketso currently serves on various committees of Rand Mutual Assurance Group and Afgri Holdings Proprietary Limited.

WARREN CHAPMAN ("WARREN")

Non-executive Director

Member:
Remuneration, Nomination, Transformation, Social and Ethics Committee
Audit and Risk Committee

Appointed:
16 August 2019

Age: 48

Qualification: BCom, CFA Charterholder

Current role: Chief Executive Officer of Zarclear Holdings Limited ("Zarclear") and Zarclear Proprietary Limited. He is also an executive director at Legae Peresec Holdings Proprietary Limited.

Prior experience: Managing Director at Peregrine Securities where he spent over 19 years.

ANDREW JAMES HANNINGTON ("ANDREW")

Chief Financial Officer

Appointed:
13 November 2019

Age: 63

Qualification: BCom (Hons), CTA, CA(SA)

Andrew was previously CEO of Grant Thornton in Johannesburg, and prior to that CEO and National Chairman of PKF. He was a member of the South African Institute of Chartered Accountants Senior Partners Committee and during his career acted as the reporting accountant on a number of JSE listings. He serves as an executive director of Zarclear and a non-executive director of Texton Property Fund Limited.

CORPORATE GOVERNANCE

The Board provides ethical leadership and is committed to good governance practices that add value to African Phoenix. It is the Company's highest decision-making body and is responsible for the establishment and maintenance of the ethical culture of the Company based upon good corporate governance values. The chairperson of the Board and the Company Secretary ensure that a sound structure is in place to enhance good corporate governance.

The Board recognises that good corporate governance emanates from effective, responsible leadership, which is characterised by the values of responsibility, accountability, fairness and transparency. Its code of conduct and code of ethics provides guidance to the Company's executive team to ensure that they act with uncompromising honesty and integrity in its interactions with all stakeholders.

The Board also plays a pivotal role in strategic planning and establishing clear benchmarks against which to measure the Company's strategic objectives. It ensures the existence of necessary committee structures, with clear terms of reference that assist the Board in discharging their responsibilities and upholding the Company's ethics and strategic objectives. The Company currently has two sub-committees of the Board, being the Audit and Risk Committee ("ARC") and Remuneration, Nomination, Transformation, Social and Ethics Committee ("RNTSE").

GOVERNANCE OBJECTIVES

African Phoenix recognises that the principles of good corporate governance and transparent, comprehensive business practices are essential to protect the interests of all of its stakeholders and is committed to ensuring that it remains a responsible corporate citizen. The Board is responsible for the Company's compliance with applicable laws, rules, codes and standards which is an integral part of the Company's culture, and key to ensuring it achieves its strategy. The Board conducted a King IV™ Gap analysis during the 2018 financial year. The results and recommendations are consistently considered by the Board to effectively improve on the principles of King IV™.

THE BOARD

The Board reviews and approves the strategic objectives and policies of the Company, and provides overall strategic direction within a framework of incentives and controls. It ensures that the executive team maintains an appropriate balance between promoting the long-term sustainable growth of the Company and delivering short-term performance objectives.

The Board delegates authority to the executive team to manage the Company's day-to-day affairs. In this regard the Board, with the assistance of the ARC, regularly monitors and reviews the delegated authorities to ensure that they are aligned with principles of best practice as well as the recommendations set out in King IV™.

THE BOARD CHARTER

The Board operates under an approved charter which regulates the way business is conducted, in line with the principles of sound corporate governance and King IV™, and provides that the Board has ultimate accountability and responsibility for the Company's performance and affairs. The Board is satisfied that it has fulfilled its responsibilities in accordance with the charter.

BOARD MEETINGS

Board meetings are held at least quarterly. The agenda and relevant supporting documents are distributed to directors before each Board meeting and the appropriate executive director will explain and motivate items where decisions should be taken by the Board.

BOARD APPOINTMENTS

The Board, assisted by the RNTSE Committee, appoints new directors through a formal, fair and transparent process. The RNTSE Committee consists of a majority of independent non-executive directors and those discussions pertaining to the nomination and appointment of new directors is chaired by the Board chairperson.

The Board, together with the RNTSE Committee, considers diversity in terms of race, gender and skills when making new appointments.

CHANGES TO THE BOARD

The following appointments/resignations were made during this financial year.

	Appointment	Resignation
Siyabonga Nhlumayo	1 March 2018	25 March 2019
Shafiek Rawoot	1 July 2018	25 March 2019
Mahlatse Kabi	16 August 2018	25 March 2019
Morris Mthombeni	16 September 2013	25 March 2019
Nonzukiso Siyotula	22 September 2017	28 May 2019
Samuel Sithole	22 September 2017	11 June 2019
Monde Nkosi	11 June 2019	6 August 2019
Thiru Pather	28 May 2019	6 November 2019
Alton Solomons	11 June 2019	6 November 2019
Reshma Mathura	16 August 2018	6 November 2019
Alethea Conrad	6 September 2016	6 November 2019
Oyama Mabandla	22 September 2017	–
Warren Chapman	16 August 2019	–
Andrew Hannington	13 November 2019	–
Koketso Mabe	15 November 2019	–

As detailed in the circular issued to shareholders on 18 February 2019, there were multiple changes to the Governance structure of African Phoenix. The results of these changes are as follows:

Siyabonga Nhlumayo resigned as Chief Executive Officer effective 25 March 2019 and provided services to the Company by contract as a director of the General Partner, which contract was terminated effective 31 December 2019;

Shafiek Rawoot resigned as Financial Director effective 25 March 2019 and provided services to the Company by contract as a director of the General Partner, which contract was terminated effective 31 December 2019;

Mahlatse Kabi resigned as an independent non-executive Director effective 25 March 2019;

Morris Mthombeni resigned as an independent non-executive Director and Chairperson of African Phoenix effective 25 March 2019 and was appointed as an independent non-executive director to the board of directors of the General Partner, until the GP contract was terminated effective 31 December 2019;

Alethea Conrad, who was and remained an independent non-executive Director of African Phoenix, was appointed as the Chairperson of the Board effective 25 March 2019 and resigned effective 6 November 2019;

Oyama Mabandla was appointed as an executive Director of African Phoenix and accordingly, could no longer serve as an independent non-executive Director of the Board effective 25 March 2019.

In addition to the changes in structure, there were also the following changes to the Board:

Samuel Sithole resigned as a non-executive Director effective 11 June 2019;

Monde Nkosi was appointed as a non-executive Director effective 11 June 2019 and resigned effective 6 August 2019;

Nonzukiso Siyotula resigned as an independent non-executive Director effective 28 May 2019;

Thiru Pather was appointed as an independent non-executive Director on 28 May 2019 and resigned effective 6 November 2019;

Alton Solomons was appointed as a non-executive Director on 11 June 2019 and resigned effective 6 November 2019;

Warren Chapman was appointed as a non-executive Director on 16 August 2019;

Reshma Mathura resigned as an independent non-executive Director effective 6 November 2019;

Andrew Hannington was appointed as a non-executive Director effective 13 November 2019 and appointed Chief Financial Officer effective 15 November 2019;

Oyama Mabandla was appointed as Executive Chairman effective 15 November 2019; and

Koketso Mabe was appointed as an independent non-executive Director and lead independent Director effective 15 November 2019.

BOARD COMPOSITION AND SUCCESSION PLANNING

The Board currently only comprises of four directors: two executives, one non-executive and one independent non-executive.

The Board recognises that it is currently non-compliant with legislative and regulatory requirements. Accordingly, the Board is currently engaging with a number of potential candidates to remedy the situation.

The Board is satisfied that in the interim it has the requisite balance of skills, knowledge, experience and diversity to make it effective.

The Board evaluates its composition on an ongoing basis and will appoint additional members as and when the need arises. The Board has approved a Board Diversity Policy, which stipulates gender and race diversity targets at Board level.

The Board, with the assistance of RNTSE, considers the succession plan provided by management on an annual basis. The succession plan provides for succession of the Executive Chairman and the Chief Financial Officer.

BOARD EVALUATION AND INDEPENDENCE

As required by King IV™, board evaluations are conducted on an annual basis with further reviews being conducted at appropriate intervals as and when required. Areas of improvement are noted and addressed on an ongoing basis.

The Board specifically considers the independence of directors and their commitments on the date of appointment and annually thereafter. This evaluation is done to determine whether a director has sufficient time to discharge his or her duties effectively and is free from conflicts that cannot be managed satisfactorily.

A policy is in place to ensure that there is an appropriate balance of power and authority at Board level so that no one director has unfeterred powers of decision making.

For the year under review the members of the Board and its committees were satisfied that they fulfilled their duties

COMPANY SECRETARY

The Company Secretary, Acorim Proprietary Limited ("Acorim"), provides the Board with guidance in respect of the discharge of directors' duties and responsibilities, and regarding legislation, regulatory and governance procedures and requirements. The Board has access to, and is aware of, the responsibilities and duties of the Company Secretary, who also acts as secretary to the Board appointed committees.

The Board is satisfied that Acorim has the required competence, qualifications and experience to perform the functions and duties of the Company Secretary. In its assessment of the Company Secretary, the Board concluded that Acorim maintains an arm's length relationship with the Company and its Board in that no Acorim employees are directors of the Company, nor do they have any interests or relations that may affect independence.

ROLES AND RESPONSIBILITIES

The Board and its committees are structured to ensure that African Phoenix delivers on its mandate and responsibilities as an investment entity, while simultaneously adhering to the principles of good governance set out in King IV™. Within that framework, the Board and its committees strive to ensure that the Company delivers good performance and always operates ethically and with a social conscience.

BOARD COMMITTEES

The Board delegates certain functions to its two sub-committees in which independent non-executive, non-executive and executive directors participate. The Board committees fulfil their obligations contained in the Companies Act and the Company's Memorandum of Incorporation, as well as the recommendations contained in King IV™. As and where necessary the committees execute further duties delegated to them by the Board.

In discharging its duties, the Board delegates authority to the committees and individuals through clearly defined and approved charters, which it reviews regularly. The Board maintains effective control through a continuously developing governance framework that provides for the delegation of authority, and which is improved on an ongoing basis. The chairperson of each committee is elected by the members of the relevant committee, who themselves are appointed by the Board.

The duties and responsibilities of the two sub-committees do not reduce the individual and collective responsibilities of the Board in respect of the carrying out of their fiduciary duties and legal obligations.

THE REMUNERATION, NOMINATION, TRANSFORMATION AND ETHICS COMMITTEE

For the period under review, the RNTSE Committee comprised of four members, of which the majority were non-executive directors, including the chairperson. Due to the current composition of the Board the RNTSE Committee comprises three of the current Board members. Once new independent non-executive directors have been appointed to the Board, the RNTSE Committee will be reconstituted so as to ensure its compliance with legislative and regulatory provisions.

The RNTSE Committee had five meetings for the 2019 financial period.

Responsibility of the RNTSE Committee

Regarding remuneration policy and practice, the RNTSE Committee is responsible for the following:

- Defining, implementing and monitoring annually a remuneration policy that is aligned with the strategy of the Company and is linked to individual performance;
- Ensuring that the remuneration policy reflects the interests of stakeholders, is comparable to the general remuneration environment in the sector, and complies with relevant principles of corporate governance;
- Ensuring that the directors, both executive and non-executive, are fairly, responsibly and transparently rewarded;
- Considering the performance of the directors and executive management when determining their remuneration;
- Reviewing the terms and conditions of remuneration packages for directors and executive management at least once each year;
- Reviewing the terms and conditions of executive service level agreements at least once each year;
- Reviewing and recommending to the Board performance-related incentive schemes, performance criteria and measurements; and
- Ensuring that the Company creates value in a sustainable manner within the economic, social and environmental context.

The RNTSE Committee will review the remuneration policy on an annual basis to ensure that it is robust enough to support the Company's strategic objectives and ensure that it is aligned to best market practice. The remuneration policy will record the measures the Board commits to in the event that a 25% or more dissenting vote against the remuneration policy or implementation report is received. Such measures will consider the following:

- Engagement with shareholders to ascertain the reasons for dissenting votes; and
- Appropriately addressing legitimate and reasonable objections and concerns raised which may include amending the remuneration policy, or clarifying or adjusting remuneration governance and/or processes.

AUDIT AND RISK COMMITTEE

For the period under review the ARC comprised of four members, of which the majority were non-executive directors, including the chairperson. Due to the current composition of the Board the ARC comprises two of the current Board members. Once new independent non-executive directors have been appointed to the Board, the ARC will be reconstituted so as to ensure its compliance with legislative and regulatory provisions.

Responsibilities of the ARC

The ARC responsibilities are set out in the ARC report.

The ARC considered and satisfied itself regarding the appropriateness of the expertise and adequacy of the resources of the Company's financial function and are of the opinion that the Company will remain a going concern in the year ahead. Their statement in this regard is contained in the directors' approval to the financial statements. Furthermore, the ARC has ensured that appropriate financial reporting procedures exist and are functioning effectively.

The ARC satisfied itself as to the expertise and experience of the Chief Financial Officer.

The ARC obtained the information detailed in paragraph 22.15(h) of the JSE Listings Requirements and performed an assessment on the suitability of the JSE-accredited auditors, BDO Incorporated, and Mohamed Zakaria Sadek, as the designated individual registered auditor. The Board assessment concluded that both the audit firm and the individual auditor understand their roles and have the competence, expertise, experience and skills required to discharge their specific audit and financial reporting responsibilities.

BOARD MEETING ATTENDANCE FOR NON-EXECUTIVE DIRECTORS

Details	Notes	Board	Audit and Risk Committee	Remuneration, Nomination, Transformation, Social and Ethics Committee	Investment Committee	Independent board – Fawkes	API Capital Fund Advisory board	Independent board – API Capital termination	Board strategy
Number of meetings		16	5	5	1	3	1	1	1
In attendance									
Morris Mthombeni	1	6	1	1	–	3	–	–	–
Alethea Conrad	2	16	4	5	–	3	1	1	1
Reshma Mathura	3	13	5	3	–	–	–	–	1
Oyama Mabandla	4	15	1	5	1	3	1	1	1
Sam Sithole	5	6	–	2	1	–	–	–	–
Mahlatse Kabi	6	6	2	–	–	–	–	–	–
Monde Nkosi	7	2	–	–	–	–	–	–	–
Thiru Pather	8	6	1	–	–	–	–	–	1
Alton Solomons	9	5	1	1	–	–	1	1	1
Warren Chapman	10	2	–	–	–	–	–	–	–
Nonzukiso Siyotula	11	9	3	–	1	–	–	–	–

Notes

1. *Morris Mthombeni was a member of the Board and the Remuneration, Nomination, Transformation, Social and Ethics Committee until 25 March 2019*
2. *Althea Conrad was a member of the Audit and Risk Committee until 12 June 2019.*
3. *Reshma Mathura was appointed to the Remuneration, Nomination, Transformation, Social and Ethics Committee on 4 April 2019 until 6 November 2019.*
4. *Oyama Mabandla was a independent non-executive Director until 25 March 2019 when he was appointed as an executive Director. Oyama attended four Board meetings in his capacity as non-executive Director and 11 Board meetings in his capacity as an executive Director.*
5. *Sam Sithole was a member of the Board, the Remuneration, Nomination, Transformation, Social and Ethics Committee and the Investment Committee until 11 June 2019.*
6. *Mahlatse Kabi was a member of the Board and Audit and Risk Committee until 25 March 2019.*
7. *Monde Nkosi was appointed to the Board and Remuneration, Nomination, Transformation, Social and Ethics Committee on 18 June 2019 and resigned from the Board on 6 August 2019.*
8. *Thiru Pather was appointed to the Board on 28 May 2019, the Audit and Risk Committee on 12 June 2019 and the API Capital Fund Advisory board on 30 September 2019 until 6 November 2019.*
9. *Alton Solomons was appointed to the Board and Audit and Risk Committee on 11 June 2019 and the Remuneration, Nomination, Transformation, Social and Ethics Committee on 18 June 2019 until 6 November 2019.*
10. *Warren Chapman was appointed to the Board on 16 August 2019 and the Remuneration, Nomination, Transformation, Social and Ethics Committee on 4 September 2019.*
11. *Nonzukiso Siyotula was a member of the Board, the Audit and Risk Committee, and the Remuneration, Nomination, Transformation, Social and Ethics Committee until 28 May 2019.*

RISK ANALYSIS

OVERVIEW

As an investment entity, African Phoenix's main assets now comprise an investment in Stangen (held for sale), cash and cash equivalents and other short-term investments (held for sale). The Company is in a sound financial position.

RISK MANAGEMENT

African Phoenix has a risk management framework in place and associated policies, risks, controls and mitigating actions are reviewed on an ongoing basis by the Board and the ARC.

A draft combined assurance framework and policy was presented to the ARC and the Board but has not been implemented. The ARC and the Board will endeavour to approve and implement this before the end of 2020.

It is envisaged that the Combined Assurance Model will assist the Board in assessing the impact of both known and unknown risks on company strategy. In doing so, the Board is able to uncover risks and opportunities that they otherwise would not have known existed. The Combined Assurance Model has been designed to highlight the relevant high-risk areas and the assurance to be provided by management, external audit, internal audit and other consultants or service providers in order for the Board to be appraised of the risk management efforts undertaken to manage the risks to an acceptable level.

The Board has identified various lines of defence. No material weaknesses have been identified in the control environment that could adversely impact the Company from achieving its strategic objectives.

RISK RATINGS

In the ongoing review of risks and risk ratings by the Board and the ARC, the detailed risk register separately assesses inherent risk of each risk identified as the product of the impact of the risk and the likelihood of the risk occurring. Residual risk is assessed after taking into account mitigating controls identified for each risk.

The risks related to specific transactions are separated from the ongoing risks related to the continued operations of the business.

The risks related to the specific transactions as detailed in the circular issued to shareholders on 18 February 2019 were rated as low to moderate with sufficient and appropriate mitigating controls in place.

In assessing the ongoing risks from continued operations of African Phoenix as an investment entity, the impact of shareholders approving the transactions proposed and the Company implementing those transactions were factored into the risks' assessments.

The Company's assessment of the risks related to the financial position, as such financial and solvency risks, were rated as low.

Operational risks relating to the risk of losses resulting from inadequate or failed internal processes, people and/or systems or from external events were collectively rated as low to moderate.

Strategic risks were rated as moderate and are discussed in more detail below.

STRATEGIC RISKS

Strategic risk is the risk of an organisation not being able to fulfil its strategic objectives or implement its business plan.

Following the appointment of a Executive Chairman and CFO, the risk of not being able to fulfil the strategic objectives was reduced since the prior year.

Following the key appointments, the main risk that exists is in the underperformance of investee portfolio companies. The key mitigants for this risk are:

- thorough due diligence and analytical assessments by the Investment Team;
- all investments considered by a majority non-executive Investment Committee;
- analysis of opportunities against well-defined investment criteria;
- specific attention and consideration of investee cash generation and gearing levels;
- use of industry experts at diligence and monitoring investment phases; and
- active representation on investee company boards and regular communication with investee company management.

Given the recent changes in the Company post the 30 September 2019 financial year, which primarily includes that shareholders have voted to terminate the services of the General Partner, the risk management framework will be reviewed by the Board and updated where appropriate. This will include a revised assessment of risks and mitigating controls following the implementation of any revisions to the strategy of the Company in future.

African Phoenix INTEGRATED ANNUAL REPORT 2019 12

AUDIT AND RISK COMMITTEE REPORT

The committee presents its report for the financial year ended 30 September 2019 as required by section 94 (7)(f) of the Companies Act No. 71 of 2008, as amended ("the Companies Act"). The committee has been constituted in accordance with applicable legislation and regulations.

PURPOSE OF THE AUDIT AND RISK COMMITTEE

The main purpose of the committee, in so far as it relates to audit activity, is to assist the Board in discharging its duties relating to the safeguarding of assets, accounting systems and practices, the integrity of internal financial control processes and the preparation of accurate financial reporting and statements in compliance with all legal requirements and accounting standards.

MEMBERSHIP AND ATTENDANCE

At the date of this report, the committee consists of two non-executive directors. The committee met six times during the period under review. The annual financial statements were recommended to the Board on 11 December 2019, subject to minor changes, and approved by the Board on 11 December 2019.

CHANGES AND COMPOSITION

The committee members changed during the year and were as follows:

Nonzukiso Siyotula – appointed on 22 September 2017, resigned on 28 May 2019 from the committee and the Board;

Mahlatse Kabi – appointed on 16 August 2018, resigned on 25 March 2019 from the committee and the Board;

Alethea Conrad – appointed to the Board on 6 September 2016 and appointed as a committee member on 13 August 2018, resigned from the committee on 12 June 2019 and resigned from the Board on 6 November 2019;

Thiru Pather – appointed to the Board on 28 May 2019 and to the committee on 12 June 2019, resigned from the committee and Board on 6 November 2019;

Alton Solomons – appointed to the Board and committee on 12 June 2019 and resigned from the committee and the Board on 6 November 2019;

Reshma Mathura – appointed to the Board and committee on 16 August 2018 and resigned from the committee and the Board on 6 November 2019; and

Warren Chapman and Koketso Mabe – appointed to the committee on 29 November 2019.

FUNCTIONS OF THE COMMITTEE

The committee approved a revised committee charter during the period under review and has discharged the functions in terms of the charter which included:

- reviewing the annual financial statements to confirm the financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), the Companies Act and the Listings Requirements of the JSE Limited;
- reviewing the accounting policies adopted by the Company and all proposed changes in accounting policies and practices;
- reviewing and approving the Company's external audit plan including the proposed audit scope, approach to Company operating risks and the audit fee;
- confirming the independence of the external auditors, BDO;
- reviewing the external audit reports;
- assessing the nature and extent of non-audit services by the auditors;
- reviewing the delegation of authority framework and the performance of the Manager, API Capital Proprietary Limited, per the Investment Services Agreement;
- reviewing risk reports received from portfolio companies;
- reviewing the Company's risk management plan and risk management processes; and
- reviewing the legal matters that could have a significant impact on the Company's financial statements.

INDEPENDENCE OF EXTERNAL AUDITORS

In December 2018, the designated auditor changed from Soné Kock to Serena Ho due to partner rotation. During November 2019, due to operational commitments which resulted in her being unable to perform the function of audit engagement partner, the designated partner was changed from Serena Ho to Mohamed Zakaria Sadek. The committee and Board followed the process detailed in paragraph 3.84(g)(iii) of the Listings Requirements in terms of which the committee received and considered the information relating to the each of two designated partners. The committee recommended the appointments which were approved by the Board in December 2018 and November 2019 respectively.

The committee has satisfied itself that BDO South Africa Incorporated (BDO), the external auditor, and Mr Mohamed Zakaria Sadek, the designated auditor, are independent of the Company and Group.

The committee has reviewed Sections 3, 8, 13, 15 and 22 and Schedule 8 of the JSE Listings Requirements and confirm that based on the amended requirements for the JSE-accreditation of Auditors, effective 15 October 2017, we are satisfied that:

(i) the audit firm has met all the criteria stipulated in the requirements, including that the audit regulator has completed a firm-wide independent quality control (ISQC 1) inspection on the audit firm during its previous inspection cycle;

(ii) the auditors have provided to the Audit Committee the required IRBA inspection decision letters, findings report and the proposed remedial action to address the findings, both at the audit firm and the individual auditor levels; and

(iii) both the audit firm and the individual auditor understand their roles and have the competence, expertise, experience and skills required to discharge their specific audit and financial reporting responsibilities.

EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER

The Company appointed Andrew Hannington as the Chief Financial Officer on 15 November 2019. The committee satisfies itself on an annual basis as to the competence, expertise, experience and skills of the Chief Financial Officer and confirmed that he has the necessary expertise, experience and skills required.

INTERNAL AUDIT

Due to the size of the Company and the nature of operations, no internal audit function has been established for the Company itself. The need for internal audit will be considered and assessed going forward.

INTERNAL FINANCIAL CONTROLS, ACCOUNTING PRACTICES AND ANNUAL FINANCIAL STATEMENTS

Nothing has come to the attention of the committee which indicates that the Company's system of internal financial controls and accounting practices, in all material respects, does not provide a basis for reliable annual financial statements.

The committee is satisfied that the Company's annual financial statements are in compliance, in all material respects, with the requirements of the Companies Act 71 of 2008, as amended and International Financial Reporting Standards, and recommend the annual financial statements for approval by the Board.

Koketso Mabe

Chair: Audit and Risk Committee

11 December 2019

JSE COMPLIANCE CERTIFICATE

The corporate and financial governance compliance certificate for the reporting period, which is required in terms of the JSE Listings Requirements, has been submitted to the JSE.

In accordance with section 3.4(b)(VI) of the JSE Listings Requirements, the Company confirms adoption of Net Asset Value per share as its reporting measure for trading statement purposes.

REMUNERATION, NOMINATION, TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE REPORT

INTRODUCTION

The current committee, which was constituted after the year-end, considered the work of the prior committee and then substantially changed the overall direction by internalising the management of the Company. Currently, the Company has two employees, namely the Executive Chairman and CFO. The prior committee ensured that the remuneration policies were aligned with King IV™.

In previous reporting periods, African Phoenix noted the importance of linking remuneration to Company performance, Company strategy and individual performance. Previous remuneration reports illustrated the remuneration elements, including applicable performance conditions and targets for executive management and, on a high-level, other employees. However, during this reporting period, the Company took significant steps to realising its mission of deploying capital in a manner that generates long-term economic value for investors. One of the initiatives was the acquisition of a limited partnership interest in a private equity fund which was established in accordance with the Broad-Based Black Economic Empowerment codes ("API Capital Fund").

Following the implementation of the initiatives, including the adoption of a new investment policy, African Phoenix reduced its executive management to a single executive director and appointed the General Partner to the API Capital Fund as an advisor to the Company. The General Partner was paid by the API Capital Fund.

African Phoenix has combined Remuneration, Nomination, Transformation, Social and Ethics into a single committee ("RNTSE Committee"). The RNTSE Committee deals with remuneration, nomination, transformation, social and ethics matters of the Company. Executive and non-executive directors' remuneration is a key focus area for the RNTSE Committee, recognising that the Company executives need to be remunerated and incentivised fairly, responsibly and transparently to promote acceptable behaviour and actions required to deliver on the Company's strategy and to enhance shareholder value. Therefore, the RNTSE Committee makes remuneration decisions and determines the criteria necessary to measure the performance of executives when discharging their functions and duties.

ACTIVITIES UNDERTAKEN IN 2019

In the 2019 financial year, the RNTSE Committee undertook the following activities:

- Engaged with the JSE and shareholders on the replacement of the Chief Executive Officer, Financial Director and executives with an executive director and General Partner to the API Capital Fund;
- Reviewed guaranteed packages for executives and directors' fees for non-executives;
- Reviewed performance conditions and transaction related targets applicable to the short-term incentive for executives;
- Reviewed the terms of the long-term incentivisation of the General Partner based on a carry structure; and
- Considered shareholders' recommendation regarding aligning the remuneration policy to the strategy and introducing financial and non-financial indicators to assess performance.

AREA OF FOCUS FOR 2020

- The appointment of additional independent non-executive directors to ensure that the Board is properly constituted.
- Review of the remuneration policy and implementation report.

VOTING OUTCOMES

- Results of voting at the 2017 and 2018 annual general meetings are indicated in the table below:

% vote in favour	**2018**	2017
Remuneration policy	**77.21**	78.08
Remuneration implementation report	**77.65**	78.20
Non-executive directors' fees	**99.97**	99.97

VOTING AT THE AGM FOR 2019 FINANCIAL YEAR

In line with King IV™, at the 2019 annual general meeting, shareholders of the Company will be given an opportunity to pass separate non-binding advisory votes on the policy and the implementation report. Non-executive directors' fees for the coming year will also be put to shareholders by way of special resolution as recommended by the Companies Act, as amended ("the Companies Act"). In the event that either the remuneration policy or the implementation report are voted against by 25% or more of the votes exercised, engagement with shareholders will be made regarding their concerns to address legitimate concerns so as to make the necessary changes and improvement to the policy as well as reporting.

THE OVERVIEW OF THE REMUNERATION POLICY

The remuneration policy operated according to the following principles which were adopted by the Black Fund Manager:

- Provide a framework for the management of total reward within the Company;
- Attract, reward and retain employees with the necessary skills to foster the continuous growth of the Company;
- Encourage sustainable long-term performance that will be in the best interests of the Company;
- Support and encourage behaviour consistent with its values, culture and corporate citizenship;
- Promote an appropriate balance between the needs, expectations and risk exposure of its stakeholders to ensure the creation of sustainable long-term value;
- Demonstrate transparency based on external benchmarks to ensure fairness and equity; and
- Ensure alignment with the principles of good corporate and compensation governance.

RNTSE COMMITTEE

The members of the RNTSE Committee, as at the date of this report, are as follows:

Name	Date appointed	Directorship status	Number of meetings attended[1]
Mr Koketso Mabe	15 November 2019	Independent non-executive Director and Chair	1/1
Mr Oyama Mabandla	22 September 2017	Executive Chairman	6/6
Mr Warren Chapman	4 September 2019	Non-executive Director	1/1

1 The RNTSE Committee has had five meetings for the 2019 financial period and one thereafter.

** The RNTSE Committee will be reconstituted when additional independent non-executive directors are appointed.*

REMUNERATION ELEMENTS

The executives of the General Partner to the API Capital Fund reward framework was designed to fairly, responsibly and transparently reward each individual's contribution and value to the Company and the API Capital Fund. The remuneration of executive directors relates to guaranteed pay and the General Partners' executives' remuneration consists of a mix between guaranteed pay and variable pay which is linked to performance and was paid out of the API Capital Fund. This is to ensure that there is alignment between the interests of the executives, General Partner and the shareholders. Total remuneration comprises three components which are the Total Guaranteed package ("TGP"), Short-term incentive ("STI") and Long-Term Alignment.

The different elements include:

Remuneration Element	Key Features	Link to Strategy
Total Guaranteed Package	To make informed decisions around the guaranteed package, the RNTSE Committee considers the following factors: • Size and complexity of the role; • Reference checks; and • Market survey data. The Company and the General Partner benchmark executive remuneration against comparable companies in order to ensure that the total guaranteed package element is market-related and fair. As a general guideline, the Company aims to remunerate employees who perform as expected at above the median. This principle can, however, be adjusted if necessary, in order to attract and retain scarce human resources. These guaranteed packages and any increases are recommended by management after taking the following into consideration: • company performance; • market benchmarks; • inflation; • individual skills, experience and qualification; • individual performance; • future career progression; and • resource availability.	The Company offers market related total guaranteed packages in order to attract, recruit and retain, highly skilled, talented executives who are competent enough employees to drive business performance and create shareholder value.
Short-Term Incentive	There is currently no STI for Company executives. A fit-for-purpose STI scheme was developed to reward employees of the General Partner with a cash bonus based on the achievement of inter-personal and technical objectives on the balanced scorecard.	The aim of the STI scheme was to encourage the achievement of a strategy that enhances the API Capital Fund and shareholder value.
Long-Term Alignment	The Company has currently not adopted a long-term alignment scheme for executives. Details of the long-term alignment for management of the API Capital Fund General Partner is disclosed below.	The introduction of the long-term alignment scheme was to align the interests of executives with shareholders and promote high-performance which will result in shareholder value creation.

African Phoenix established a private equity fund known as the API Capital Fund which is an en commandite partnership established in South Africa and comprising of the General Partner (holding a 0.01% interest in the API Capital Fund) and a Limited Partner, being African Phoenix (holding a 99.99% interest in the API Capital Fund).

The General Partner shall be entitled to receive a General Partner fee (GP Fee) from the API Capital Fund, which will constitute an operating expense of the API Capital Fund. The GP Fee shall be due and payable quarterly in advance.

The GP Fee (excluding VAT) shall be calculated in respect of each quarter as an amount equal to the greater of (i) 1% per annum (nominal, annual) on the average of the invested net asset value at the beginning of the quarter and the invested net asset value as at the close of the quarter and (ii) the minimum base amount (which will be an amount of R19 000 000 for the first 12-month Accounting Period following the commencement date of the API Capital Fund, increasing at 7% per annum for each 12-month Accounting Period thereafter).

African Phoenix appointed an independent expert, EY, to review the API Capital Fund management fee payable to the General Partner, the performance participation (long-term alignment) and the compensation payable to the General Partner in case of termination of their services (Management Arrangements). EY opined that the Management Arrangements are fair to African Phoenix shareholders.

TOTAL GUARANTEED PACKAGE

Total guaranteed package	
Description of the Total guaranteed package	The total guaranteed package for executive directors comprises a cash salary and for the General Partner's executive it comprises a cash salary and General Partner's contribution towards retirement funding. All benefits are included in the total guaranteed package. The retirement funding contributions, by the General Partner, are equivalent to 6% of pensionable remuneration.
Benchmarking of total guaranteed package	The total guaranteed packages for General Partner executives are benchmarked against the median of the private equity fund managers, as measured by assets under management, using an industry salary survey. The General Partner utilised the Southern African Venture Capital and Private Equity ("SAVCA") salary survey for all employees of the General Partner.
Review process	The RNTSE Committee performs an annual review of the total guaranteed package for executive directors. Any amendments are premised on the executive director's performance. The board of the API Capital Fund General Partner, which is chaired by an independent non-executive director, approves all General Partner employee total guaranteed packages.

SHORT-TERM INCENTIVE (STI)

Short-term incentive	
Description of the STI	There is no STI for executive directors of the Company.

LONG-TERM ALIGNMENT

Long-term alignment				
Description of the long-term alignment	• On the award date participants will receive unlisted class B convertible shares of no value. • The value of these shares is calculated as 16% of the growth in Invested NAV of API Capital Fund and growth in the market capitalisation of African Phoenix over a six-year measurement period, where such growth is in excess of the performance hurdle (being 10%). • On achieving the participation, the issued B shares will be converted to listed class A shares in the hands of the General Partner.			
Eligibility	The participants are the executive directors and prescribed officers of the General Partner.			
Types of awards	Unlisted convertible class B shares with no value have been awarded to the General Partner. After the relevant measurement period of six years, subject to the fulfilment of specific performance conditions, a certain number of the class B shares will automatically be converted to listed class A shares.			
Performance conditions, weightings and targets	Performance condition	Weighting	Targets / hurdle	Calculation
	Invested Net Asset Value Growth	75%	Invested NAV growth of 10% Compound Annual Growth Rate ("CAGR") over the six-year measurement period.	At the end of each six-year measurement period, the participants receive 16% of the growth above the 10% CAGR hurdle rate calculated by taking into account the average of 75% of the invested net asset value growth during a measurement period and 25% of the increase in African Phoenix's market capitalisation during the same measurement period.
	Increase in African Phoenix market capitalisation	25%	African Phoenix market capitalisation growth of 10% CAGR over the six-year measurement period.	

Long-term alignment	
Measurement period	The measurement periods over which the hurdle rate of growth must be exceeded is an initial period of six years, followed by subsequent periods of six years.

TERMINATION POLICY

The following applied in the event of termination employment:

COMPANY

	Voluntary resignation	Termination due to dismissal	Retirement, retrenchment and death
Guaranteed Package	Paid over the notice period.	Paid until the date of termination.	Paid over the notice period or as a lump sum.

GENERAL PARTNER TO THE API CAPITAL FUND

	Termination for no cause	Termination for cause
Termination fee	African Phoenix shareholders by ordinary resolution may terminate the General Partner's mandate without cause. As compensation for such termination, the API Capital Fund shall pay to the General Partner in cash in a single lump-sum payment, on the removal date, an amount equal to the Fund Management Fee payable to the General Partner in respect of the preceding quarter multiplied by the lower of (i) eight; and (ii) the number of quarters remaining in the six-year period commencing on the Commencement Date.	African Phoenix may terminate the mandate of the General Partner for cause. No further compensation to the General Partner.
Long-term alignment	On termination, the performance participation, documented in the Long-Term Alignment, is calculated for the period from commencement of the API Capital fund to the quarter end preceding the termination date for the General Partner mandate.	On termination, the performance participation, documented in the Long-Term Alignment, is calculated for the period from commencement of the API Capital fund to the quarter end preceding the termination date for the General Partner mandate.

NON-EXECUTIVE DIRECTOR FEES

Certain factors were considered as per the Company's remuneration policy when recruiting non-executive directors. The Company performed a benchmark exercise for the fees payable to the non-executive directors. Publicly available information for the comparator company has been used to do the analysis. During the benchmarking exercise, cognisance has been taken that the Company has a combined RNTSE Committee whilst most companies have separate respective committees.

NON-BINDING ADVISORY VOTE ON REMUNERATION POLICY

The remuneration policy is subject to an advisory vote by shareholders at the AGM for the 2019 financial year. Shareholders will be requested to cast an advisory vote on the remuneration implementation report as contained in this report.

IMPLEMENTATION REPORT

There are currently two executive directors, one independent non-executive director and one non-executive director.

REMUNERATION OF EXECUTIVE MANAGEMENT

The remuneration for each member of executive management received as well as the elements that make up this total for the reporting period is provided in the table below:

	Salary R000	Retirement medical contributions and other payments R000	Other fees R000	Total cost-to-company package R000	Short-Term Incentive* R000	Total cost-to-company package R000
2019						
Oyama Mabandla [5]	405	–	–	405	–	405
Siya Nhlumayo [3]	1 174	86	–	1 260	2 446	3 706
Shafiek Rawoot [4]	977	71	–	1 048	2 035	3 083
2018						
Enos Banda [1]	417	–	–	417	–	417
John Evans [2]	1 463	–	261	1 724	–	1 724
Siya Nhlumayo [3]	1 371	–	–	1 371	–	1 371
Shafiek Rawoot [4]	500	–	–	500	–	500

* *The Short-Term Incentive after tax of R2.5 million for the period up to 31 March 2019 was 100% utilised to purchase A Shares in Phoenix to meet the requirements of the BFM structure approved by shareholders on 20 March 2019.*

1. *Enos Banda was appointed as non-executive Chairman on 6 September 2016, Executive Chairman on 1 October 2016 and subsequently Chief Executive Officer on 14 December 2016. Enos' term as Chief Executive Officer ended on 30 November 2017. Enos remained on the Board as a non-executive Director until his resignation on 16 January 2018.*
2. *John Evans was appointed as Financial Director on 1 October 2016. Prior to his appointment as Financial Director he was the business rescue practitioner of Phoenix from 5 June 2015 to 19 May 2016. The other fees incurred and paid to John for the 2017 and 2018 financial year were in respect of his contract as business rescue practitioner of Phoenix. These fees relate to assets established and preserved during business rescue, as well as proceeds received by Phoenix after business rescue. John's tenure as Financial Director ended on 28 February 2018 and the basic salary relates to employment to this date. In addition to the above amounts, John received R881 000, while not a director but in accordance with his contract as business rescue practitioner.*
3. *Siya Nhlumayo was appointed as Chief Executive Officer on 1 March 2018. Siya's tenure ended on 25 March 2019.*
4. *Shafiek Rawoot was appointed as Financial Director on 1 July 2018. Shafiek's tenure ended on 25 March 2019.*
5. *Oyama Mabandla was appointed as an independent non-executive Director on 22 September 2017 and subsequently as executive Director on 25 March 2019.*

NON-EXECUTIVE DIRECTOR FEES

The RNTSE Committee has reviewed and recommended the fees payable to the non-executive directors, having had due regard to the findings of a survey on non-executive directors' practices and remuneration trends by external consultants. The 2019 directors' fees were approved at the previous AGM.

The fees paid to non-executive directors are disclosed in the table below:

	2019			2018		
	Service to the company R000	Services to other group companies R000	Total R000	Service to the Company R000	Services to other group companies R000	Total R000
E Banda	–	–	–	9	–	9
W Chapman	28	–	28	–	–	–
A Conrad	450	–	450	929	–	929
C Le Grange	–	–	–	696	211	907
M Kabi	130	451	581	77	342	419
O Mabandla	170	–	170	1 118	–	1 118
R Mathura	349	–	349	82	–	82
M Mthombeni	252	545	797	1 364	438	1 802
M Nkosi	45	–	45	–	–	–
T Pather	85	–	85	–	–	-
S Sithole	250	–	250	817	–	817
N Siyotula	240	355	594	831	222	1 053
A Solomons	94	–	94	–	–	–
D Vlok	–	–	–	469	–	469
	2 093	1 350	3 443	6 392	1 213	7 605

	Board	Audit and Risk Committee	Remuneration, Nomination, Transformation, Social and Ethics Committee	Investment Committee
2019 – Total number of meetings	20	5	5	–
2018 – Total number of meetings	11	6	11	10

The non-executive directors fees for 2018 were based on a retainer as well as a fee per meeting. The RNTSE Committee reviewed and recommended the fees payable to the non-executive directors for the 2019 financial year at the October 2018 AGM, having had due regard to the findings of a survey on non-executive directors' practices and remuneration trends by external remuneration consultants. The survey included comparative information in relation to a group of listed companies similar to African Phoenix. This is included in the table below and was approved by shareholders by special resolution.

The RNTSE Committee also considered the complexity of the business as well as the time, commitment, level of experience, skills and capabilities required of the non-executive directors. The approved fee levels indicated below would ensure that the remuneration of the non-executive directors is market related.

Rands	FY2019 Approved	FY2020 To be approved	FY2021 To be approved
Board			
Chairperson	360 000	**480 000**	**480 000**
Member	180 000	**300 000**	**300 000**
ARC			
Chairperson	130 000	**220 000**	**220 000**
Member	80 000	**180 000**	**180 000**
RNTSE			
Chairperson	130 000	**140 000**	**140 000**
Member	80 000	**80 000**	**80 000**

NOMINATIONS AND APPOINTMENT OF DIRECTORS

In respect of the nominations and appointment of directors, the RNTSE Committee is responsible for the following:

Establish a formal process for the appointment of directors, which includes identification of suitable members of the Board and performing independent reference and background checks prior to the nomination of the candidate;

Oversee an evaluation of the Board and individual directors annually;

Ensure that the succession plan is in place for all directors;

Establish and oversee a formal induction programme for new directors; and

Report to shareholders regarding promotion of gender and race diversity at Board level.

TRANSFORMATION, SOCIAL AND ETHICS

In the areas of transformation, social and ethics issues, the RNTSE Committee is responsible for the following:

- Assist the Board in creating and sustaining the ethical business culture aligned to the principles defined in King IV™;
- Monitoring and assessing progress of the Company measured against annually approved targets for transformation signed off by the Financial Services Code and informed by the Employment Equity Act and Broad-Based Black Economic Empowerment (B-BBEE) Act and Labour Relations Act;
- Reviewing the Company's transformation strategy to ensure that it is in line with the current legislation and make recommendations to the Board;
- Ensuring that the Company is a good citizen;
- Monitoring the Corporate Social Responsibility ("CSR") programmes undertaken by the Company;
- Monitoring and developing stakeholder relations and ensure that consultation with stakeholders is in place; and
- Monitoring any reports from the independent whistle-blowing facility provider.

During the year the RNTSE Committee considered the following:

- Ensure that the nomination and appointment of directors was in line with the Company policies on Gender and Diversity;
- Ensure that the appointment of executive and employees was in line with the transformation objectives and targets;
- Initiated the process for an independent culture and values assessment in the Company; and
- Monitor the succession plan for executives and key employees.

Koketso Mabe
Chairperson

15 January 2020

SHAREHOLDERS' ANALYSIS
as at 30 September 2019

ANALYSIS OF ORDINARY SHAREHOLDERS
as at 30 September 2019

	Number of holders	% of total shareholders	Number of shares	% of total issued share capital
Range				
1 – 999	4 931	51,99%	1 373 572	0.10%
1 000 – 9 999	3 015	31,79%	9 719 170	0.68%
10 000 – 99 999	1 242	13,09%	33 797 775	2.37%
100 000 – more	297	3,13%	1 382 114 755	96.85%
Total	9 485	**100.00%**	**1 427 005 272**	**100.00%**
Shareholder spread				
Non-public	**2**	**0.02%**	**616 887 528**	**43.23%**
Directors	1	0.01%	402 870 190	28.23%
Shares in excess of 10% of I/C	1	0.01%	214 017 338	15.00%
Distribution of shareholders				
Individuals	8 560	90,25%	82 918 519	5,81%
Growth funds/unit trusts	36	0,38%	553 431 822	38,78%
Nominees and trusts	348	3,67%	45 232 330	3,17%
Insurance companies	6	0,06%	840 254	0,06%
Limited companies	16	0,17%	491 646	0,03%
Close corporations	67	0,71%	1 336 847	0,09%
Private companies	37	0,39%	221 674	0,02%
Other corporate bodies	415	4,38%	742 532 180	52,03%
Totals	9 485	100,00%	**1 427 005 272**	100,00%
Top beneficial shareholders – 1% or more of Issued Capital				
Zarclear Holdings Ltd			311 235 546	21.81%
Government Employees Pension Fund (PIC)			214 017 338	15.00%
Steyn Capital SNN Retail Hedge Fund			104 316 613	7.31%
Steyn Capital Equity Fund			92 542 661	6.49%
Legae Peresec (Pty) Ltd			91 634 644	6.42%
Steyn Capital SNN QI Hedge Fund			90 669 092	6.35%
Steyn Capital Equity Fund			68 740 075	4.82%
Briarwood Capital Partners LP			68 580 722	4.81%
RMB Morgan Stanley (Pty) Ltd			68 324 554	4.79%
Peregrine High Growth Fund			27 073 232	1.90%
National Fund Municipal Workers			26 666 667	1.87%
API Capital (Pty) Ltd			20 000 000	1.40%
H4 Caveo PC Aggressive QI Hedge Fund			15 004 322	1.05%

DIRECTORS' INTEREST IN SHARES

The directors' and former directors' direct and indirect interests in the issued share capital of the Company are set out in the following table. All the shares are held beneficially.

Interest of directors of the Company directly and indirectly in the shares of Phoenix:

	30 September 2019			30 September 2018		
Name	Direct	Indirect	Total	Direct	Indirect	Total
Ordinary shares Non-executive directors						
Warren Chapman*	–	402 870 190	402 870 190	–	–	–
Past directors						
Sam Sithole^	–	–	–	–	212 893 803	212 893 803
Monde Nkosi^	–	–	–	–	–	–
Siyabonga Nhlumayo	–	20 000 000	20 000 000	–	–	–
Shafiek Rawoot	–	20 000 000	20 000 000	–	–	–

* *Warren Chapman is one of at least five directors of Zarclear Holdings Limited and Legae Peresec Proprietary Limited. He also holds less than a 25% beneficial interest in each of these entities on a look through basis. The entities held 311 235 546 and 91 634 644 African Phoenix shares respectively at 30 September 2019.*

^ *Sam Sithole and Monde Nkosi were directors of African Phoenix and had an indirect interest in the shares held by Value Capital Partners (VCP) during the 2019 financial year. VCP sold 226 499 721 shares to Zarclear Holdings Limited on 5 August 2019. VCP no longer holds any direct or indirect interest in African Phoenix.*

POST REPORTING DATE CHANGES IN DIRECTORS' INTEREST IN SHARES

After 30 September 2019, Legae Peresec Proprietary Limited ("Legae Peresec") entered into a put/call option arrangement with Steyn Capital Management Proprietary Limited ("Steyn Capital"), which was subject to various conditions, to inter alia acquire 364 879 903 African Phoenix A ordinary shares at a price of 80 cents per share for a total value of R291 903 922. These conditions were met and Legae Peresec acquired the shares from Steyn Capital. Mr Warren Chapman is a director and indirect shareholder of Legae Peresec*.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2019

R thousand	Notes	2019	2018
Assets			
Non-current assets		**503 114**	57 291
Investments	2	**501 386**	16 462
Equipment		**1 555**	5 207
Intangible assets		**173**	16 377
Deferred tax asset		**–**	18 608
Reinsurance assets		**–**	637
Current assets		**897 209**	2 013 401
Other assets		**31 645**	55 205
Investments held for sale: RDS stub instruments	3	**34 409**	–
Investment held for sale: Stangen	2	**140 000**	–
Taxation		**–**	1 622
Financial assets		**–**	300 127
Cash and cash equivalents	4	**691 155**	1 656 447
Total assets		**1 400 323**	2 070 692
Liabilities and equity			
Non-current liabilities		**–**	141 016
Borrowings		**–**	23 377
Policyholders' liabilities under insurance contracts		**–**	117 639
Current liabilities		**114 445**	57 849
Other liabilities		**42 196**	40 391
Creditor – Appraisal Rights claims	5	**46 972**	–
GEMS liability		**23 568**	–
Reinsurance creditor		**–**	272
Taxation		**1 709**	17 186
Total liabilities		**114 445**	198 865
Ordinary share capital and share premium	6	**14 649 959**	14 649 929
Reserves		**(13 364 081)**	(13 907 905)
Ordinary shareholders' equity		**1 285 878**	742 024
Preference shareholders' equity	7	**–**	1 129 803
Total equity (capital and reserves)		**1 285 878**	1 871 827
Total liabilities and equity		**1 400 323**	2 070 692
Number of A ordinary shares in issue (in thousands)		**1 427 005**	1 427 005
Net asset value per ordinary share (NAV) (cents)		**90.1**	52.0

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 September 2019

R thousand	Notes	2019	2018
Insurance premium and reinsurance income		**41 638**	66 711
Interest income		**108 989**	155 977
Dividend Income		**382 044**	–
Fair value gains and losses on investments	8	**(427 203)**	–
Fair value losses due to dividends received		**(382 044)**	–
Other fair value gains or losses		**(45 159)**	–
Other income		**1 893**	17 598
Net income		**107 361**	240 286
Net insurance claims		**(4 368)**	(9 424)
Operating expenses	9	**(148 362)**	(151 143)
Interest expense (SARS)		**–**	(308)
(Loss)/Profit before capital items and equity accounted items		**(45 369)**	79 411
Capital items		**(11 884)**	(5 367)
(Fair value loss)/Reversal of impairment of RDS Stub note instruments		**(11 884)**	1 977
Impairment of goodwill		**–**	(2 555)
Deemed loss on stepped acquisition of associate		**–**	(4 789)
Share of profit/(loss) from associate		**158**	(205)
(Loss)/Profit before taxation		**(57 095)**	73 839
Tax expense		**(21 770)**	(28 261)
(Loss)/Profit for the year		**(78 865)**	45 578
Other comprehensive income		**–**	–
Total comprehensive (loss)/income for the year		**(78 865)**	45 578
Basic (loss)/earnings per share (cents)	10	**(5.53)**	3.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2019

R thousand	Ordinary share capital and premium	Accumulated loss	Preference share capital and premium	Total
Balance at 30 September 2017	14 649 929	(13 953 483)	1 129 803	1 826 249
Total comprehensive income for the year	–	45 578	–	45 578
Balance at 30 September 2018	14 649 929	(13 907 905)	1 129 803	1 871 827
Total comprehensive loss for the year	–	(78 865)	–	(78 865)
Issue of B Shares	30	–	–	30
Preference Share repurchase	–	622 689	(1 129 803)	(507 114)
Balance at 30 September 2019	**14 649 959**	**(13 364 081)**	**–**	**1 285 878**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2019

R thousand	Notes	2019	2018
Cash inflow from operations		**350 132**	72 414
Cash receipts from policyholders and investments		**494 378**	240 159
Cash paid to policyholders, suppliers and employees		**(144 246)**	(167 745)
Direct taxation paid		**(39 200)**	(31 951)
Interest paid		**–**	(308)
Net cash inflow from operating activities		**310 932**	40 155
Cash flows from investing		**(816 113)**	(265 041)
Acquisition of equipment		**(601)**	(3 022)
Acquisition of intangible assets		**(141)**	(7 535)
Acquisition of investment in Different Life		**–**	(1 456)
Acquisition from business combination		**–**	(4 435)
Other investing activities		**300 000**	(300 000)
Loan received from GEMS		**23 568**	–
Return of capital from GEMS		**13 743**	–
RDS stub instrument capital received		**2 255**	–
Investment in API Capital Fund		**(500 000)**	–
Proceeds from other assets		**–**	51 407
Adjustment on becoming an investment entity – Stangen and GEMS*		**(654 937)**	–
Net cash outflow from investing		**(816 113)**	(265 041)
Cash flows from financing activities			
Preference share repurchase		**(460 141)**	–
Issue of B ordinary shares		**30**	–
Net cash outflow from financing activities		**(460 111)**	–
Decrease in cash and cash equivalents		**(965 292)**	(224 886)
Cash and cash equivalents at the beginning of the year		**1 656 447**	1 881 333
Cash and cash equivalents at the end of the year	**4**	**691 155**	1 656 447

* *African Phoenix became an investment entity as defined in IFRS 10 during the current period, and therefore ceased to consolidate Stangen and GEMS from 31 March 2019. This results in the cash held at Stangen and GEMS no longer being consolidated but rather being included in the value of investments on the statement of financial position at 30 September 2019. The cash held in Stangen and GEMS at 31 March 2019 was R654 937 000.*

AUDITOR'S REPORT ON THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

for the year ended 30 September 2019

AUDITOR'S REPORT

These condensed consolidated financial results for the year ended 30 September 2019 have been extracted from the audited annual financial statements for the year ended 30 September 2019 but is itself not audited. The underlying annual financial statements have been audited by the Group's external auditor BDO South Africa Incorporated (BDO) who expressed an unmodified audit opinion.

The auditors audit report does not necessarily conclude on all the information contained in these condensed consolidated financial statements. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's audit report together with the accompanying financial information from the issuer's registered office.

The Board takes full responsibility for the preparation of these financial results.

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL RESULTS

for the year ended 30 September 2019

BASIS OF PREPARATION

The condensed financial results contained herein has been prepared in accordance with the measurement and recognition requirements of the International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB), Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa (Act 71 of 2008), as amended, as well as the Listings Requirements of the JSE Limited.

These financial statements were prepared under the supervision of Andrew Hannington, the Chief Financial Officer of the Company.

The condensed consolidated annual financial results do not include all the information and disclosures required in the audited annual financial statements and should be read in conjunction with the Group's audited annual financial statements for the year ended 30 September 2019.

BASIS OF CONSOLIDATION: IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS-INVESTMENT ENTITY

IFRS 10: Consolidated Financial Statements sets out the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 also sets out the requirements for applying an exception to consolidation for investment entities.

The determination of whether an entity meets the definition per IFRS 10 requires significant judgement. We note that Phoenix:

a. obtains funds from multiple shareholders, who trade using the platform provided by the JSE, for the purposes of making investments;

b. commits to investors that its objective is to invest funds using the new BFM Structure for returns from capital appreciation and investment income (this commitment was included in the Circular and resolutions approved by shareholders on 20 March 2019); and

c. measures and evaluates the performance of the BFM Structure and its investments on a fair value basis.

Management and the Board therefore conclude that the definition of investment entity per IFRS 10 is applied appropriately with regard to Phoenix. As such Phoenix has consolidated the income and expenses for subsidiaries (mainly Stangen) up until 31 March 2019 and has applied the Investment Entity exception from 1 April 2019.

The current year consolidated income statement only includes six months of subsidiary income and expenses with the remaining movements being processed as fair value gains or losses.

1. ACCOUNTING POLICIES

1.1 New and revised IFRS affecting amounts reported in the current year

The new standards and interpretations that came into effect during the current year are listed below as part of the new and revised IFRS in issue.

The standards were adopted in the current year, but none were material to the financial statements.

IFRS effective for periods beginning on or after 1 January 2018 (applicable to the annual financial statements for the year ended 30 September 2019).

IFRS/IAS/ IFRIC	Title and details	Impact
IFRS 4	**Insurance contracts** Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. Two amendments to IFRS 4 to address the interaction between IFRS 4 and IFRS 9: • A temporary exemption from IFRS 9 has been granted to insurers that meet specified criteria; and • An optional accounting policy choice has been introduced to allow an insurer to apply the overlay approach to designated financial assets when it first applies IFRS 9.	The Group holds an investment in Stangen. Stangen had not previously applied IFRS 9 and its activities are predominately connected with insurance. Stangen has elected the deferral option and will continue applying IAS39: Financial Instruments. IFRS 4 therefore does not have a material impact on the results of Stangen. Phoenix measures the investment in Stangen at fair value. The amendments to IFRS 4 did not have a material impact on the Group during the current financial period.
IFRS 15	**Revenue contracts from customers** • The new standard requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers. • The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.	The Group earned revenue predominantly through insurance income measured in terms of IFRS 4 and interest income generated from cash and cash equivalents measured in terms of IFRS 9. The adoption of IFRS 15 did not have a material impact on the Group during the current financial period.

1. ACCOUNTING POLICIES *continued*

1.1 New and revised IFRS affecting amounts reported in the current year *continued*

IFRS effective for periods beginning on or after 1 January 2018 (applicable to the annual financial statements for the year ended 30 September 2019).

IFRS/IAS/ IFRIC	Title and details	Impact
IFRS 9	**Financial Instruments** A final version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition. • IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. • The new model introduces a single impairment model being the "expected credit loss" model for the measurement of financial assets. • IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. • IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39. • Prepayments Features with Negative Compensation. The narrow-scope amendments allow companies to measure particular prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met.	The Group holds financial assets predominantly in the form of cash and cash equivalents and investments held at fair value. The initial recognition of the investments at fair value occurred during the current period and therefore, have not been reclassified. These investments are categorised as financial assets at fair value through profit and loss which are not subjected to the expected credit loss model. Cash and cash equivalents as well as other financial assets held at the beginning of the reporting period were not reclassified and the application of the expected loss model did not result in a material adjustment. The limited retrospective transition method was applied. The adoption of IFRS 9 resulted in the RDS stub instruments previously held at amortised cost per IAS 39 being reclassified to fair value through profit and loss per IFRS 9. The adoption of IFRS 9 did not have a material impact on the Group during the current financial period.

1. ACCOUNTING POLICIES *continued*

1.2 New and revised IFRS in issue but not yet effective

IFRS effective for periods beginning on or after 1 January 2019.

IFRS 16: Leases

Please refer to the accounting policies included in the Group's 30 September 2019 annual financial statements.

IFRS 17: Insurance contracts

Please refer to the accounting policies included in the Group's 30 September 2019 annual financial statements.

1.3 Critical accounting judgements and key sources of estimation uncertainty and significant accounting policies

The following are the critical judgements and key estimation uncertainties that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

1.3.1 Going concern

As stated in the directors' responsibility section on page 2, the consolidated annual financial statements have been prepared on the going-concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

In performing the going-concern assessment, the directors have considered available information about the future, the possible outcomes of events and the changes in conditions and the realistically possible responses to such events and conditions that would be available to the directors.

The directors have also considered the following specific factors in determining whether the Group is a going concern:

- The Group has sufficient cash resources to pay its creditors as and when they fall due and meet its operating costs for the ensuing 12 months.
- The Company's investment in Stangen is a going concern.
- The Group has available cash resources to deploy in developing existing or new investment opportunities.
- The Board and management are not aware of any significant pending legislation that will threaten the going-concern status of the Group.
- It is management's view that sufficient risk mitigants are in place for key financial risks facing the Group in the new financial year.

The going-concern assessment is a matter of judgement. In making this judgement, the directors have considered the uncertainties arising from their assessment, both individually and collectively.

Based on the above, the directors consider the preparation of the consolidated annual financial statements on a going-concern basis as appropriate given that the Group is able to realise its assets and settle its commitments in the normal course of business for a period of not less than one year from the date of approval of these annual financial statements.

1.4 Other accounting policies

All other accounting policies applicable to these condensed consolidated annual financial results are consistent with the accounting policies included in the Group's 30 September 2019 annual financial statements.

2. INVESTMENTS

The adoption of the investment policy by Phoenix on 20 March 2019, along with other requirements per IFRS 10, results in Phoenix meeting the definition of an Investment Entity per IFRS 10. The investment entities exception to consolidation requires that investments in subsidiaries are measured at fair value through profit and loss in accordance with IFRS 9: Financial Instruments (IFRS 9). IFRS 13: Fair Value Measurements (IFRS 13) defines fair value, sets out a framework for measuring fair value and details the required fair value disclosures. For practical reasons (and noting that there is no material impact to the financial statements), the Company has applied 31 March 2019 as the date it became an investment entity for accounting purposes.

The current year consolidated income statement only includes six months of subsidiary income and expenses with the remaining movements being processed as fair value gains or losses.

BASIS OF VALUATION

Fair value is defined as the price that would be received for an asset in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that a hypothetical transaction to sell an asset takes place in the principal market or in its absence, the most advantageous market for the asset.

VALUATION APPROACHES

A consistent valuation approach will be applied unless there is a change in the circumstances in relation to an investment. In selecting the most appropriate valuation technique, the Board considers the specific terms of the investment which may impact its fair value.

Valuations techniques considered include but are not limited to:

i) Income approach – Discounted Cash Flow (DCF);

ii) Market approach – Price of recent investment or Earnings multiples; and

iii) Net Assets approach.

INVESTMENTS: NET ASSETS APPROACH

The Net Assets approach has been applied to the valuation of the investments in API Capital and GEMS. It is noted that the API Capital Fund investment consists of cash and cash equivalents. An income or market approach is therefore not considered appropriate. Phoenix is of the view that a Net Assets approach is more reflective of the current value of the API Capital Fund.

R thousand	Notes	2019	2018
API Capital Fund	2.1	**501 196**	–
GEMS	2.2	**190**	–
Different Life*		**–**	16 462
Investments (non-current assets)		**501 386**	16 462
Stangen	2.3	**140 000**	–
RDS stub instruments	3	**34 409**	–
Investments held for sale (current assets)		**174 409**	–
Total unlisted investments		**675 795**	16 462

* *The investment relates to a 25% shareholding in Different Life held by Stangen at 30 September 2018. The investment was sold by Stangen during the current year. A loan receivable from Different Life is included in the Stangen Net Asset Value.*

The fair value of the investments in EHL and RDS have also been determined using the net asset value approach. Both these entities' liabilities exceed their assets and therefore the fair value remains nil at 30 September 2019.

2.1 Investment in API Capital Fund

Following shareholder approval received on 20 March 2019, African Phoenix committed R500 million to acquire a 99.99% stake in API Capital Fund, a South African en commandite partnership. On 4 April 2019, the Initial Capital Contribution of R10 000 was invested in the API Capital Fund. The remaining R499.99 million commitment was drawn and invested on 7 May 2019. Net income of R1.196m was earned during the current year.

2. INVESTMENTS *continued*

2.1 Investment in API Capital Fund *continued*

Please see below the details of the net asset value for API Capital Fund which is reflective of the fair value of the investment in API Capital Fund:

R thousand	2019
Cash and cash equivalents	501 343
TOTAL ASSETS	**501 343**
Other liabilities	97
TOTAL LIABILITIES	**97**
Share capital and share premium	500 050
Retained earnings	1 196
TOTAL EQUITY	**501 246**
TOTAL EQUITY & LIABILITIES	**501 343**
Phoenix Contribution	99.99%
Fair value:	**501 196**

2.2 Investment in GEMS

The movement in the investment in GEMS during the current year is due to dividends received and fair value adjustments processed. A reconciliation of movements in the investment balance has been included below:

R thousand	2019
Opening investment value (Fair value of GEMS 1 October 2018)	42 731
Dividend declared to Phoenix	(32 044)
Cash dividend	(28 689)
Dividend in specie (RDS stub instruments)	(3 355)
Return of Capital	(13 743)
Fair value adjustments due to net interest income earned	3 246
Closing fair value	190

2. INVESTMENTS *continued*

2.2 Investment in GEMS *continued*

Please see below the details of the net asset value for GEMS which is reflective of the fair value of the investment in GEMS:

R thousand	2019
Loan to African Phoenix	23 568
TOTAL ASSETS	**23 568**
Borrowings	23 378
TOTAL LIABILITIES	**23 378**
Share capital and share premium	100
Retained earnings	90
TOTAL EQUITY	**190**
TOTAL EQUITY & LIABILITIES	**23 568**
Phoenix shareholding	100%
Fair value:	**190**

2.3 Investment held for sale: Stangen

The Company has entered into a sale and purchase agreement ("Agreement") for the sale of its 100% holding in Stangen to King Price Financial Services Proprietary Limited ("King Price") for a sale consideration of R140 million on the basis that the NAV of Stangen is at least R140 million at 30 September 2019. The effective date of the Disposal is 1 October 2019 provided that all conditions precedent to the disposal have been fulfilled by 28 February 2020. The investment is therefore, held for sale per IFRS 5 at 30 September 2019.

R thousand	2019
Investment Held For Sale: Stangen	140 000

The movement in the investment in Stangen during the current year is due to dividends received and fair value adjustments processed due to losses incurred at Stangen. A reconciliation of movements in the investment balance has been included below:

Opening investment value (Fair value of Stangen 1 October 2018)	539 013
Dividend declared to Phoenix	(340 445)
Cash dividend	(310 000)
Dividend receivable (net)	(30 445)
Fair value loss on investment	(58 568)
Closing fair value	140 000

2. INVESTMENTS *continued*

2.3 Investment held for sale: Stangen *continued*

Please see below the details of the net asset value for Stangen which is reflective of the fair value of the investment in Stangen:

R thousand	2019
Cash and cash equivalents	266 516
Reinsurance debtors	9 777
Other assets	52 806
TOTAL ASSETS	**329 099**
Policy holder liabilities	111 848
Other liabilities	46 806
Dividend payable to Phoenix	30 445
TOTAL LIABILITIES	**189 099**
Share capital and share premium	26 500
Retained earnings	113 500
TOTAL EQUITY	**140 000**
TOTAL EQUITY & LIABILITIES	**329 099**
Phoenix shareholding	100%
Fair value:	**140 000**

3. INVESTMENTS HELD FOR SALE: RDS STUB INSTRUMENTS

R thousand	2019	2018
Investments held for sale: RDS stub instruments	**34 409**	–

Residual Debt Services Limited ("RDS") restructuring

On 10 August 2014, the South African Reserve Bank ("SARB") announced that it is placing African Bank Limited ("ABL") (now Residual Debt Services Limited) under curatorship with effect from that day. The announcement contained a proposal for the restructuring of the liabilities of African Bank. As per the proposal, senior debt instruments and wholesale deposits (excluding subordinated debt holders) would be transferred at 90% of the face value following the restructuring. Thus, in 2016, the amounts receivable from ABL were recorded in the manner reflecting the measures proposed by SARB (the wholesale deposits were recorded at 90% of face value).

The Offering Information Memorandum ("OIM") was issued on 4 February 2016 and implemented on 4 April 2016. The OIM provided that 80% of the debt was to be transferred to "New African Bank Limited", 10% was to be paid out in cash in April 2016 and senior stub notes in RDS issued for the remaining 10%. Phoenix negotiated an early settlement agreement with New African Bank Limited in terms of which most of the 80% transferred to New African Bank Limited was also paid out in cash.

RDS – senior stub instruments

Phoenix had previously impaired its deposit with RDS by the initial 10% "haircut", which 10% was subsequently issued as the senior stub instrument in terms of the OIM (number of units: 59.5 million), as the recoverability was indeterminate.

Phoenix has now recorded the senior stub at a value of 55.8 cents (2018: 76 cents) in the rand. The 2019 value has been based on the valuation prepared by the RDS Curator in June 2019 The over the counter trading price at 30 September 2019 was 73 cents and at 30 September 2018 was 76 cents. Due to the low volume of trades, the Curator's valuation has been used as the basis for the valuation of the financial instrument. This results in fair value losses of R11.9 million during the current year. The stub instrument is classified as a financial asset at fair value through profit or loss in terms of IFRS 9. The Company has initiated a process for the sale of the investments in RDS and Ellerines (to include the sale of the RDS Stub Instruments). The investment is therefore held for sale at 30 September 2019.

4. CASH AND CASH EQUIVALENTS

R thousand	2019	2018
Current accounts	**31 124**	90 202
Call accounts	**444 548**	31 606
Fixed and notice deposit accounts	**215 483**	1 534 639
Cash and cash equivalents	**691 155**	1 656 447

Current and call accounts are all with South African banks, bear interest at market related rates and are withdrawable on demand.

Notice deposits are placed with South African banks withdrawable in 32 days and bears interest at market related rates for such deposits. Cash equivalents represents units held in the Stanlib Money Market Fund withdrawable in 24 hours.

Fixed and notice deposits are all with South African banks bearing market related rates.

5. CREDITOR – APPRAISAL RIGHTS

R thousand	2019	2018
Appraisal Rights	**46 972**	–

The Company received objection notices in terms of section 164(3) of the Companies Act from three Preference Shareholders holding in aggregate 1 252 598 Preference Shares. The Company then received a notice of motion in which a Dissenting Shareholder made an application to court in terms of section 164(14) of the Companies Act for, among others, a determination of the fair value of the preference shares held by the dissenting shareholder. The Board considered the application and filed a notice to oppose the application on 2 August 2019 and filed an answering affidavit on 11 September 2019. The appraisal rights claims have been valued at R37.50 per claim (total liability of R46 972 425) in the financial statements. The applicants have *inter alia* claimed the fair value of the Preference Shares which the applicants allege is R83.55 per share, which results in a claim of R104 654 563, excluding legal and other costs. Refer to note 12.

6. ORDINARY SHARE CAPITAL AND PREMIUM

	2019		2018	
	Number of shares	R thousand	Number of shares	R thousand
Authorised:				
A Ordinary shares of 2.5 cents each	**2 000 000 000**	**50 000**	2 000 000 000	50 000
B Ordinary shares of 0.01 cents each	**1 400 000 000**	**140**	–	–
Issued:				
A Ordinary shares of 2.5 cents each	**1 427 005 272**	**35 675**	1 427 005 272	35 675
B Ordinary shares of 0.01 cents each	**300 000 000**	**30**	–	–
Ordinary share premium	**n/a**	**14 614 254**	n/a	14 614 254
Total	**1 727 005 272**	**14 649 959**	1 427 005 272	14 649 929

SHARES IN ISSUE
300 000 000 unlisted, non-voting, non-participating B ordinary shares were issued to the Participation Partnership on 20 March 2019. The Participation Partnership is the vehicle for facilitating the long-term alignment of the Investment Team.

7. PREFERENCE SHAREHOLDERS' EQUITY

	2019		2018	
	Number of shares	R thousand	Number of shares	R thousand
Authorised:				
Preference shares of 1 cent each	**20 000 000**	**200**	20 000 000	200
Issued:				
Preference shares at par value of 1 cent each	**–**	**–**	13 523 029	135
Preference share premium	**–**	**–**	–	1 129 668
Total	**–**	**–**	13 523 029	1 129 803

13 523 029 non-redeemable, non-cumulative, non-participating preference shares with a par value of R0.01 were in issue during the period. Five million shares were issued on 23 March 2005 at a premium of R99.99 per share and share issue expenses of R23 million were set-off against the preference share premium. A further 3 042 251 shares were issued during the 2011 financial year and 5 480 778 shares were issued in the 2012 financial year. The shares were issued at a premium of R76.13 per share and share expenses of R6 million were set off against the preference share premium. These shares rank pari passu with the 8 042 251 preference shares already in issue.

During the 2019 financial year, Company proposed a scheme of arrangement in terms of the Companies Act, 2008 ("scheme repurchase") in terms of which all the issued preference shares would be repurchased from preference shareholders for a consideration of R37.50 per preference share. The implementation of the scheme repurchase required, among other things, shareholder approval by special resolution, which special resolution was adopted at the shareholders meeting held on 20 March 2019 by the requisite majority of shareholders. At the shareholders meeting, the resolution to approve the scheme repurchase was supported by an excess of 75% of ordinary and preference shareholders voting together in accordance with the terms attaching to the ordinary and preference shares as set out in the Memorandum of Incorporation of the Company, including by 78% of ordinary shareholders and 76% of preference shareholders voting at the shareholders meeting.

The Scheme Repurchase became unconditional following the granting of a court order on or about 5 June 2019 approving the Special Resolution relating to the Scheme Repurchase. The scheme was implemented in June 2019 per the timetable released on SENS on 7 June 2019. The repurchase consideration of R460 141 162 was paid to the Scheme Repurchase Participants and the listing on the JSE was terminated.

The Company received objection notices in terms of section 164(3) of the Companies Act from three Preference Shareholders holding in aggregate 1 252 598 Preference Shares. The Company received a notice of motion in which a Dissenting Shareholder made an application to court in terms of section 164(14) of the Companies Act for, among others, a determination of the fair value of the preference shares held by the dissenting shareholder. The Board considered the application and filed a notice to oppose the application on 2 August 2019 and filed an answering affidavit on 11 September 2019. Refer to Note 5 – Creditor appraisal rights.

8. INVESTMENT INCOME

R thousand	2019	2018
Fixed deposit and call interest received	**108 989**	155 847
Dividend income	**382 044**	–
Fair value gains of losses on investments	**(427 203)**	–
Fair value losses due to dividends received	**(382 044)**	–
Other fair value losses	**(45 159)**	–
Accrued interest income from Stanlib Extra Income Fund (EIF)	**–**	130
	63 830	155 977

9. OPERATING EXPENSES

R thousand	2019	2018
Stangen operating expenses:		
Maintenance and other expenses	**39 586**	54 416
New business acquisition costs	**37 196**	61 825
Total Stangen operating expenses[1]	**76 782**	116 241
Phoenix operating expenses:		
Staff remuneration	**12 134**	4 823
Basic remuneration	**4 714**	4 562
Short-term incentive[2]	**7 420**	–
Other fees – business rescue practitioner	**–**	261
Transaction costs[3]	**28 375**	7 196
Non-executive directors remuneration	**2 093**	6 387
Performance Participation expense[4]	**14 685**	–
Other costs	**14 293**	22 882
Total Phoenix Group excluding Stangen	**71 580**	34 902

[1] *FY2019 reflects operating expenses for the six-month period up to 31 March 2019 as thereafter Stangen's Net Asset Value is accounted for as investments at Fair Value in accordance with IFRS 10 (refer to note 2).*

[2] *Staff remuneration cost for Phoenix includes R4 million (after taxes) paid to the Investment Team as a short-term incentive for the period up to 31 March 2019. All staff utilised 100% of this incentive to purchase A shares in Phoenix to meet the requirements of the BFM structure approved by shareholders on 20 March 2019.*

[3] *Transaction costs include fees related to the transactions as proposed in the 18 February 2019 circular. These costs include fees for independent expert, financial advisory, legal advisor, sponsor, etc. Costs also include attorney and senior counsel fees related to the litigation processes for claims in terms of Section 115 of the Companies Act as heard in court in June 2019 as well as the ongoing Section 164 Appraisal Rights Claims.*

[4] *The expense accrual for R14.685 million represents the Performance Participation calculation due to the General Partner in accordance with the Company's MOI. This calculation is based on the terms of B shares per the MOI and is calculated for the performance period from 4 April 2019, being the Investment Date into the API Capital Fund, until 30 September 2019, Given the shareholder vote for the termination of the General Partner without cause on 13 November 2019, this Performance Participation has become due and payable to the General Partner based on an independent expert's determination. At the time of issuing this report, no independent expert's report had yet been issued.*

10. RECONCILIATION BETWEEN BASIC (LOSS)/EARNINGS AND HEADLINE (LOSS)/EARNINGS

R thousand	2019	2018
Basic (loss)/earnings attributable to ordinary shareholders	**(78 865)**	45 578
Adjusted for:		
Impairment of goodwill	**–**	2 555
Deemed loss on stepped acquisition of associate	**–**	4 789
Headline (loss)/earnings	**(78 865)**	52 922
Total number of shares in issue (thousand)	**1 427 005**	1 427 005
Weighted number of shares in issue (thousand)	**1 427 005**	1 427 005
Basic earnings per ordinary share (cents)		
Basic (loss)/earnings per ordinary share – total	**(5.53)**	3.20
Headline earnings per ordinary share (cents)		
Headline (loss)/earnings per ordinary share – total	**(5.53)**	3.70

11. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. Information reported to the Group's chief operating decision-maker for the purpose of resources allocation and assessment of segment performance is more specifically focused on the category of each type of service provided. Effective 20 March 2019, African Phoenix became an investment entity per the requirements of IFRS 10: Consolidated Financial Statements. As such, the Company only had one operational segment at 30 September 2019. The income and expenses relating to the Stangen Insurance Company have been consolidated into the Group statement of comprehensive income and are shown below.

Segment revenue and results

R thousand	Insurance	Corporate	Total
2019			
Income	**65 058**	**42 303**	**107 361**
Loss before taxation	**(15 934)**	**(41 161)**	**(57 095)**
Total Assets	**–**	**1 400 323**	**1 400 323**
Total Liabilities	**–**	**114 445**	**114 445**
Net Asset Value	**–**	**1 285 878**	**1 285 878**
2018			
Income (continuing operations)	176 785	63 501	240 286
Profit before taxation	45 759	28 080	73 839
Total Assets	685 632	1 385 060	2 070 692
Total Liabilities	146 619	52 246	198 865
Net Asset Value	539 013	1 332 814	1 871 827

12. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

R thousand	2019	2018
Rental commitments due within one year	**933**	2 760
Rental commitments due two to five years	**2 858**	5 924
Total commitments	**3 791**	8 684

Contingent liabilities

Appraisal rights S164 claims

The Company received objection notices in terms of section 164(3) of the Companies Act from three Preference Shareholders holding in aggregate 1 252 598 Preference Shares. The Company received a notice of motion in which a Dissenting Shareholder made an application to court in terms of section 164(14) of the Companies Act for, among others, a determination of the fair value of the preference shares held by the dissenting shareholder. The Board considered the application and filed a notice to oppose the application on 2 August 2019 and filed an answering affidavit on 11 September 2019. The appraisal rights claims have been valued at R37.50 per claim in the financial statements. The Board is however of the view that the offers made by the Company to the dissenting shareholders represent a fair value for these claims. The applicants have *inter alia* claimed the fair value of the Preference Share which the applicants allege is R83.55 per share, which may result in claims of up to R104 654 563, excluding interest, legal and other costs. Given that R46 972 425 of the claim has been recognised as a liability at reporting date, the remaining amount of R57 682 138 remains contingent upon the results of the courts proceedings. Refer to note 5.

Guarantee provided to RMB for API Capital loan

African Phoenix provided a guarantee to RMB (Rand Merchant Bank, a division of FirstRand Bank Limited, a third party funder) on or about 15 April 2019 for the loan issued by RMB to API Capital for an amount of R4 million plus accrued interest thereon. This loan was used by API Capital for the purchase of A shares in the Company as required by the JSE dispensations received. This financial assistance to acquire shares was approved by shareholders as part of the resolutions proposed in the 18 February 2019 Circular.

SUMMARY OF INVESTMENTS

	% holding	Cost R'000	Carrying value at September 2019 R'000	Dividend income R'000	Interest income R'000
Stangen	100	26 500	140 000	350 000	–
RDS	100	14 419 745	–	–	–
EHL	100	4 261 178	–	–	–
GEMS	100	100	190	32 044	–
API Capital Fund	99.9	500 000	501 196	–	1 196
RDS Stub Instruments		3 355	34 409	–	–
Total			675 795	382 044	1 196

AFRICAN PHOENIX INVESTMENTS LIMITED
Incorporated in the Republic of South Africa
(Registration number 1946/021193/06)
Ordinary share code: AXL ISIN: ZAE000221370
("Phoenix" or "the Company")

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 30 SEPTEMBER 2019

In terms of section 62(3)(a) of the Companies Act, 71 of 2008, as amended ("the Companies Act"), notice is hereby given to the shareholders of Phoenix that the 72nd annual general meeting ("AGM") of shareholders of Phoenix will be held at 10:00 on 27 May 2020, at 9th Floor, Bidvest Bank Building, 1 Park Lane, Wierda Valley, Sandton for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions set out hereinafter, as well as such other matters as may be required to be dealt with at the AGM in terms of the Companies Act.

RECORD DATE

The board of directors of Phoenix ("the Board") has determined that, in terms of section 62(3)(a), read together with section 59(1)(b) of the Companies Act, the record date on which a shareholder must be registered in the securities register of Phoenix for the purposes of determining which shareholders of Phoenix are entitled to receive notice of the AGM is 24 January 2020 and participate in and vote at the AGM is 22 May 2020. Accordingly, the last day to trade in Phoenix shares in order to be recorded in the securities register of Phoenix in order to be entitled to participate and vote at the AGM will be 19 May 2020.

ACTION BY SHAREHOLDERS

Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the Board. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.

Forms of Proxy must be completed by certificated shareholders or *"own name"* registered dematerialised shareholders who wish to be represented at the AGM.

Dematerialised shareholders (not with "*own-name*" registration) must notify their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the AGM in order for such CSDP or broker to be able to issue them with the necessary authorisation letter to enable them to attend the AGM, or, alternatively, should the dematerialised shareholder not wish to attend the AGM, they should provide their CSDP or broker with their voting instructions.

For administrative purposes only, we request that forms of proxy be delivered to Phoenix's transfer secretaries situated at Link Market Services South Africa Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein Johannesburg, or be posted to PO Box 4844, Johannesburg, 2000, to be received by them by no later than 10:00 on 25 May 2020 (or 48 hours before any adjournments of the AGM, which date, if necessary, will be notified on SENS). Thereafter, forms of proxy may be delivered to the Chairperson of the AGM, at the AGM, before voting on a particular resolution commences.

AGM participants may be required to provide identification to the reasonable satisfaction of the Chairperson of the AGM. An official identification document issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted as sufficient identification.

Shareholders who have any doubt as to the action they are required to take in respect of the following resolutions should consult their CSDP, broker, banker, attorney, accountant or other professional adviser immediately.

ELECTRONIC PARTICIPATION

In terms of section 61(10) of the Companies Act, every shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders. Therefore, shareholders or their proxies may participate in a meeting by way of a teleconference call if they wish to do so. In this event:

- written notice to participate via electronic communication must be sent to Phoenix's Company Secretary, Acorim Proprietary Limited, to apil@acorim.co.za to be received by no later than 10:00 on 25 May 2020;
- a pin number and dial-in details for the conference call will be provided;
- shareholders will be billed separately by their own telephone service providers for the teleconference call to participate in the AGM; and
- valid identification will be required:
  - a) if the shareholder is an individual, a certified copy of their identity document and/or passport;
  - b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution, specifying the name of the individual that is authorised to represent the relevant entity at the AGM by way of teleconference call; and
  - c) a valid email address and/or facsimile number.

Purpose

The purpose of the AGM is to:

a) present and consider the annual financial statements of Phoenix for the financial year ended 30 September 2019, including the reports of the auditors, the directors and the Audit and Risk Committee;

b) consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions ("resolutions") set out hereunder in accordance with the requirements of the Memorandum of Incorporation of Phoenix, the Companies Act and the Listings Requirements of the JSE Limited ("JSE Listings Requirements"); and

c) consider any matters as may lawfully be dealt with at the AGM, in terms of the Companies Act.

AGENDA

ORDINARY RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, the ordinary resolutions relating to business set out below.

The minimum percentage of voting rights required for each of the resolutions set out in items number 1 to 5 below to be adopted is more than 50% (fifty percent) of the voting rights exercised on each of the resolutions by shareholders present or represented by proxy at the AGM.

1. ORDINARY RESOLUTION NUMBER 1

Appointment of external auditors

"**Resolved that** on recommendation of the Audit and Risk Committee, BDO Incorporated be appointed as the independent external auditors of Phoenix (until the conclusion of the next AGM of Phoenix) with Mohamed Sadek, being the individual registered auditor for such period, and to authorise the Audit and Risk Committee to determine the auditor's remuneration."

2. ORDINARY RESOLUTION NUMBER 2

Appointment and Re-election of directors

"**Resolved** to individually re-elect or elect each of the following directors (ordinary resolutions 2.1 to 2.3 to be voted on and adopted as separate resolutions). The Board recommends the election of these directors."

2.1 **Ordinary resolution 2.1:** "**Resolved that**, the election of Mr Warren Chapman as non-executive Director, who in terms of Article 21 of Phoenix's Memorandum of Incorporation retires by rotation at this AGM (but being eligible to do so, offers himself for election), is hereby confirmed."

2.2 **Ordinary resolution 2.2:** "**Resolved that**, the election of Mr Koketso Mabe as independent non-executive Director, who in terms of Article 21 of Phoenix's Memorandum of Incorporation retires by rotation at this AGM (but being eligible to do so, offers himself for election), is hereby confirmed."

2.3 **Ordinary resolution 2.3:** "**Resolved that,** the election of Mr Oyama Mabandla as executive Director, who in terms of Article 22 of Phoenix's Memorandum of Incorporation retires by rotation at this AGM (but being eligible to do so, offers himself for election), is hereby confirmed."

An abbreviated curriculum vitae in respect of each director offering himself for re-election or election, appears in Integrated Report in the Board of directors section.

3. ORDINARY RESOLUTION NUMBER 3

Appointment of the Chairperson and Members of the Audit and Risk Committee

"**Resolved** to individually elect the following directors (ordinary resolutions 3.1 to 3) of Phoenix as the Chairperson and members of the Audit and Risk Committee until the conclusion of the next AGM of Phoenix. The Board recommends the appointment of these members."

3.1 **Ordinary resolution 3.1:** "**Resolved that**, the appointment of Mr Koketso Mabe as a member and chairperson of the Audit and Risk Committee (until the conclusion of the next AGM of Phoenix), be and is hereby confirmed."

3.2 **Ordinary resolution 3.2:** "**Resolved that**, the appointment of Warren Chapman as a member of the Audit and Risk Committee (until the conclusion of the next AGM of Phoenix), be and is hereby confirmed."

An abbreviated curriculum vitae in respect of each member of the Audit and Risk Committee, appears elsewhere in the Integrated Report in the board of directors section.

4. ORDINARY RESOLUTION NUMBER 4

Non-binding advisory endorsement of remuneration policy and implementation report

4.1 **Ordinary resolution 4.1**: "**Resolved** as a separate non-binding advisory vote that Phoenix's remuneration policy, as reflected on pages 16 to 20 of the 2019 Integrated Annual Report, be and is hereby approved."

4.2 **Ordinary resolution 4.2**: "**Resolved** as a separate non-binding advisory vote that, the implementation report, as set out on page 21 to 23 of the 2019 Integrated Annual Report, be and is hereby approved."

Note: The King Report on Corporate Governance read with the JSE Listings Requirements require that the Company's remuneration policy and implementation report each be tabled to shareholders for a non-binding advisory vote at each AGM. The non-binding resolutions are of an advisory nature only and failure to pass these resolutions will not have any legal consequences relating to existing arrangements. However, should 25% (twenty-five percent) or more of the votes exercised on these resolutions be cast against either or both of these non-binding resolutions, Phoenix undertakes to engage with the dissenting shareholders as to the reasons therefore and take appropriate action to address issues raised as envisaged in the King Report on Corporate Governance and the JSE Listings Requirements.

5. ORDINARY RESOLUTION NUMBER 5

Signature of documents

"**Resolved that** each director of Phoenix be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for, or incidental to, the implementation of those resolutions set out in the notice convening the AGM at which this ordinary resolution is to be considered and approved."

SPECIAL RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, all of the special resolutions relating to business set out below. More than 75% (seventy-five percent) of the voting rights exercised on each resolution must be exercised in favour of such resolution in order for it to be validly adopted.

6. SPECIAL RESOLUTION NUMBER 1

Non-executive directors' remuneration

"**Resolved that**, in terms of the provisions of sections 66(9) of the Companies Act, the annual remuneration (excluding value-added tax) payable to the non-executive directors of Phoenix for their services as directors of Phoenix for the financial years ending 30 September 2020 and 2021, be and is hereby approved as follows:

Rands	2020	2021
Board		
Chairperson	480 000	480 000
Member	300 000	300 000
Audit and Risk		
Chairperson	220 000	220 000
Member	180 000	180 000
Remuneration, Nomination, Transformation, Social and Ethics		
Chairperson	140 000	140 000
Member	80 000	80 000

Explanatory note

The Remuneration, Nomination, Transformation, Social and Ethics ("RNTSE") Committee has reviewed and recommended the fees payable to the non-executive directors, having had due regard to the findings of a survey on non-executive directors' practices and remuneration trends by external remuneration consultants. The survey included comparative information in relation to a group of listed companies similar to Phoenix.

The RNTSE Committee also considered the complexity of the business as well as the time, commitment, level of experience, skills and capabilities required of the non-executive directors. The proposed fee levels indicated above would ensure that the remuneration of the non-executive directors is market-related and is in line with the increasing levels of responsibility placed on them.

The rationale for the proposed fees for the next 2 (two) years is to ensure continuity in the unlikely event that the AGM is delayed and Phoenix needs to retain the directors on an inflation adjusted fee.

Note: The Companies Act requires that directors' fees be authorised by shareholders by way of special resolution. The passing of this special resolution will have the effect of approving the remuneration of each of the directors of Phoenix for the years ending 30 September 2020 and 30 September 2021 in accordance with section 66(9) of the Companies Act.

7. SPECIAL RESOLUTION NUMBER 2

Financial assistance to related or inter-related companies or undertakings

"**Resolved that**, to the extent required in terms of, and subject to the provisions of, section 45 of the Companies Act and the requirements (if applicable) of the Memorandum of Incorporation of Phoenix and the JSE Listings Requirements, the provision by Phoenix at any time and from time to time during the period of 2 (two) years commencing on the date of the adoption of this special resolution, of direct or indirect financial assistance (whether by way of loan, guarantee, the provision of security or otherwise), to any related or inter-related company or undertaking to Phoenix, on such terms and conditions as the Board (or any one or more persons authorised by the Board from time to time for such purpose) may deem fit, be and is hereby approved."

Explanatory note

Section 45 of the Companies Act authorises Phoenix to provide direct or indirect financial assistance to any one or more related or inter-related companies or undertakings incorporated or established.

Section 45 of the Companies Act further provides that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category, and the Board must be satisfied that:

- immediately after providing the financial assistance, Phoenix would satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to Phoenix.

The Board considers it prudent to obtain this authorisation from the shareholders to ensure that if financial assistance is required to be provided by Phoenix to its related or inter-related entities.

8. SPECIAL RESOLUTION NUMBER 3

General approval to acquire ordinary shares

"**Resolved**, by way of a general approval that Phoenix and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in Phoenix in terms of sections 46 and 48 of the Companies Act, the Memorandum of Incorporation of Phoenix and its subsidiaries and the JSE Listings Requirements, as amended from time to time.

The JSE Listings Requirements currently provide, *inter alia*, that:

- the acquisition of the ordinary shares must be affected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between Phoenix and the counterparty;
- this general authority shall only be valid until the earlier of Phoenix's next AGM or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which Phoenix's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is affected;
- at any point in time, Phoenix may only appoint one agent to effect any acquisition(s) on its behalf;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of Phoenix's issued ordinary share capital;
- Phoenix may only effect the repurchase once a resolution has been passed by the Board confirming that the Board has authorised the repurchase, that Phoenix has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the Group;
- Phoenix or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless Phoenix or its subsidiaries have in place a repurchase programme where the date and quantities of securities to be traded during the relevant period are fixed (not subject to variation) and full details of the programme have been disclosed to the JSE as required, prior to the commencement of the prohibited period. Phoenix must instruct an independent third party, which makes its investment decisions in relation to Phoenix's securities independently of, and uninfluenced by, Phoenix, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and
- an announcement in terms of the JSE Listings Requirements will be published once Phoenix has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

Explanatory note

The purpose of this special resolution number 3 is to obtain an authority for, and to authorise, Phoenix and Phoenix's subsidiaries, by way of a general authority, to acquire Phoenix's issued ordinary shares.

It is the intention of the directors of Phoenix to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it.

Other disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are contained in the 2019 Integrated Annual Report:

- Major shareholders set out on page 24.
- Share capital of Phoenix set out page 40.

Material change

Other than the facts and developments reported in the Annual Financial Statements, there have been no material changes in the financial or trading position of Phoenix and its subsidiaries since the date of the audit report and up to the date of this notice.

Directors' responsibility statement

The directors, whose names are set out in the corporate information section of this notice, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 3, and certify that to the best of their knowledge and belief, there are no facts in relation thereto that have been omitted which would make any statement in relation to this special resolution false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all the information required by the JSE Listings Requirements.

Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors of Phoenix will ensure that, after considering the effect of the maximum repurchase and for a period of 12 (twelve) months thereafter:

- Phoenix and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of Phoenix and its subsidiaries, fairly valued in accordance with IFRS, will be in excess of the consolidated liabilities of Phoenix and its subsidiaries;
- the issued share capital and reserves of Phoenix and its subsidiaries will be adequate for the purpose of the ordinary business of Phoenix and its subsidiaries; and
- the working capital available to Phoenix and its subsidiaries will be sufficient for the Group's requirements.

OTHER BUSINESS

To transact such other business as may be transacted at an AGM or raised by shareholders, in terms of the Companies Act, with or without advance notice to Phoenix.

By order of the Board

Acorim Proprietary Limited

Company Secretary

Johannesburg

27 January 2020

AFRICAN PHOENIX INVESTMENTS LIMITED
Incorporated in the Republic of South Africa
(Registration number 1946/021193/06)
Ordinary share code: AXL ISIN: ZAE000221370
("Phoenix")

FORM OF PROXY

For use only by shareholders who:

- hold ordinary shares in certificated form ("certificated ordinary shareholders"); or
- hold dematerialised ordinary shares ("dematerialised ordinary shareholders") through a Central Securities Depository Participant ("CSDP") and are registered with "own-name" registration,

at the 72nd Annual General Meeting ("AGM") of shareholders of Phoenix to be held at 10:00 on 27 May 2020 at 9th Floor, Bidvest Bank Building, 1 Park Lane, Wierda Valley, Sandton and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with "own-name" registration who wish to attend the AGM must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the AGM and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the AGM in person or by proxy and vote. If they do not wish to attend the AGM in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. **These ordinary shareholders must not use this form of proxy**.

Name of beneficial shareholder

Name of registered shareholder

Address

Telephone work ( ) Telephone home ( ) Cell:

being the holder/custodian of _____ ordinary shares in Phoenix, hereby appoint (see notes):

1. or failing him/her,

2. or failing him/her,

3. the Chairperson of the meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the AGM of Phoenix convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ("resolutions") and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of Phoenix registered in my/our name(s) in accordance with the following instructions:

		Number of ordinary shares		
		For	**Against**	**Abstain**
1.	**Ordinary Resolution 1:** Appointment of external auditors			
2.	**Ordinary Resolution 2:** Appointment and Re-election of directors			
2.1	Appointment of Mr Warren Chapman as a non-executive Director			
2.2	Appointment of Mr Koketso Mabe as an independent non-executive Director			
2.3	Appointment of Mr Oyama Mabandla as an executive Director			
3.	**Ordinary Resolution 3:** Appointment of the Chairperson and members of the Audit and Risk Committee			
3.1	Appointment of Mr Koketso Mabe as a member and chairperson of the Audit and Risk Committee			
3.2	Appointment of Mr Warren Chapman as a member of the Audit and Risk Committee			
4.	**Ordinary resolution number 4:** Advisory endorsement of remuneration policy and implementation report			
4.1	Endorsement of the remuneration policy			
4.2	Endorsement of the remuneration implementation report			
5.	**Ordinary resolution number 5:** Signature of documents			
6.	**Special resolution number 1:** Approval of the non-executive directors' remuneration			
7.	**Special resolution number 2:** Financial assistance to related or inter-related companies or undertakings			
8.	**Special resolution number 3:** General approval to acquire ordinary shares			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

A shareholder entitled to attend and vote at the AGM may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a shareholder of Phoenix.

Signed at on 2020.

Signature

Assisted by (if applicable)

Notes to proxy

1. The form of proxy must only be completed by shareholders who hold ordinary shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder entitled to attend and vote at the AGM may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of Phoenix) of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the meeting". The person whose name stands first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the Chairperson of the meeting.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the AGM notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than 48 (forty-eight) hours before the commencement of the AGM.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the AGM be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The Chairperson of the AGM may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
8. A shareholder's authorisation to the proxy including the Chairperson of the AGM, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the AGM.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or waived by the Chairperson of the AGM.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.
12. Where there are joint holders of ordinary shares:
    - any one holder may sign the form of proxy or;
    - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. For administrative purposes only, forms of proxy should be lodged with or mailed to Link Market Services South Africa Proprietary Limited.

Hand deliveries to:	**Postal deliveries to:**
13th Floor, Rennie House	PO Box 4844
19 Ameshoff Street	Johannesburg
Braamfontein	2000
Johannesburg	

    to be received by no later than 10:00 on 28 May 2020 (or 48 hours before any adjournment of the AGM which date, if necessary, will be notified on SENS).
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.
15. Summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act:

    A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the relevant shareholders' meeting.

    A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.

    The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

    The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.

    If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.

    Attention is also drawn to the "Notes to proxy".

    The completion of a form of proxy does not preclude any shareholder from attending the AGM.

COMPANY INFORMATION

BOARD OF DIRECTORS
Independent non-executive: K Mabe
Non-executive: W Chapman
Executive: O Mabandla (Executive Chairman), A Hannington (CFO)

AFRICAN PHOENIX INVESTMENTS LIMITED
Incorporated in the Republic of South Africa
(Registration number: 1946/021193/06)
Ordinary share code: AXL ISIN: ZAE000221370

REGISTERED OFFICE
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South Africa
2196

SPONSOR
Merchantec Capital
sponsorteam@merchantec.co.za

COMPANY SECRETARY
Acorim Proprietary Limited
apil@acorim.co.za

SHARE TRANSFER SECRETARIES
Link Market Services South Africa Proprietary Limited
13th Floor, Rennie House
19 Ameshoff Street
Braamfontein
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PO Box 4844
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Telefax: +27 86 67 4 4381

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