ecsponent Limited

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ECSPONENT LIMITED
Incorporated in the Republic of South Africa
Registration number: 1998/013215/06
JSE Code: ECS - ISIN: ZAE000179594
Debt Issuer Code: ECSP
("Ecsponent" or "the Company")

REVIEWED CONDENSED PROVISIONAL CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

The Board of Directors ("the Board") is pleased to present the reviewed provisional condensed consolidated results for the financial period ended 30 June 2019 of Ecsponent and its subsidiaries ("the Group").

During the June 2019 financial period, the Group continued to focus on its core business activities, building on the foundation it created through a series of rationalisation transactions in the previous periods. Notable transactions were the additional investments in MyBucks S.A. ("MyBucks"), a Frankfurt-listed (Luxembourg based) fintech company. MyBucks banking and consumer lending operations are active in six African countries of which five hold banking licenses.

During the period, the Group focused on diversifying its Equity Holdings portfolio (in addition to the MyBucks investment), with investments in asset managers. The Group also made an investment in a mineral claim announced after the financial year end.

Looking to the future, the Group aims to support its growing asset base with platforms that hold significant intrinsic value and provide diversification across sectors, geographies and currencies. To support this, Ecsponent is evaluating further investments in high-growth sectors with longer term investment horizons.

The Group is considering various options to further capitalise the business to underpin the planned diversification of its investment portfolio.

RESULTS HIGHLIGHTS

The financial results reflect the impact of the Group's operations against a backdrop of challenging operating conditions, which included a weak global economy, subdued consumer sentiment and currency volatility. The results were impacted by the reduction of the interest-bearing credit loan book during the book build process in the run up to taking an increased stake in MyBucks. In addition, the rationalisation of the MyBucks operations which is aimed at ensuring strong future performance and sustained profitability.

The important financial metrics of the Group's for the 12-month financial period ended 30 June 2019 compared to the prior 15-month financial period ended 30 June 2018 are set out below:

- Total assets increased by 41.99% to R 3 174.6 million compared to R2 235.8 million;

- Headline earnings per share ("HEPS") decreased by 280.76% from 6.991 cents per share to a headline loss per share of (12.637) cents per share;
- Revenue from continuing operations decreased by 18.21% % to R381.9 million compared to R466.9 million; and
- Operating profits from continuing operations decreased by 76.50% to R96.9 compared to R412.4 million.

R1 524.1 million, or 48.01% of the Group's total assets of R3 174.6 million are held in hard currency listed equity investments. These foreign denominated assets provide a hedge against a weakening Rand but also exposes the Group's results to short-term currency volatility.

The valuation of these investments is also subject to short-term price volatility but provide the Group's investment platforms with longer-term growth prospects. Management continues to consider hedging instruments to further mitigate against inherent short-term earnings volatility arising from market risks associated with investments in listed foreign equities.

OPERATIONAL REVIEW

Group Overview

Below is an overview of the Group's operations for the 2019 financial period.

Equity Holdings

Fundamental to Ecsponent's success is the portfolio of equity assets that provide platforms to unlock sustainable medium- to long-term returns. The Equity business unit invests strategically in companies with significant intellectual property, which provide high barriers to entry, command sustainable margins and apply a robust business model. The Group holds investments in various sectors, including banking, financial services, asset management and a small, medium and micro enterprise ("SMME") portfolio.

During the current financial period the Group further invested in banking and asset management operations.

- **Banking**

As noted above, MyBucks is a Frankfurt listed (Luxembourg based) financial technology holding company. Its main business differentiator is that it is a digital Pan-African Banking Group that uses technology to provide financial services and products. MyBucks has substantially rationalised its operations during the financial period to focus on its markets in Botswana, Malawi, Mozambique, Uganda, Zambia and Zimbabwe, specifically investing in the banking sector. MyBucks has disposed of noncore assets, aimed at improving profitability and reducing related infrastructure overheads.

MyBucks' main business offerings include banking solutions, consumer loans and insurance products. The solutions are created with the aim of driving financial inclusion for both the unbanked and under-banked sectors of the population through innovative products and technology solutions. MyBucks owns the following brands – MyBucks, GetBucks, GetSure and MyBucks Banking Corporation (MBC).

During the financial period Ecsponent increased its exposure to MyBucks after taking a significant interest which allowed Ecsponent to provide strategic direction and drive the rationalisation of the MyBucks operations. The Group also announced in March 2019 a further planned investment in MyBucks whereby Ecsponent will convert loans owing by MyBucks companies, together with predetermined assets to the aggregate value of R450 million (or EUR27,829,312_ into MyBucks shares at a subscription price of EUR1.00 per share. Ecsponent's final shareholding percentage is dependent on confirmation of the extent to which other shareholders participate in the larger recapitalisation being undertaken by MyBucks

The further MyBucks acquisition is subject to Ecsponent obtaining shareholder approval in the general meeting scheduled for 20 November 2019.

The Group obtained a direct 34.71% interest in GetBucks Microfinance Bank Limited, the MyBucks subsidiary in Zimbabwe. The Company furthermore made an additional contribution d to its proportionate equity interest in the operations of MyBucks Zambia to appropriately capitalise the banking operations.

The investments in MyBucks and the direct investment in its subsidiaries are accounted for as an investment in associates at R1 524.1 million. At 30 June 2018 the investment in Ecsponent Financial Services Ltd trading as MyBucks Zambia, was the only associate investment with the R236.9 million investment in MyBucks disclosed as other financial assets.

	12-month period ended 30 June 2019		**15-month period ended 30 June 2018**	
	% Holding	**Carrying / fair value R '000**	**% Holding**	**Carrying / fair value R '000**
MyBucks S.A.	39,71%	1 150 563	12,60%	236 960
GetBucks Microfinance Bank Limited	34,89%	334 553	- %	-
Ecsponent Financial Services Ltd trading as MyBucks Zambia	25,00%	39 001	25,00%	21 500

These investments give the Group enhanced exposure to financial services and related technology, across multiple geographies and currencies which provide quantifiable value to its operations. The African banking industry is the second fastest growth sector in banking internationally and the investments provide the Group with assets within established banking licences and established infrastructure in five African countries.

- **Asset Management**

During the period Ecsponent invested in asset management capability by acquiring 70% of MHMK Capital (Pty) Ltd ("MHMK") which has a 49% investment in Ngwedi Capital Holdings (Pty) Ltd ("Ngwedi").

MHMK is a private equity and advisory business, the Group view this as a strategic investment as MHMK has the skills to source and evaluate a variety of private equity transactions. Investing in businesses that are innovative, have high barriers to entry and growth potential is one of the strategic aims of the Group, thus to have the skills, via MHMK, to ensure that these investments meet Ecsponent's objectives, is a good fit with the Group.

Ngwedi is a holding company with two wholly owned subsidiaries, Ngwedi Alternative Investment Management (Pty) Ltd ("NAIM") and Ngwedi Investment Management (Pty) Ltd ("NIM"). Both companies have asset management licences and are managing portfolios of assets. This investment is part of ensuring that the Group's equity investments are not concentrated in a few large equity investments, thereby reducing the concentration risk.

- **Credit**

The Group's Credit operations provide secured credit to its commercial client base. The secured credit solutions address the demand for funding and other challenges clients face, while supporting large corporate businesses to meet their preferential procurement targets. Through a combination of secured finance and procurement support these credit solutions support different business sectors, including:

- Emerging businesses and individuals;
- Small and Medium Enterprises (SMEs); and
- Large corporate businesses.

Broadly, these products include:

- SME credit, a model that provides wholesale funding to its target market. The nature of these facilities is typically medium-term;
- Enterprise development, which supports large corporate businesses in meeting their preferential procurement targets through Supplier and Enterprise Development of emerging, qualifying vendors; and
- Procurement and logistics services; which provides procurement support and credit terms to emerging businesses.

These credit models offer unique products, that are fully secured so that the Group never takes an unsecured position, thereby minimising risk.

The Group controls all credit operations centrally, which significantly improves both governance and consistency across the operations. In addition, the centralised procurement and logistics operations provide the critical mass required to support enterprise development in each of the territories. At the same time, it contributes to securing the Group's interests in transactions related to the supply chain and enterprise development activities.

The demand for credit from the SME sector remains buoyant providing the Group with a platform to unlock sustained growth within its credit operations.

Wealth

The Wealth operations' ability to deliver effective investment and other financial services products to the retail market is one of its core competencies. During the period the operations continued to diversify its financial product offering to ensure it provided clients with wealth creation solutions.

The operation increased its broker base with 88% (109 in 2018 to 205 in 2019) across its operations in South Africa and Eswatini. The operations continue to expand its client base with 33% (3021 in 2018 to 4013 in 2019) in the number of clients.

Geographical Footprint

The Group's well-established operations within the South African and Eswatini markets have expanded during the period through its the investments in the MyBucks Group to include markets in Botswana, Malawi, Mozambique, Uganda, Zambia and Zimbabwe.

The Credit and Wealth operations in South Africa are mirrored in Eswatini with in-country client representation and back-office infrastructure from South Africa. The expanded footprint allows the group to explore opportunities to enter new markets with its established Credit and Wealth offerings.

PROSPECTS

Key elements of the Group's on-going growth strategy are:

- the continued focus on core businesses;
- achieving a reduction in concentration risk;
- increased emphasis on high yield equity opportunities and sector diversification;
- increased focus on technology solutions for the under banked sections of the population in the markets where MyBucks has operates;
- obtaining rand-based and foreign currency institutional funding; and
- aggressive cost rationalisation/reduction.

The abovementioned approach is aimed at the continued development of a robust and complementary financial services group which continues to provide sustainable returns.

FINANCIAL RESULTS

Presented below are the reviewed consolidated provisional financial statements for the period ended 30 June 2019.

1. Consolidated statement of financial position for the period ended 30 June 2019 (Group)

	Notes	Reviewed 30 June 2019 R'000	Audited 30 June 2018 R'000
Assets			
Non-current assets			
Loans and advances	8	139 763	803 599
Other financial assets	9	415 669	537 232
Investments in associates	7	1 533 896	21 500
Intangible assets and goodwill	15	5 704	4 066
Property, plant and equipment		4 953	4 005
Deferred tax asset		138 586	49 635
Trade and other receivables		17 804	-
		2 256 375	**1 420 037**
Current assets			
Loans and advances	8	833 282	434 753
Other financial assets	9	792	294 956
Cash and cash equivalents		37 658	45 086
Trade and other receivables		39 124	37 878
Current tax receivable		7 130	2 440
Inventories		223	654
		918 209	**815 767**
Total Assets		**3 174 584**	**2 235 804**
Equity			
Share capital	13	145 170	145 170
Reserves		6 132	(2 957)
Retained income / (Accumulated loss)		(213 202)	50 926
Equity attributable to equity holders of parent		(61 900)	193 139
Non-controlling interest		842	362
Total equity		**(61 058)**	**193 501**

Liabilities	Notes	Reviewed 30 June 2019 R '000	Audited 30 June 2018 R '000
Preference shares	10	1 954 610	1 694 362
Note programme	12	64 659	-
Other financial liabilities	11	368 107	150 523
Finance lease liabilities		166	879
Trade and other payables		-	1 616
Deferred tax liability		185 027	93 831
		2 572 569	**1 941 211**
Current liabilities			
Preference shares	10	330 747	7 613
Note programme	12	736	-
Other financial liabilities	11	309 272	72 432
Current tax payable		2 368	138
Finance lease liabilities		35	158
Trade and other payables		19 112	19 970
Bank overdraft		803	781
		663 073	**101 092**
Total Liabilities		**3 235 642**	**2 042 303**
Total Equity and Liabilities		**3 174 584**	**2 235 804**

2. Consolidated statement of profit or loss and other comprehensive income or loss for the period ended 30 June 2019 (Group)

	Reviewed for the 12 months ended	**Audited for the 15 months ended**
	30 Jun2019	**30 Jun 2018**
	R'000	**R'000**
Continuing operations		
Revenue	381 909	466 984
Cost of sales	(133 687)	(83 637)
Other income	89 758	52 162
Operating expenses	(263 680)	(175 838)
Fair value adjustments	26 229	153 951
Loss from equity accounted investment	(3 581)	(1 173)
Operating profit	**96 948**	**412 449**
Finance costs	(346 681)	(260 585)
(Loss) / profit before taxation	**(249 733)**	**151 864**
Taxation	(4 796)	(69 812)
(Loss) / profit from continuing operations for the period	**(254 529)**	**82 052**
Discontinued operations		
Profit from discontinued operations for the period	-	15 311
(Loss) / profit for the period	**(254 529)**	**97 363**
Other comprehensive income or loss		
(Loss) / profit for the period	**(254 529)**	**97 363**
Other comprehensive income / loss		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	9 089	(2 547)
Other comprehensive income / (loss) for the period	**9 089**	**(2 547)**
Total comprehensive (loss) / income for the period	**(245 440)**	**94 816**

Attributable to:	Notes	Reviewed for the 12 months ended 30 June 2019	Audited for the 15 months ended 30 Jun 2018
		R '000	**R '000**
Owners of the parent:			
(Loss) / profit from continuing operations		(255 376)	86 869
Profit from discontinued operations		-	15 311
		(255 376)	**102 180**
Non-controlling interest:			
Profit / (loss) from continuing operations		847	(4 756)
Loss from discontinued operations		-	(61)
		847	**(4 817)**
Total (loss) / profit attributable to:			
Owners of the parent		(255 376)	102 180
Non-controlling interest		847	(4 817)
		(254 529)	**97 363**
Total comprehensive (loss) / income attributable to:			
Owners of the parent		(246 288)	99 623
Non-controlling interest		847	(4 807)
		(245 440)	**94 816**
Earnings per share - Basic and diluted and Headline:			
Weighted average number of shares in issue for the period		1 079 555 326	1 079 551 326
Basic and diluted earnings per share (cents) attributable to equity holders of the parent			
- from continuing operations		(23.656)	8.047
- from discontinued operations		-	1.418
- from continuing and discontinued operations	14	(23.656)	9.465
Headline earnings per share (cents) attributable to equity holders of the parent			
- from continuing operation		(12.637)	7.003
- from discontinued operations		-	(0.012)
- from continuing and discontinued operations	14	(12.637)	6.991

There are no dilutive impacts during the current year of assessment

3. Consolidated statement of changes in equity for the period ended 30 June 2019 (Group)

Figures in R'000	Share capital	Foreign currency translation reserve	Total reserves	Retained profit / (accumulated loss)	Total attributable to owners of the parent	Non-controlling interest	Total equity
Balance at 31 March 2017	**145 169**	**(398)**	**(398)**	**(37 785)**	**106 986**	**(11 429)**	**95 557**
Profit for the period	-	-	-	102 180	102 180	(4 817)	97 363
Other comprehensive (loss) / income	-	(2 559)	(2 559)	-	(2 559)	12	(2 547)
Issue of shares	1	-	-	-	1	-	1
Disposal of subsidiaries	-	-	-	(13 469)	(13 469)	16 596	3 127
Balance at 30 June 2018	**145 170**	**(2 957)**	**(2 957)**	**50 926**	**193 139**	**362**	**193 501**
Balance at 30 June 2018	**145 170**	**(2 957)**	**(2 957)**	**50 926**	**193 139**	**362**	**193 501**
Profit for the period	-	-	-	(255 376)	(255 376)	847	(254 529)
Other comprehensive income	-	9 089	9 089	-	9 089	-	9 089
IFRS 9 adjustment	-	-	-	(8 752)	(8 752)	-	(8 752)
Disposal of subsidiaries	-	-	-	-	-	1	1
Acquisition of subsidiaries	-	-	-	-	-	(368)	(368)
Balance at 30 June 2019	**145 170**	**6 132**	**6 132**	**(213 202)**	**(61 900)**	**842**	**(61 058)**

4. Consolidated statement of cash flows or the period ended 30 June 2019 (Group)

	Reviewed 30 Jun2019 R'000	Audited 30Jun 2018 R'000
Cash flow from operating activities		
Cash generated by operations	(73 428)	343 682
Dividends received	5 500	3 000
Interest income	(170 721)	-
Finance costs	(264 433)	(203 723)
Taxation paid	(13 611)	(33 647)
Net cash from operating activities	**(516 693)**	**109 312**
Cash flow from investing activities		
Purchase of property, plant and equipment	(3 026)	(1 405)
Proceeds on disposal of property plant and equipment	1 437	-
Investment in intangible assets	(109)	(80)
Cash and cash equivalents disposed of	-	(6 754)
Proceeds on disposal of associate	-	10 000
Other financial assets - advances	(25 536)	(327 801)
Proceeds from other financial assets	12 623	-
Loans and advances repaid	415 084	303 081
Disbursement of loans and advances	(290 933)	(921 003)
Business combinations	113	-
Net cash from investing activities	**109 653**	**(943 962)**
Cash flow from financing activities		
Proceeds on preference share issues	465 228	685 667
Repayments on preference shares redeemed	(4 025)	-
Proceeds on note issue	67 078	-
Other financial liabilities raised	197 529	184 287
Repayment of other financial liabilities	(334 026)	(13 452)
Finance lease payments	(835)	(1 141)
Net cash from financing activities	**390 949**	**855 361**
Total cash movement for the period	**(16 091)**	**20 711**
Effect of exchange rate movement on cash balances	8 641	(2 886)
Cash at the beginning of the period	44 305	26 480
Total cash at the end of the period	**36 855**	**44 305**

5. Accounting policies and basis of preparation

The principal accounting policies adopted in the preparation of these condensed consolidated financial statements are set out below.

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, except for the adoption of the new standards as reflected in 5.1.

These condensed consolidated financial statements for the period ended 30 June 2019 have been reviewed by Nexia SAB&T, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Company's registered office together with the financial statements identified in the auditor's report.

The auditor's review report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's review report together with the accompanying financial information from Ecsponent's registered office.

5.1. Standards and interpretations effective and adopted in the current period

Application of IFRS 9 Financial Instruments

With the adoption of IFRS 9 - Financial Instruments ("IFRS 9") from 1 July 2018, the start of the current reporting period, the Group's accounting policies were adjusted to comply with the standard.

IFRS 9 replaces the provisions of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

IFRS 9 introduces an expected credit loss model replacing the incurred loss impairment model contained in IAS 39 for financial periods beginning on or after 1 January 2018.

The change in accounting policies were applied in accordance with the modified retrospective approach which adoption occurs without the need to restate comparative information, as allowed in terms of the standard. The reclassification and the adjustments arising from the new impairment rules are consequently recognised in the opening statement of financial position on 1 July 2018.

The following table show the adjustments recognised for each individual line item, these adjustments are explained in more detail below.

Standards and interpretations effective and adopted in the current period

Extract of the Statement of Financial Position	30 June 2018 As originally presented	IFRS 9 adjustment	1 July 2018 Amended opening balance
Assets			
Loans and advances	1 238 352	(12 116)	1 226 236
Other financial assets	832 188	-	832 188
Deferred tax asset	49 635	3 364	52 999
Other assets	115 629	-	115 629
Total assets	**2 235 804**	**(8 752)**	**2 227 052**
Preference shares	1 701 975	-	1 701 975
Other liabilities	340 328	-	340 328
Liabilities	**2 042 303**	**-**	**2 042 303**
Share capital	145 170	-	145 170
Reserves	(2 957)	-	(2 957)
Retained earnings	50 926	(8 752)	42 174
Attributable to owners of the parent	**193 139**	**(8 752)**	**184 387**
Non-controlling interest	362	-	362
Total equity	**193 501**	**(8 752)**	**184 749**

Key requirements of IFRS 9:

Classification:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

The classification of financial instruments remained unchanged from the prior period, when the classification criteria of IFRS 9 was applied to the individual instruments.

Expected credit loss

The adoption of IFRS 9 has fundamentally changed the Group’s loss impairment method by replacing IAS 39’s incurred loss approach with a forward-looking expected credit loss (“ECL”) approach. From 1 July 2018, the Group has been recording the allowance for expected credit losses for all loans and advances and trade receivables, together with loan commitments.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or “LTECL”), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss (“12mECL”), except for trade receivables for which the Group applies the simplified approach to determine the ECL. This results in calculating lifetime ECLs for trade receivables. ECLs for trade receivables is mainly calculated using a provision matrix.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group categorises its loans into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: 30 days or less in default - When loans are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: 31 days to 360 days in default - When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered 100% credit-impaired. The Group records an allowance for the LTECLs.

The Group calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Forward looking information

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- Gross domestic product ("GDP")
- Central Bank base rates

Credit enhancements: collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms. The fair value of collateral affects the calculation of ECLs. To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises 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.

An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The effective date of the standard is for years beginning on or after 01 January 2018.

The Group has adopted the standard for the first time in the 2019 annual financial statements.

The adoption of this standard has not had a material impact on the results of the Group but has resulted in more disclosure than would have previously been provided in the annual financial statements.

6. Financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group considers the characteristics of the asset or liability which market participants would consider when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group uses widely recognised valuation models for determining the fair value of financial instruments.

Accounting classification and fair values

The following table sets out the Group's classification of each class of financial asset and financial liability, including their carrying values amounts.

Figures in Rand R '000	Fair Value through Profit / Loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Equity accounted investments	Non-financial instruments	Total
Financial assets measured at fair value						
Other financial assets	350 574	-	-		-	350 574
Investment in associates	1 494 895	-	-	39 000	-	1 533 895
Financial assets that are not measured at fair value						
Other financial assets	-	65 887	-	-	-	65 887
Loans and advances	-	973 045	-	-	-	973 045
Trade and other receivables	-	41 055	-	-	15 873	56 928
Cash and cash equivalents	-	37 658	-	-	-	37 658
	-	1 117 645	-	-	15 873	1 133 518
Financial liabilities that are not measured at fair value						
Preference shares	-	-	(2 285 358)	-	-	(2 285 358)
Note programme	-	-	(65 394)	-	-	(65 394)
Other financial liabilities	-	-	(677 379)	-	-	(677 379)
Trade and other payables	-	-	(15 850)	-	(3 263)	(19 113)
Cash and cash equivalents	-	-	(803)	-	-	(803)
	-	-	(3 044 784)		(3 263)	(3 048 047)

30-June-18 Figures in Rand R '000	Designated at fair value	Loans and receivables	Financial liabilities at amortised cost	Non-financial instruments	Total
Financial assets measured at fair value					
Other financial assets	766 461	-	-	-	766 461
Financial assets that are not measured at fair value					
Other financial assets	-	65 727	-	-	65 727
Loans and advances	-	1 238 352	-	-	1 238 352
Trade and other receivables	-	1 213	-	36 665	37 878
Cash and cash equivalents	-	45 086	-	-	45 086
	-	1 350 378	-	36 665	1 387 043
Financial liabilities that are not measured at fair value					
Cash and cash equivalents	-	-	(781)	-	(781)
Preference shares	-	-	(1 701 975)	-	(1 701 975)
Other financial liabilities	-	-	(222 955)	-	(222 955)
Trade and other payables	-	-	(20 060)	(1 526)	(21 586)
	-	-	(1 945 771)	(1 526)	(1 947 297)

Fair value hierarchy

The following table shows the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value.

2019: R '000	**Level 1**	**Level 2**	**Fair value Level 3**	**Total**
Fair Value through Profit / Loss				
Other financial assets	9 299	-	341 275	350 574
Investment in associates	-	-	1 494 895	1 494 895

2018: R '000	**Level 1**	**Level 2**	**Fair value Level 3**	**Total**
Financial assets measured at fair value				
Other financial assets	280 700	-	485 761	766 461

Measurements of fair value – valuation techniques and significant unobservable inputs

The following table reflects the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs.

Type	Valuation technique	Significant unobservable inputs
Option Agreement	The Binomial Options Pricing Model (BOPM) was applied to determine the value of the American Put Option and benchmarked the result against the Black Sholes formula used to value a European Put option.	• A 0% dividend yield on the underlying listed equity was assumed • Volatility is calculated by determining the standard deviation of the last 252 daily returns and can then be annualized to calculate average price volatility at 92.52% • A risk-free rate of -0.78% based on Euro bonds was applied. • Option strike price of Euro 18 • 30 June 2019 spot Euro rate to convert to reporting currency
MyBucks S.A shares	For the valuation at a Group level a Dividend Discount Model ("DDM") was performed based on the consolidated financials. A blended cost of equity was used to discount future dividends which reduces the overall risk of the Group.	• a blended risk-free rate of 11.69% at 30 June 2019. • a market risk premium of 6%, being the most frequently applied figure for developed markets. • a beta of 0.06 as at 30 June 2019. • an additional adjustment of 3% was applied as a small stock premium • an adjustment of 3% was applied to the cost of equity in the WACC calculations to account for certain company specific risks. • all of these adjustments lead to a final cost of equity of 18.05%. • MyBucks Group assumes a current pay-out ratio of 15% moving to a target sustainable pay-out ratio of 80% over the forecast period. • 30 June 2019 spot Euro rate to convert to reporting currency.
Ngwedi Capital Holdings equity	The price to assets under management model was applied to determine the value of the investment	• A 2.1% Price to Assets under management (P/AUM) was used • P/AUM was determined with reference to peers • AUM of R940 million was used
Capitis Equities - S 12 J portfolio	Each individual asset class within the portfolio's fair value was determined.	• Discount rate of 22% • 0% dividend yield

Measurements of fair value – reconciliation of Level 1 fair values
Below is a reconciliation of the movement in level 1 fair values during the period.

	2019 R '000	**2018 R '000**
<u>Group listed equities</u>		
Other financial assets designated as at fair value through profit and loss		
Fair value of amounts of loans and receivables designated as at FVTPL	9 299	280 700
Other financial assets designated as at fair value through profit & loss		
Opening balance at the start of the period	**280 700**	**232 980**
Purchases – listed shares	357 500	88 234
Fair value profit / (loss) recognised in profit and loss	104 279	(82 557)
Transfer to level 3 fair values	(727 153)	-
Disposals	(16 720)	-
Foreign currency loss recognised in profit and loss	10 693	42 043
Balance at the end of the period	**9 299**	**280 700**

Measurements of fair value – reconciliation of Level 3 fair values
Below is a reconciliation of the movement in level 3 fair values during the period.

	2019 R '000	**2018 R '000**
Assets designated as at fair value through profit & loss		
Fair value amounts of financial assets designated as at FVTPL	1 836 170	485 761
Reconciliation of assets at fair value		
Opening balance at the start of the period	485 761	-
Transfer from level 1 fair values	727 153	
Purchases	762 005	260 059
Disposal	(100 000)	-
Foreign currency loss recognised in profit and loss	(1 865)	6 108
Fair value loss recognised in profit and loss	(36 884)	232 796
Impairment of financial asset	-	(13 202)
Balance at the end of the period	**1 836 170**	**485 761**

7. Investment in associates

At 30 June 2019 the Group had significant influence over MyBucks, GetBucks Microfinance Bank Ltd, Ngwedi Capital Holdings (Pty) Ltd and Ecsponent Financial Services Ltd (“MyBucks Zambia”) by virtue of its interest in these company’s shareholding and voting powers.

Control for IFRS purposes is assessed in terms of IFRS10, which consider numerous factors when assessing “control”. In the case with Ecsponent, there are several factors which lead to the assessment of control and ultimately also involves judgement by management.

This assessment included Ecsponent making operational and financial decision for the MyBucks group and certainly triggering “control” as defined in terms of section 2.2(d) of the Companies Act, 71 of 20018, as far as it related to related and inter-related companies (although the Company would not be seen as a “subsidiary” as defined in section 3 of the Companies Act).

However, based on, *inter alia*, the lack of a contractual right to entrench control, control in terms of IFRS 10 is not established over MyBucks and accordingly MyBucks is not consolidated by the Group.

	2019 R'000	**2018 R'000**
Opening balance	21 500	-
Cost of investment in associate	759 663	22 119
Reclassification from other financial assets	727 153	10 000
Fair values adjustments passed	11 325	-
Foreign exchange differences	(3 246)	-
Increase due recapitalisation	20 747	-
Equity accounted post acquisition loss	(3 246)	(1 173)
	1 533 896	**30 946**
Disposal of investment in associate	-	(9 446)
Investment in associates	**1 533 896**	**21 500**
Acquisition date fair value of consideration paid		
Cash consideration paid	**-**	**10 000**

Details of the Group's associate for the 2019 financial period were as follows:

Name of associate	Place of incorporation and operations	Proportion of ownership interest (%) 2019	2018	Proportion of voting power (%) 2019	2018	Principle activity
Ecsponent Financial Services (Pty) Ltd Zambia (EFS Zambia)	Zambia	25%	25%	25%	25%	Financial services
MyBucks S.A. Limited*	South Africa	40%	0%	40%	0%	Financial services
GetBucks Microfinance Bank Ltd*	Zimbabwe	35%	0%	35%	0%	Financial services
Ngwedi Capital Holdings*	South Africa	34%	0%	34%	0%	Financial services

* The associate is accounted for using the fair value method in these consolidated financial statements.

The Equity Holdings segment of Ecsponent Limited is classified as a venture capital segment as defined by IFRS.

The classification of the Equity Holdings segment as a venture capital segment is based on the following parameters:

- the Group has various listed and unlisted equity investments, which is classified under the Equity Holdings segment;
- the Group has various investors including, ordinary shareholders, preference shareholders, listed bonds and debt funders;
- most of these investors are not related parties to the Group, and they do not have a significant influence over the Group and its strategic direction; and
- the Group holds shares in the investments it classified as Equity Holdings, however it may provide funding to some of these investments in the ordinary course of the business, as the company also operates a Credit Business.

	MyBucks Zambia	Ngwedi capital	GetBucks Microfinance Bank Ltd	MyBucks S.A.	Total
	R'000	R'000	R'000	R'000	R'000
Carrying amount / fair value of associates	39 001	9 779	334 553	1 150 563	1 533 896

Increase holding in MyBucks
By 30 June 2018 the Group held 12.1% of the MyBucks issued share capital after increasing its interest in MyBucks in a range of stepped acquisitions from its initial investment on 30 March 2017.

Ecsponent continued to acquire additional shares during the current period and increased its shareholding to 24.3% effective on 14 December 2018, the date on which the final condition precedent was fulfilled to acquire a further 11.8% or 1 498 600 shares in MyBucks.
The MyBucks investment was classified as a financial instrument at fair value at the start of the current period until the acquisition on 14 December 2018. In determining the cost of the MyBucks associate investment the fair value of the existing holding together with the fair value of the additional MyBucks shares was classified as the fair value of the associate.

Shareholders approved in the general meeting held on 22 January 2019 the acquisition of 100% of the shares in Ecsponent Mauritius Ltd (previously "Pink Orchid (Pty) Ltd") a company incorporated in Mauritius for R185 million. The transaction resulted in Ecsponent obtaining a further 1 953 874 MyBucks shares increasing its holding to 39.7% of MyBucks and 34.89% of GetBucks Zimbabwe Limited,

Transfer out of level 1
The fair value of the MyBucks investment classified as other financial assets at level 1 at 30 June 2018 was transferred to level 3 on 14 December 2018 on the further investment and the classification as an associate.

Management deemed the transfer to level 3 appropriate due to the inactive market, with thin trading volumes of less than 0.5% of the number of MyBucks shares in issue during the 6 months interim period after the 30 June 2018 year end leading up to the effective date of the further acquisition. In addition, the volume of MyBucks shares traded during the interim period reduced by 40% in comparison to the volumes traded in the preceding six months leading up to the 30 June 2018 period end.

In March 2019 MyBucks management announced a planned two phased recapitalisation which would entail a private issue and a public offer. The recapitalisation was announced at €1 per share which resulted in an immediate and sharp decline in the ruling share price to align to the recapitalisation price per share. The MyBucks share price declined from €3.56 close on 25 March 2019 to a close of €1.02 on 26 March 2019.At 30 June 2019 and up to the date of this report the recapitalisation had not concluded and the board deemed the continued measurement of the MyBucks investment in terms of level 3 of the fair value hierarchy appropriate

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's management accounts prepared in accordance with IFRSs.

	MyBucks Zambia	**Ngwedi capital**	**GetBucks Microfinance Bank Ltd**	**MyBucks S.A.**
	R'000	**R'000**	**R'000**	**R'000**
Non-current assets	84 511	24 467	69 257	2 043 980
Current assets	71 609	1 708	34 435	1 190 652
Non-current liabilities	(213)	(2 738)	(5 750)	(3 346 366)
Current liabilities	(96 726)	(22 020)	(51 742)	(638 238)
Revenue	108 575	1 280	194 012	808 862
(Loss) / Profit for the period	(18671)	3 000	78 861	(607 347)
Other comprehensive loss for the period	-	-	-	(256 056)
Total comprehensive (loss) / income for the period	(18 671)	3 000	78 861	(863 403)
Dividends received from the associate during the period	-	-	-	-

8. Loan and advances

	2019 R'000	2018 R'000
Loans and advances carried at amortised cost		
Business credit	989 708	1 281 443
The Business funding advances are secured, via a cession of the underlying equity and/or assets, ranging between 100 - 150%. The advances bear interest at fixed interest rates based on the entity risk profile, ranging between 24 - 30% (2018: 24 - 30%) and repayment terms are facility specific, ranging between 2 - 5 years.		
Supply chain funding	40 221	36 788
Enterprise development and supply chain advances are of a short-term nature with an average transaction cycle of 30 to 45 days. Ecsponent secures the funding via the terms of the transactions and where appropriate additional covering security is obtained.		
Total loans and advances	**1 029 929**	**1 318 231**
Expected Credit Losses per stage of default	(56 885)	-
Stage 1: 30 days or less in default	(6 234)	-
Stage 2: 31 days to 360 days in default	(13 129)	-
Stage 3: more than 360 days in default	(37 522)	-
Credit impairments (IAS 39 comparatives)	-	(79 879)
Impairments for non-performing loans and advances	-	(22 289)
Impairments for performing loans and advances	-	(57 590)
	973 044	**1 238 352**
Non-current assets	139 763	803 599
Current assets	833 282	434 753
Total loan and advances	**973 045**	**1 238 352**
Expected Credit Losses reconciliation		
Opening balance	79 879	2 137
Expected Credit Losses raised	37 814	66 094
Expected Credit Losses released	(60 808)	(2 137)
Bad debts written off	-	13 785
Closing balance	**56 885**	**79 879**

9. Other financial assets

	2019 R'000	2018 R'000
At fair value through profit or loss – designated		
Listed shares - MyBucks	-	236 960
The Group acquired foreign denominated listed equities of the issued share capital of the MyBucks Group, as part of its private equity portfolio. The shares are listed on the Frankfurt stock exchange. Due to the additional investment in the listed equities in the current period, this investment has been reclassified to an Investment in associate.		
Option agreement	194 293	238 904
In June 2018, the Group entered into a put option agreement with MHMK Group Limited and Sunblaze Investment Holdings Incorporated, the Option Issuers. In terms of the agreement the Group holds an unconditional and nonexclusive option to require the Option Issuers to purchase, jointly or severally, all or any portion of the Option Shares, being the total number of MyBucks SA ordinary shares held by Ecsponent as at 31 December 2021, at an Option Strike price of €18.		
The option can be exercised directly after the Option Period's expiration date being 31 December 2021, during the 30-day Option Exercise Period which follows.		
Capitis Equities	134 756	146 857
The company invested in a Section 12J company, Capitis Equities (Pty) Ltd, by acquiring a 19% stake in the ordinary shares of the entity. The company further invested in the qualifying 12J investment portfolio of Capitis. The Board assesses the portfolio's fair value on a regular basis and at a minimum at each reporting period.		
Ngwedi Capital Holdings	12 226	-
The Group acquired an effective 34,30% stake in Ngwedi Capital Holdings (Pty) Ltd via MHMK Capital (Pty) Ltd in which the Group has a 70% stake. This stake was obtained through the issue of an interest free loan as well as staggered dividends preference shares redeemable in 10 years. The redemption amount is equal to the issue price of the preference share.		
Preference shares	-	100 000
The preference share investment comprises 1 666 667 preference shares held in VSS Financial Services (Pty) Ltd ("VSS"). The preference shares are cumulative perpetual instruments with VSS holding the right to redeem or to convert to an alternative class of share. Dividends are declared at the discretion of the VSS board.		

Listed shares - Go life	9 299	43 740
The Group acquired 68.2 million ordinary shares in Go Life International, a healthcare company registered in the Republic of Mauritius. The Company's primary listing is on the Mauritian stock exchange with a secondary listing on the JSE's Alt X. In the current period the Group disposed of 44 million shares.		
	350 574	**766 461**
Other financial assets carried at amortised cost		
Listed bond	65 887	65 727
Bond issued by GetBucks Botswana, listed on the Botswana stock exchange. The bond has a fixed coupon rate of 18% per annum and matures on 31 December 2021.		
	65 887	**65 727**
Total other financial assets	**416 461**	**832 188**
Credit impairments	-	-
Net other financial assets after credit impairments	**416 461**	**832 188**
Non-current assets		
At fair value through profit and loss	350 574	485 761
At amortised cost	65 095	51 471
	415 669	**537 232**
Current assets		
At fair value through profit and loss - designated	-	280 700
At amortised cost	792	14 256
	792	**294 956**
Total other financial assets	**416 461**	**832 188**

10. Preference share liability

Ecsponent' s business model requires funding for both organic business growth and to pursue further acquisitions. Funding is deployed in the growth of credit assets and the acquisition of new equity investments. Preference shares are considered a reliable source of funding for these on-going business needs and accordingly the Company has registered a R5 billion preference share programme. The Programme was approved by the JSE on 8 September 2014 and again on 15 December 2015. By 30 June 2019 Ecsponent Limited held subscription investments of R2 285.3 million from the South African programme and a further combined R249 million in the Eswatini and Botswana markets.

The preference share capital is classified as debt and separately disclosed in the Summarised Consolidated Statement of Financial Position as at 30 June 2019 in line with the principles of IFRS. Consequently, the preference share dividends are classified as finance costs and disclosed as such in the Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income for the period ended 30 June 2019.

Preference share capital

Reconciliation of the number of preference shares in issue:
30 June 2019

	Ecsponent Limited (South Africa)					
	Class A	**Class B**	**Class C**	**Class D**	**Class E**	**Class G**
Reported at the beginning of the period	783 069	3 688 644	7 344 514	1 418 825	892 920	31 110
Issue of preference shares during the period	-	1 822 395	-	2 053 391	1 107 510	22 152
	783 069	**5 511 039**	**7 344 514**	**3 472 216**	**2 000 430**	**53 262**
Weighted average issue price per share (Rands)	**96.80**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Ecsponent Eswatini Limited

	Class A	Class E
Reported at the beginning of the period	148 208	92 705
Redemption of preference shares during the period	(2 618)	(1 246)
	145 590	**91 459**
Weighted average issue price per share (Emalangeni)	**1.00**	**1.00**
Weighted average issue price per share (converted to Rand)	**1.00**	**1.00**

Ecsponent Botswana Limited

	Class A	Class B
Reported at the beginning of the period	10 350	2 027
Redemption of preference shares during the period	-	(123)
	10 350	**1 904**
Weighted average issue price per share (Pula)	**1,00**	**1,00**
Weighted average issue price per share (Rand)	**1,30**	**1,30**

Preference share liability

The preference share liability at the end of the period comprises of the following:

	2019 R'000	2018 R'000
Held at amortised cost		
Preference shares issued by Ecsponent Limited (South Africa):		
Preference share - class A	76 786	75 316
Initial issue price redeemable after 5 years. Monthly dividend paid at a rate of 10% per annum.		
Preference share - class B	658 806	417 931
Preference share redeems at 170% of the initial issue after 5 years. No monthly dividends are paid.		
Preference share - class C	723 425	713 021
Initial issue price redeemable after 5 years. Monthly dividend paid at a rate of prime plus 4% per annum.		
Preference share - class D	340 785	137 414
Initial issue price redeemable after 5 years. Monthly dividend paid at a rate of 12.5% per annum.		
Preference share - class E	195 382	86 311
Initial issue price redeemable after 5 years. Monthly dividend paid at a rate of 11.25% per annum.		
Preference share - class G	5 212	3 007
Initial issue price redeemable after 5 years. Monthly dividend paid at a rate of 10% per annum.		

Preference shares issued by Ecsponent Eswatini Limited:		
Preference share - class A	139 262	139 878
5-year income provider with a variable rate, redeemable, convertible units of E1 000 comprising E1 preference share and E999 claim. 15% rate at present paid monthly.		
Preference share - class E	127 621	111 303
5-year capital growth provider with a zero-rate redeemable, convertible units of E1 000 comprising E1 preference share and E999 claim. Redeemed at end of 5 years at E2 000.		
Preference shares issued by Ecsponent Limited (Botswana):		
Preference share - class A	13 658	13 560
5-year income provider with a variable rate, redeemable, convertible units of P1 000 comprising P1 preference share and P999 claim. 15% rate at present paid monthly.		
Preference share - class B	4 421	4 234
5-year capital growth provider with a zero-rate redeemable, convertible units of P1 000 comprising P1 preference share and P999 claim. Redeemed at end of 5 years at P2 000.		
Total preference shares	**2 285 358**	**1 701 975**
Non-current liabilities		
At amortised cost	**1 954 610**	**1 694 362**
Current liabilities		
At amortised cost	**330 747**	**7 613**

11. Other financial liabilities

	2019 R'000	2018 R'000
Held at amortised cost		
Scipion Active Trading Fund	140 471	138 385
USD 10 million term loan facility that bears interest at 10% plus 12-month LIBOR screen rate amortised and payable monthly. 50% of the capital is payable by May 2021 and the remaining 50% is payable in August 2021. This loan is secured by 1 100 000 MyBucks shares		
Ever Prosperous Worldwide Limited	77 666	72 432
USD 14.8 million loan is secured by a pledge of 381,506,336 shares in GetBucks Microfinance Bank Limited, bears interest at 10% per annum, payable monthly. The capital is repayable by 31 December 2019.		
Colyn Promissory note	12 362	12 138
This loan bears interest at 8% per annum, interest is payable monthly, and the capital is repayable by 25 July 2024.		
Capitis Equities (Pty) Ltd	93 605	-
The loan is unsecured, bears interest at 8% per annum and is repayable on demand.		
Tailored Investments	207 836	-
The loan is secured by 1 953 874 shares of MyBucks S.A., is interest free and is repayable in monthly instalments until June 2022.		
Ecsponent Eswatini Collective Investment Scheme	2 903	-
The loan is secured by a payment guarantee by Ecsponent Limited, repayable 12 months from date of advance and bears interest at 15% per annum.		
GetBucks Ltd (Mauritius)	74 132	-
USD 3.6 million loan facility is unsecured, bears interest at 10.5% per annum and both interest and capital are repayable on demand.		
Norsad Finance (Botswana) Limited	68 404	-
USD 5 million loan is secured by a pledge of 444,000 MyBucks shares that bears interest at the three-month LIBOR plus 11% per annum, payable quarterly. The loan is repayable on 11 July 2022.		
Total other financial liabilities	**677 379**	**222 955**
Non-current liabilities		
At amortised cost	368 107	150 523
Current liabilities		

At amortised cost	309 272	72 432
Total other financial liabilities	**677 379**	**222 955**

12. Note programme

Authorised Bond Note	**2019 R'000**	**2018 R'000**
Ecsponent Limited (incorporated in South Africa)		
Note 1 bond of no par value	1 000 000 000	-
Note 2 bond of no par value	1 000 000 000	-
Note 3 bond of no par value	1 000 000 000	-
Note 4 bond of no par value	1 000 000 000	-
Note 5 bond of no par value	1 000 000 000	-
	5 000 000 000	**-**

During Q4 of 2018 Ecsponent introduced its ZAR10 000 000 000 Domestic Medium-Term Note Programme ("Note Programme"). Ecsponent may from time to time issue Notes of any kind denominated in South African Rand, on the terms and conditions contained in the Note Programme. The Note Programme was approved by the JSE on 21 August 2018. Notes may be at a Fixed Rate, a Floating Rate or a Zero Coupon, or such combination of any of the foregoing or such other type of Note as may be determined by Ecsponent and specified in the Applicable Pricing Supplement from time to time. Save as set out in the Note Programme, the Notes will not be subject to any minimum or maximum maturity and the maximum aggregate Principal Amount of all Notes from time to time outstanding will not exceed ZAR10 000 000 000.

Notes currently on offer:

- Zero coupon notes with a return of 10.66% per annum, payable after 3 years together with capital;
- Floating rate notes with a return of prime + 1.5% per annum, payable monthly and capital after 3 years; and
- Fixed rate notes with a return ranging between 9% to 12.5% per annum, payable monthly and capital after 3 years.

Reconciliation of the number of notes in issue:

30 June 2019	**Ecsponent Limited (South Africa)**				
	Fixed rate Note 1	**Fixed rate Note 2**	**Fixed rate Note 3**	**Floating rate Note**	**Zero - Coupon Note**
Reported at the beginning of the period	-	-	-	-	-
Issue of notes during the period	45	4 582	1 068	3 337	4 302
	45	**4 582**	**1 068**	**3 337**	**4 302**
Weighted average issue price per share (Rands)	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

	2019 R'000	2018 R'000
Held at amortised cost		
Note 1 – Fixed Rate	1 330	-
Initial issue price redeemable after three years. Monthly interest is paid at a rate of 9% per annum.		
Note 2 – Fixed Rate	12 947	-
Initial issue price redeemable after three years. Monthly interest is paid at a rate of 10% per annum.		
Note 3 – Fixed Rate	29 662	-
Initial issue price redeemable after three years. Monthly interest is paid at a rate of 12% per annum.		
Note 4 – Zero Coupon	9 446	-
Note redeems at 137.49% of the initial issue price after three years. No monthly interest is paid.		
Note 5 – Floating Rate	12 009	-
Initial issue price redeemable after three years. Monthly interest is paid at a rate of prime plus 1.5% per annum.		
Total notes in issue	**65 394**	**-**
Non-current liabilities		
At amortised cost	64 659	-
Current liabilities		
At amortised cost	736	-
Total notes in issue	**65 395**	**-**

13. Share Capital

	2019	2018
Authorised ordinary shares		
Number of authorised ordinary shares of no par value	1 000 000 000 000	1 000 000 000 000
Issued ordinary shares		
Number of issued ordinary shares of no par value	1 079 555 364	1 079 555 364

Ordinary shares
Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the general meetings of the company.

Reconciliation of the number of ordinary shares issued:

	2019	2018
Reported at the beginning of the period	1 079 555 364	1 079 550 795
Issue of ordinary shares	-	4 569
	1 079 555 364	**1 079 555 364**

Reconciliation of the ordinary share capital:

Reported at the beginning of the period	145 170	145 169
Issues	-	1
	145 170	**145 170**

14. Earnings and fully diluted earnings per share

Reconciliation of Headline earnings
Headline earnings and diluted headline earnings per share

Headline earnings and diluted headline earnings per share have been calculated as follows:

	R'000	R'000
Headline (loss) / earnings		
- Basic (loss) / earnings	(255 376)	102 180
- Gain/loss of control on disposal of subsidiary	-	(7 780)
- Gain on disposal of associate	-	(399)
- Gain on disposal of subsidiary - discontinued operations	-	(15 438)
- Loss on disposal of property, plant and equipment	(155)	5
- Loss on disposal of intangible assets	-	811
- Impairment of goodwill	119 108	-
- Gain on disposal of disposal group held for sale	-	(3 905)
Total headline earnings	**(136 423)**	**75 474**

Headline (loss) / earnings attributable to ordinary shareholders	(136 423)	75 474
- from continuing operations	(136 423)	75 601
- from discontinuing operations	-	(127)
Weighted average number of shares in issue for the period	1 079 555 326	1 079 551 326
Headline (loss) / earnings per share (cents)	(12.637)	6.991
- from continuing operations	(12.637)	7.003
- from discontinuing operations	-	(0.012)

There are no dilutive impacts during the current year of assessment

15. Intangible assets and goodwill

Goodwill acquired as part of business combinations in 2019

	Group 12-month period ended 30 June 2019 R '000
Aggregated business combinations for the period	
Property, plant and equipment	2
Deferred tax asset	41 586
Loans and advances	38 698
Other financial assets	785 769
Trade and other receivables	368
Cash and cash equivalents	113
Other financial liabilities	(736 632)
Deferred tax liability	(52 700)
Trade and other payables	(3 225)
Total identifiable net assets	73 979
Non-controlling interest	368
Purchase consideration	195 013
Goodwill	120 666
Net cash flow on acquisition	
Purchase consideration	-
Net cash balance assumed	113

Business acquisitions during the 2019 financial period

Ecsponent Business Credit (Pty) Ltd ("EBC")

Ecsponent Treasury Services (Pty) Ltd acquired a 100% interest in Ecsponent Business Credit (Pty) Ltd (formerly GetBucks SMME (Pty) Ltd), a financial services company, effective 12 October 2018. The transaction was a strategic purchase to unlock opportunities for secured term loan funding to small and medium enterprises. The transaction yielded a goodwill element of R19,9 million. The entire balance of goodwill was written off in the current period.

Loans and advances	38 698
Deferred tax asset	3 273
Cash and cash equivalents	113
Other financial liabilities	(48 994)
Trade and other payables	(2 980)
Net identifiable assets	(9 890)
Non-controlling interest	-
Purchase consideration, payment was made by Group loan conversions	10 000
Goodwill	19 890
Net cash flow on acquisition	
Purchase consideration	-
Net cash balance assumed	113

Ecsponent Mauritius Limited ("EML")

Ecsponent Ltd acquired a 100% interest in Ecsponent Mauritius Limited (formerly Pink Orchid Limited), an investment company which holds shares in GetBucks Zimbabwe & MyBucks, effective 12 October 2018. The transaction was a strategic purchase to position Ecsponent with both MyBucks and GetBucks Zimbabwe Limited shares, increasing its holding to 39.7% and 34.89% respectively. The transaction yielded a goodwill element of R99,2 million. The entire balance of goodwill was written off in the current period.

Other financial assets	780 344
Deferred tax asset	36 538
Other financial liabilities	(679 410)
Deferred tax liability	(51 676)
Total identifiable net assets	85 796
Non-controlling interest	-
Purchase consideration	185 013
Goodwill	99 217

Net cash flow on acquisition

Purchase consideration	-
Net cash balance assumed	-

MHMK Capital (Pty) Ltd ("MHMK")

Ecsponent Ltd acquired a 70% interest in MHMK Capital (Pty) Ltd, a financial services company, effective 31 March 2019. The transaction was a strategic purchase to unlock opportunities for exposure to select financial service companies, namely Ngwedi Capital Holdings and services required to manage investment entities. The transaction yielded a goodwill element of R1.6 million.

Property, plant and equipment	2
Deferred tax asset	1 775
Other financial assets	5 425
Trade and other receivables	368
Other financial liabilities	(8 228)
Deferred tax liabilities	(1 024)
Trade and other payables	(245)
Total identifiable net assets	(1 927)
Non-controlling interest	368
Purchase consideration	-
Goodwill	1 559

Net cash flow on acquisition

Purchase consideration	-
Net cash balance assumed	-

Impairment assessment of goodwill

Goodwill was tested for impairment by fair value less cost to sell for the Ecsponent Business Credit (Pty) Ltd, MHMK Capital (Pty) Ltd and Ecsponent Mauritius Limited cash generating units.

The Ecsponent Mauritius Limited fair value was determined with reference to the MyBucks group as a CGU, as the only investments in this entity relates to investments in MyBucks group companies. The entire goodwill was written off in the current period.

Ecsponent Business Credit was disposed after year end. Please refer to the events after the reporting date note 16. Due to this transaction Ecsponent recovers the loan, but the goodwill recognised will not be recovered through the sale of the company. The entire balance of goodwill was written off in the current period.

The MHMK Capital fair value was determined with reference to the value of the associate (Ngwedi Capital Holdings), as the only investments in this entity relates to investments in Ngwedi. Through the assessment, it was determined that the underlying assets are accounted for at fair value and has experienced significant growth. As such the entire balance of goodwill was assessed as recoverable in the current period.

Goodwill related to Ecsponent Procurement Services (Pty) Ltd was tested for impairment by using value in use because it is higher than the fair value less cost to sell. Cash flow forecasts are derived from the most recent financial budgets of Ecsponent Procurement Services (Pty) Ltd approved by management. The cash flows are forecast for the following five years based on an estimated and very conservative growth rate of 8%. This rate does not exceed the average long-term growth rate for the relevant markets. A pre-tax discount rate of 11% (2018: 11%) was used for the value in use calculation after the impact of the industry related risk.

The following key assumptions were included in the financial budgets to determine the future cash flows:

- Continued growth of budgeted sales volumes and services of a very conservative 8%
- Continued growth in budgeted gross margins based on historical performance, of 10%
- Maintaining the budgeted levels of overheads;

16. Events after the reporting date

The directors are not aware of any material event, other than the disclosure related to matters listed below, which occurred after the reporting date and up to date of this report.

Recapitalisation of MyBucks

The Board announced on 26 March 2019 and on 13 September 2019 that the Company had concluded agreements with MyBucks setting out the terms which would enable Ecsponent to facilitate a restructure of the various loans owing to and from entities in the MyBucks Group and the Ecsponent Group (through the Debt Restructure).

MyBucks will issue 27,829,312 (constituting 218% of MyBucks issued share capital prior to the further recapitalisation planned by MyBucks) for an amount of €1 per MyBucks share.

The parties have agreed that the subscription proceeds will be settled through off-setting against loans between the Ecsponent Group and the MyBucks group and through a cash top-up payment, if relevant, in order to ensure that the MyBucks subscription proceeds equals €27,829,312, being R450 million at the Euro/ZAR Exchange Rate.

The approval and implementation of the above proposed transaction is subject to, inter alia, shareholders of the Company entitled to vote passing the requisite resolution approving the additional MyBucks Acquisition at a general meeting of the shareholders. The effective date of the acquisition will be the date of fulfilment of all conditions precedent.

Disposal of Ecsponent Business Credit

Ecsponent Treasury Services (Pty) Ltd (ETS) disposed the Ecsponent Business Credit (Pty) Ltd, as a going concern, to DVN Family Office (Pty) Ltd effective on 23 August 2019 for an amount of R14 million.

Joint Venture agreement with Makaha Mining Cooperative Society Ltd

The Board of Ecsponent announced on 5 November 2019 that Ecsponent Botswana Ltd, a wholly owned subsidiary of the Company, has concluded an agreement with Makaha Mining Cooperative Society Ltd, (a Zimbabwean company owned by a consortium of Zimbabwean residents involved in the mining industry), in terms of which Ecsponent Botswana and Makaha Mining will create a special purpose vehicle ("the JVC"). The JVC's purpose is for the exploration, development and exploitation of the existing chrome mineral claims currently owned by Makaha Mining. The JVC will be created as a private company limited by shares in Zimbabwe and owned 51% by EBL and 49% by Makaha Mining. The effective date of the Joint Venture Agreement will be 01 November 2019.

At the date of this report, the transactions remained conditional, subject to the fulfilment of the following conditions:

- the JVC being incorporated in terms of the Joint Venture Agreement;
- the Reserve Bank of Zimbabwe or the Zimbabwe Investment Authority granting exchange control approval for the subscription of shares in the JVC, together with the capital commitments; and
- Makaha Mining registering all Mining Claims in the name of the JVC.
- Note that the Mining claims are currently in the name of Undertreasure Mining Consultancy (Pvt) Ltd but are already in the process of being transferred to be in the name of Makaha Mining.

17. Related parties

Relationship

Associates	Refer to note 7
Shareholders with significant influence	MHMK Group Limited (Represented by G. Manyere)

Related party balances	**2019 R'000**	**2018 R'000**
Investments in		
Associate companies	1 533 896	21 500
Other financial assets	272 406	238 904
Loans and advances	493 661	-
Other financial liabilities	(74 132)	-
Trade and other receivables / (payables)	3 926	-
Related party transactions		
Associate companies - equity accounted loss	(3 581)	(1 173)
Fair value gains / (losses)		
- MyBucks S.A.	123 545	-
- GetBucks Microfinance Bank Ltd*	(41 065)	-
- MHMK Group Limited	(45 835)	-
- Ngwedi Capital Holdings (Pty) Ltd	3 642	-
Expense recoveries		
- MyBucks S.A.	19 208	-
- GetBucks (Pty) Ltd (South Africa)*	7 759	-
Interest income / (expense)		
- MyBucks S.A.	8 347	-
- GetBucks (Pty) Ltd (South Africa)*	49 091	-
- GetBucks (Pty) Ltd (Eswatini)*	43 382	-
- GetBucks Ltd (Mauritius)*	(4 261)	-
- GetBucks Ltd (Botswana)*	10 594	-
VSS Financial Services (Pty) Ltd dividends received*	22 000	-

* Please note that these related parties are part of the MyBucks S.A Group

18. Segment reporting

The segments identified are based on the operational and financial information reviewed by management for performance assessment and resource allocation. The Group rationalisation as concluded in prior periods also resulted in a change to the basis of operational segmentation and the basis of measurement of segment profit or loss from the 2018 annual financial statements. The Financial Services segment was split into Investment Services and Credit and the Collections segment was dissolved.

Operational segment

Credit	The Credit operations provide secured credit funding to commercial clients via two specific products. Business credit in the form of medium-term loans subject to appropriate security cover and Supply Chain and/or Enterprise Development solutions with the aim to integrate vendors into the supply chain.
Investment Services	The operations provide financial investment products to the retail market.
Equity holdings	Strategic investments in well managed, profit focused companies.

30 Jun 19	**Reportable segments**							
	Investment Services	**Equity Holdings**	**Credit**	**Corporate**	**Eliminations**	**Total Continued**	**Discontinued operations**	**Total**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Segment revenue	234 919	151 363	248 815	21 202	(274 391)	381 908	-	381 908
Segment profit / (loss) after tax	(14 339)	36 028	(147 197)	3 956	(132 977)	(254 529)	-	(254 529)
Segment assets	2 490 438	1 590 800	2 724 348	7 141	(3 638 143)	3 174 584	-	3 174 584
Segment liabilities	(2 535 419)	(771 577)	(3 344 193)	(1 668)	3 417 215	(3 235 642)	-	(3 235 642)
Capital expenditure	1 541	-	100	1 385	-	3 026	-	3 026
Revenues from major clients:								
- Major client 1	-	2 937	104 275	-	-	107 212	-	107 212
- Major client 2	-	-	34 597	-	-	34 597	-	34 597

30 Jun 19	Geographic segments								
	South Africa	**Botswana**	**Eswatini**	**Mauritius**	**Zambia**	**Eliminations**	**Total Continued**	**Discontinued operations**	**Total Reported**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Segment revenue	493 839	49 683	90 787	21 069	921	(274 391)	381 908	-	381 908
Segment profit / (loss) after tax	(128 797)	(32 831)	(2 394)	42 476	(7)	(132 977)	(254 530)	-	(254 530)
Segment assets	4 414 265	796 855	542 916	1 048 490	10 201	(3 638 143)	3 174 584	-	3 174 584
Segment liabilities	(4 429 307)	(749 932)	(548 592)	(915 870)	(9 156)	3 417 215	(3 235 642)	-	(3 235 642)
Capital expenditure	2 715	-	312	-	-	-	3 027	-	3 027
Revenues from major clients:									
- Major client 1	49 091	11 802	43 382	2 937	-	-	107 212	-	107 212
- Major client 2	-	34 597	-	-	-	-	34 597	-	34 597

30 Jun 18	Reportable segments						
	Investment Services	**Equity Holdings**	**Credit**	**Corporate**	**Eliminations**	**Discontinued operations**	**Total**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Segment revenue	362 409	41 336	497 576	37 984	(472 321)	(8 875)	458 109
Segment profit / (loss) after tax	5 913	101 624	(35 484)	(1 549)	11 548	127	82 179
Segment assets	375 771	617 150	1 422 870	16 307	(196 294)	-	2 235 804
Segment liabilities	(248 244)	(167 885)	(1 856 513)	(13 923)	244 262	-	(2 042 303)
Capital expenditure	1 063	42	112	2 314	-	-	3 531
Revenues from major clients:							
- Major client 1	-	-	116 061	-	-	-	116 061
- Major client 2	-	-	108 892	-	-	-	108 892

30 Jun 18	Geographic segments								
	South Africa	**Botswana**	**Swaziland**	**Namibia**	**Mauritius**	**Zambia**	**Eliminations**	**Discontinued operations**	**Total Reported**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Segment revenue	792 554	48 115	97 960	508	168	-	(472 321)	(8 875)	458 109
Segment profit / (loss) after tax	(2 414)	73 104	114	(3)	(297)	-	11 548	127	82 179
Segment assets	1 448 080	795 912	171 966	194	2 112	13 835	(196 294)	-	2 235 805
Segment liabilities	(1 694 720)	(241 354)	(182 588)	(304)	(150 675)	(16 924)	244 262	-	(2 042 303)
Capital expenditure	3 524	-	7	-	-	-	-	-	3 531
Revenues from major clients:									
- Major client 1	70 761	14 350	30 950	-	-	-	-	-	116 061
- Major client 2	108 892	-	-	-	-	-	-	-	108 892

19. Correction of error 31 December 2018 interim results

The investment in MyBucks S.A was erroneously disclosed as an equity accounted investment in an associate in the condensed consolidated interim results for the 6-month period ended 31 December 2018.

The equity holdings segment of Ecsponent Limited is classified as a venture capital entity as defined by IFRS, please refer to the investment in associate note above. This classification affords Ecsponent the choice to disclose an investment in an associate at fair value through profit or loss.

At 30 June 2018, the comparative period, Ecsponent held 12.1% of MyBucks and the investment was correctly classified as a financial instrument at fair value up until the acquisition of additional shares on 14 December 2018. The further acquisition increased Ecsponent's interest in MyBucks SA to 24.3% triggering the associate investment classification.

At 31 December 2018 the MyBucks associate investment's fair value was the basis of the carrying value as disclosed in the results for the period, with no post acquisition income allocated in terms of the equity accounting method. As a result, the error describing the investment as an equity accounted investment has no effect on the financial results disclosed for the interim period ended 31 December 2018 based on the investment being carried at fair value.
It furthermore has no impact the comparative period for the 15 months ended 30 June 2018.

There is no impact on the Group's basic or diluted earnings per share and no impact on the total operating, investing or financing cash flows for the interim period ended 31 December 2018 or for the financial period ended 30 June 2019.

20. Dividends

No ordinary dividends have been declared or proposed for the year.

The Company has six classes of preference shares in issue with the following dividend terms:

- Class A – 10% fixed rate monthly dividend;
- Class B – 0% monthly dividend, but redeeming at a rate equal to 170% of the Initial Issue Price;
- Class C – prime plus 4% floating rate monthly dividend;
- Class D – 12.5% fixed rate monthly dividend;
- Class E – 11.25% fixed rate monthly dividend;
- Class G – 10% fixed rate monthly dividend.

Preference Share dividends and interest of R159 504 million accrued to investors for the 12-months ended 30 June 2019. The dividends are classified as finance costs and included in the finance cost expense in the Consolidated Statement of Profit and Loss and Comprehensive Income.

21. Contingencies

The directors are not aware of any material contingent liability which existed at the reporting date and up to the date of this report that requires disclosure.

22. Director changes

The following changes in the Board occurred during the reporting period:

Executive directors	**Changes during the reporting period**

George Manyere
Executive vice chairman
Appointed 28 January 2019

Independent non-executive directors

Brandon Topham — Resigned 31 January 2019

Willem Oberholzer — Resigned 31 July 2019

23. Going concern

The Group reported a total comprehensive loss of R254.4 million for the period which resulted in the company's total liabilities exceeding its total assets by R61.1 million at 30 June 2019. The loss materially emanates from the Group's investment in MyBucks which during the period incurred significant once off expenses as a result of a rationalisation of its operations.

The directors have evaluated the Group's solvency and liquidity position in terms of the Companies Act, 2008 and have concluded in terms of the Act's provisions that the Group's total assets exceeded its total liabilities by R2 223.0 million. The directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the Condensed Consolidated Financial Statements for the period ended 30 June 2019 have been prepared on a going concern. The directors have satisfied themselves that the Group is in a sound financial position and that it has access to enough equity and borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely affect the Group's ability to continue as a going concern. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

Terence Gregory

Chief Executive Officer

14 November 2019

Directors: RJ Connellan* (Chairman), KA Rayner*, P Matute*, G Manyere (Vice Chairman), TP Gregory (Chief Executive Officer) and DP van der Merwe (Financial Director).

*Independent non-executives

Company Secretary: L Du Preez-Cilliers

Registered Office: 1st Floor, The Wedge, 43 Garsfontein road, Waterkloof, Pretoria, 0145

Transfer Secretaries: Computershare Investor Services Proprietary Limited, (Registration number 2004/003647/07), 2nd Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, (PO Box 61051, Marshalltown, 2107)

Auditors: Nexia SAB&T Inc.

Sponsor: Questco Corporate Advisory (Pty) Ltd

questco
CORPORATE ADVISORY

Questco Corporate Advisory (Pty) Ltd