

ECSPONENT LIMITED

Incorporated in the Republic of South Africa

Registration number: 1998/013215/06

JSE Code: ECS - ISIN: ZAE000179594

("the Company" or "Ecsponent")

Condensed Consolidated Interim Results for the six months ended 31 December 2018

The Board is pleased to present the condensed consolidated results of the Group for the six months ended 31 December 2018.

The financial results of the six-month period ended 31 December 2018 reflect the impact of the various transactions which the Group has embarked upon in order to continue the balance sheet growth trajectory. The financial results for the period represent a transition phase and shareholders are advised to consider the substance of the Group giving due consideration thereto.

RESULTS – OVERVIEW

The financial results of the 6-month period ended 31 December 2018 continues to build on the secure base established by more than seven years of steady growth, from which further growth can be pursued.

Overview of the Group's interim results ended 31 December 2018 compared to the comparative results for the six-month period ended 30 September 2017 ("**Prior Period**") are set out below:

- Gross assets increased by 89.7% to R2.8 billion from R1.5 billion in the Prior Period.
- Investment in Associates increased by 173.9% to R748 million from R273 million in the Prior Period.
- Loans and Advances increased by 18.9% to R1.2 billion from R1 billion in the Prior Period.
- Revenue from continuing operations increased by 29.5% to R200 million compared to the Prior Period.
- Operating profits from continuing operations increased by 70.2% to R218 million compared to R128 million for the Prior Period.
- Net cash inflows from financing activities increased by 40.8% to R408.3 million from R290 million for the Prior Period.
- Significant increases in finance costs and taxation resulted in a reduction in total comprehensive income to R8.6 million from R34.2 million for the Prior Period.
- Headline earnings per share ("**HEPS**") and earnings per share ("**EPS**") declined by 81.7% and 89.8% respectively.

Of the Group's R2 775 million total assets, R1 275 million, or 46.0% of total assets, are held outside of the Common Monetary Area. These investments provide a hedge against a weakening Rand. The Company continues to focus on mechanisms to mitigate against short-term earnings volatility, that arise from the currency and price risks associated with offshore listed equities.

During the period, the Group deployed funding from international sources to expand its African operations and international asset base. Current loan funding and investments funded remain denominated in US dollar or Euro to avoid exposure to emerging market exchange rate risk, thereby providing additional foreign currency assets. Post the reporting period, the Company announced the conclusion of a term sheet which, once concluded, would result in a R700 million debt funding facility being made available to the Group from Afreximbank.

OPERATIONAL REVIEW

Group Overview

Below is an overview of the Group's operations for the 2018 interim period end.

Investment Services

The Group's preference share programme ("the Programme"), which raises capital to fund investments, has continued to facilitate the Group's expansion strategy. The Programme provides retail and institutional investors with returns over a five-year period, after which their capital is returned.

As at 31 December 2018 the Group's Investment Services business unit had raised approximately R1.8 billion from the issue of preference shares, since implementation of the Programme in September 2014.

In addition to raising capital through the Programme, the Investment Services unit has as a strategic objective of lowering the cost of capital to the Group through securing further institutional debt funding.

The Group's ability to deliver effective investment and other financial services products to the retail market is one of its core competencies. To leverage opportunities offered through the established distribution channel, the Investment Services business unit introduced a R10 billion note programme to the market. Between the mid-December launch date and period end of 31 December 2018, the Investment Services business had placed R5.9 million under the note programme. These products will give this business unit further ability to meet multiple investment needs of the investor base and generate additional profit opportunities for the Group.

Credit

The Credit business unit provides secured credit to fund the business operations of qualifying entities. The unit has distinct products that cater to the needs of specific unbanked and underbanked Small to Medium Enterprises (SMEs). These products offer unique loan and funding products, which are fully secured, thereby minimising its risk.

- The SME secured credit product provides wholesale funding to target niche businesses. The nature of these transactions is typically medium-term facilities, but with a short-term call-up to ensure liquidity for the group.
- Ecsponent's supply chain and enterprise development solutions aim to integrate qualifying vendors into the formal supply chain of large corporate businesses.
- The bridging finance product provides short term asset funding which is secured by fixed property.

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 and has resulted in continued, sustained growth of the business across the Group's footprint. Total assets increased by 41.3% from R1.6 billion to R2.3 billion compared to the Prior Period. Operating profit decreased by 17.8% from R204 million to R168 million.

Equity Holdings

The Equity Holdings business unit invests strategically in companies that are well-managed, self-sufficient and provide a balance in the Group's short-term and long-term asset base.

It targets businesses with significant intellectual property, which provide a barrier to entry for competitors, command sizeable margins and employs a robust business model. As a result, the Group holds investments in innovative and growing sectors, including Financial Services, Healthcare, Digital Media and Fintech.

At 31 December 2018, the Group held 24.3% in MyBucks. This investment has the added advantage of providing a foreign currency hedge against local currency frailty.

Total assets increased by 76% from R318 million to R560 million compared to the Prior Period and revenue increased by 376.8% from R18.7 million to R89 million.

It is the Group's intention to obtain a controlling interest in MyBucks. The investment will give the Group access to financial services and related technology, which provides quantifiable value to its operations.

Geographical Footprint

The Group's operations in South Africa are mirrored across the operational footprint in Eswatini and Botswana, with in-country client representation in each territory. In Zambia, the Group holds a 25% interest in the local entity, which is registered as a deposit-taking financial institution.

Post the reporting period, the Group announced its investment in the Zimbabwean stock exchange listed GetBucks Microfinance Bank Limited.

The back-office infrastructure of each territory is centrally managed from South Africa.

PROSPECTS

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

- the continued focus on core businesses;
- ongoing investment in the Group's credit operations, including the deployment of the new Afrexim facility, once this is approved;
- growth in the Wealth business through increase assets under management (AUM) as well as product diversification.
- consolidation of the Group's interest in the listed MyBucks investment;
- increased emphasis on high yield equity opportunities and sector diversification
- 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.

REVIEW OF RESULTS AND FINANCIAL POSITION

The condensed consolidated interim financial results represent the trading results of the Company and its subsidiaries which are active in the financial services and private equity markets.

FINANCIAL RESULTS

Presented below are the condensed consolidated financial statements for the 6 months ended 31 December 2018.

Condensed Consolidated Interim Statement of Financial Position as at 31 December 2018

		31 December 2018 Group R'000	Reviewed 30 September 2017 Group R'000	Audited 30 June 2018 Group R'000
	Notes			
ASSETS				
Non-current assets				
Investment in associates	5	748 420	273 285	21 500
Loans and advances	6	193 511	895 770	803 599
Other financial assets	7	531 745	-	537 232
Intangible assets and Goodwill		23 968	5 668	4 066
Property, plant and equipment		3 591	6 296	4 005
Deferred tax		80 001	39 623	49 635
Other non-current receivables		750	5 652	-
Current assets				
Loans and advances	6	1 090 644	184 638	434 753
Other financial assets	7	38 407	-	294 956
Cash and cash equivalents		37 673	11 938	45 086
Trade and other receivables		24 244	38 419	37 878
Current tax receivable		1 541	254	2 440
Inventories		683	1 050	654
TOTAL ASSETS		2 775 178	1 462 593	2 235 804
EQUITY AND LIABILITIES				
Equity		193 012	141 151	193 139
Non-controlling interest		735	(12 431)	362
Non-current liabilities				
Preference shares	8	1 920 795	1 232 459	1 694 362
Note programme	9	5 972	-	-
Other financial liabilities	10	227 491	7 282	150 523
Finance lease liabilities		811	-	879
Trade and other payables		-	3 431	1 616
Deferred tax		150 484	18 689	93 831
Current liabilities				
Preference shares	8	100 308	12 438	7 613
Other financial liabilities	10	150 207	-	72 432
Current tax payable		8 800	32 483	138
Finance lease liabilities		158	-	158
Trade and other payables		16 017	26 350	19 970
Bank overdraft		388	741	781
TOTAL EQUITY AND LIABILITIES		2 775 178	1 462 593	2 235 804

Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income for the interim period ending 31 December 2018

		Reviewed	Audited	
		6 months ended 31 December 2018	6 months ended 30 September 2017	15 months ended 30 June 2018
	Group	Group	Group	
Notes	R'000	R'000	R'000	
Revenue	200 175	154 597	466 984	
Cost of sales	(101 772)	(18 115)	(83 637)	
Other income	79 554	22 286	52 162	
Operating expenses	(62 200)	(45 422)	(175 838)	
Fair value adjustments	102 622	15 127	153 951	
Loss from equity accounted investments	(233)	(274)	(1 173)	
OPERATING PROFIT	218 146	128 199	412 449	
Net finance costs	(161 578)	(82 832)	(260 585)	
PROFIT BEFORE TAXATION	56 568	45 367	151 864	
Taxation	11 (52 746)	(29 710)	(69 812)	
PROFIT FROM CONTINUING OPERATIONS	3 822	15 657	82 052	
Profit from discontinued operations	-	15 312	15 311	
PROFIT FOR THE PERIOD	3 822	30 969	97 363	
Other comprehensive income / (loss)	5 176	478	(2 547)	
TOTAL COMPREHENSIVE INCOME	8 998	31 447	94 816	
(Profit)/Loss attributable to non-controlling interest	(373)	2 718	4 807	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	8 625	34 165	99 623	
Profit attributable to owners of the parent from:				
Continuing operations	3 449	18 324	86 869	
Discontinued operations	-	15 373	15 311	
	3 449	33 697	102 180	
Total comprehensive income/(loss) attributable to:				
Owners of the parent	8 625	34 165	99 623	
Non-controlling interest	373	(2 718)	(4 807)	
	8 998	31 447	94 816	
Basic and fully diluted earnings per share (cents) from continuing operations attributable to equity holders of the parent	12 0.319	1.697	8.047	

Basic and fully diluted earnings per share (cents) from discontinued operations attributable to equity holders of the parent		-	1.424	1.418
Basic and fully diluted earnings per share (cents) attributable to equity holders of the parent	12	0.319	3.121	9.465

Condensed Statement of Changes in Equity for the 6 months ended 31 December 2018

	Notes	Share capital	Foreign currency translation reserve	Accumulated profit/(loss)	Total attributable to owners of the parent	Non- controlling interest	Total equity
		R'000	R'000	R'000	R'000	R'000	R'000
Balance at 1 April 2017		145 169	(398)	(37 785)	106 986	(11 429)	95 557
Profit for the period		-	-	102 180	102 180	(4 817)	97 363
Other comprehensive income		-	(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)	50 926	193 139	362	193 501
Profit for the period		-	-	3 449	3 449	373	3 822
Other comprehensive income		-	5 176	-	5 176	-	5 176
IFRS 9 adjustment	2	-	-	(8 752)	(8 752)	-	(8 752)
Balance at 31 December 2018		145 170	2 219	45 623	193 012	735	193 747

Condensed Consolidated Cash Flow Statement for the 6 months ended 31 December 2018

		Reviewed	Audited
	6 months ended 31 December 2018	6 months ended 30 September 2017	15 months ended 30 June 2018
	Group	Group	Group
	R'000	R'000	R'000
Cash generated by operations	68 891	100 789	343 682
Dividends received	5 500	-	3 000
Finance cost	(122 138)	(61 176)	(203 723)
Taxation paid	(10 527)	(16 649)	(33 647)
Net cash (outflow) / inflow from operating activities	(58 274)	22 964	109 312
Purchase of property, plant and equipment	(60)	-	(1 405)
Proceeds on disposal of property, plant and equipment	190	-	-
Investment in intangible assets	(19 915)	-	(80)
Proceeds on disposal of associate	-	-	10 000
Cash disposed of through sale of investment in subsidiary	-	(7 369)	(6 754)
Investment in financial assets	(2 494)	-	(327 801)
Proceeds from financial assets	5 987	-	-
Prepayments of loans and advances received	293 331	56 381	303 081
Disbursement of loans and advances	(631 290)	(377 228)	(921 003)
Other	-	(193)	-
Net cash outflow from investing activities	(354 251)	(328 409)	(943 962)
Proceeds on preference share issues	266 919	294 702	685 667
Proceeds from other financial liabilities	199 464	-	184 287
Repayment of other financial liabilities	(58 065)	(4 664)	(13 452)
Finance lease payments	(68)	-	(1 141)
Net cash inflow from financing activities	408 250	290 038	855 361
Movement in cash and cash equivalents for the period	(4 275)	(15 407)	20 711

Cash and cash equivalents at the beginning of the period	44 305	26 481	26 480
Effect of exchange rate movement on cash balances	(2 745)	123	(2 886)
Cash and cash equivalents at the end of the period	37 285	11 197	44 305

**Notes to the Condensed Consolidated Financial Statements for the 6 months ended
31 December 2018**

1. ACCOUNTING POLICIES, BASIS OF PREPARATION OF RESULTS AND REVIEW OPINION

The condensed consolidated interim financial statements are prepared in accordance the JSE Limited Listings Requirements for interim reports and the requirements of the Companies Act of South Africa and in accordance with International Financial Reporting Standards (IAS) 34 Interim Financial Reporting, 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.

These interim financial results have not been reviewed or reported on by the Company's auditors.

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.

The results of the Group were prepared under supervision of the Group's financial director, Mr DP van der Merwe CA (SA).

2. NEW STANDARDS AND INTERPRETATIONS

With the adoption of *IFRS 9 - Financial Instruments* ("IFRS 9") from 1 July 2018, the start of the current interim 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

IFRS 9 adoption occurs without the need to restate comparative information (except for certain aspects of hedge accounting), 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.

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

Classification and measurement

On 1 July 2018 management assessed which business models applied to the financial assets held by the Group and classified its financial instruments into the appropriate IFRS 9 categories. The Group's financial assets remain classified as carried at amortised cost.

Impairment of financial assets

The Loans and Advances and Trade Receivables financial asset classes of the Group is impacted by IFRS 9's new expected credit loss model and as a result the Group revised its impairment methodology in terms of the requirements of IFRS 9. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed above.

The Group applies the IFRS 9 expected loss model by formulating the expected future losses of customers based on past behaviour, current exposure and future economic scenarios. Loans and Advances and Trade Receivables are segmented into sub-risk categories to isolate different risk behaviours across various countries and industries, as follows:

- Category 1 – Fully performing receivables
- Category 2 – Receivables with a significant increase level of credit risk
- Category 3 – Receivables that are in default

The most notable change in the impairment modelling is the forward-looking nature of the model as opposed to the incurred nature of the previous model. The categories were assessed for impairment retrospectively.

3. RECLASSIFICATION OF COMPARATIVE FIGURES

The Group announced a rationalisation process during 2016 designed to streamline and re-align its operations to sustain increased strategic growth. The process continued into the 30 September 2017, the comparative period of the current interim reporting period.

The process resulted in the Group's current structure focusing on the Credit, Equity Holdings and Investment Services operations.

Certain of the comparative period's figures have been reclassified to align the financial disclosures to the revised Group structure with the objective of enhancing the users understanding of the Ecspontent operations. It is, however, important to note that none of the comparative figures have been restated and, as noted above, the accounting policies have been consistently applied.

Consolidated statement of financial position

Presented below are the 30 September 2017 Consolidated Statement of Financial position figures before and after the reclassification.

- Column A contains the reclassified comparative figures for the period ended 30 September 2017, as disclosed in the 31 December 2018 interim financial statements.
- Column B contains the figures as originally disclosed in the 30 September 2017 interim financial statements.

The following reclassifications occurred:

- Loans and Advances

An additional asset class "Loans and Advances" has been disclosed in the statement of financial position and as a separate note (refer note 6 below). These assets were previously disclosed as part of the other financial asset class in the comparative results. The additional asset class was added to distinguish the Credit operation's assets from

those of the Equity Holding assets, which continue to be included under "Other Financial Assets".

	Column A R'000	Column B R'000
Assets		
<i>Non-current assets</i>		
Loans and advances	895 770	n/a
Other financial assets	-	895 770
<i>Current assets</i>		
Loans and advances	184 638	n/a
Other financial assets	-	184 638
Total	1 080 408	1 080 408

- *Preference share liability*

An additional liability classification "Preference shares" has been disclosed in the statement of financial position and as a separate note (refer note 8 below). The preference share liability was previously disclosed as part of the other financial liability classification in the comparative results.

	Column A R'000	Column B R'000
Liabilities		
<i>Non-current liabilities</i>		
Preference shares	1 232 459	n/a
Other financial liabilities	-	1 239 741
<i>Current liabilities</i>		
Preference shares	12 438	n/a
Other financial liabilities	7 282	12 438
Total	1 252 179	1 252 179

- *Deferred revenue*

Deferred revenue is no longer a significant component of the core operations due to the rationalisation process. As a result, the deferred revenue liability has been included in the trade and other payable balance and disclosed separately in the accounting policy note.

	Column A R'000	Column B R'000
Liabilities		

<i>Non-Current liabilities</i>		
Trade and other payables	3 431	n/a
Deferred revenue	n/a	3 431
Total non-current liabilities	3 431	3 431
<i>Current liabilities</i>		
Trade and other payables	26 350	26 131
Deferred revenue	n/a	219
Total current liabilities	26 350	26 350

Consolidated statement of profit and loss

The following reclassification of the 30 September 2017 comparative figures in the consolidated statement of profit or loss occurred:

- The nature of the Group's core operation predominantly gives rise to interest, investment and service income. The disclosure of "gross profit" in the statement of profit and loss has become irrelevant to the Group results. The 30 June 2018 statement of profit or loss no longer includes gross profit disclosure, and as a result, the comparative information has been adjusted accordingly.
- The Equity Holdings operations invest with the objective to earn a combination of investment income and capital appreciation. The comparative figures have been adjusted to include the fair value adjustments and income from equity investments relating to Ecsponent's Equity Holdings operations in the Group's operating results.

Refer below for an extract of the 30 September 2017 consolidated statement of profit or loss as disclosed in the 30 September 2017 interim financial statements. The effect of the abovementioned reclassifications to the comparative figures for 31 December 2018 is to increase the operating profit to R128.2 million from the R113.3 million as disclosed in 30 September 2017 financial statements. The profit before taxation, however, remains unchanged at R45.4 million.

	30 September 2017
	R'000
Revenue	154 597
Cost of sales	(18 115)
Gross profit	136 482
Other income	22 286
Operating expenses	(45 422)
Operating profit	113 346
Fair value adjustments	15 127
Income from equity accounted investments	(274)
Finance costs	(82 832)
Profit before taxation	45 367

4. FINANCIAL INSTRUMENT – FAIR VALUE AND RISK MANAGEMENT

Financial instruments measured in the statement of financial position at fair value require disclosure. Financial instruments of the Group carried at fair value are disclosed below.

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.

31 December 2018

Financial instrument carried at fair value	Carrying value - Designated at fair value R'000	Fair value - Level 1 R'000	Fair value – Level 3 R'000
Other financial assets	503 297	37 528	465 769

Reviewed 30 September 2017

Financial instrument carried at fair value	Carrying value - Designated at fair value R'000	Fair value - Level 1 R'000	Fair value – Level 3 R'000
Other financial assets	-	-	-

Audited 30 June 2018

Financial instrument carried at fair value	Carrying value - Designated at fair value R'000	Fair value - Level 1 R'000	Fair value – Level 3 R'000
Other financial assets	766 461	280 700	485 761

Measurements of fair value – reconciliation of Level 1 fair values

Financial instrument carried at fair value	Group 31 December 2018 R'000	Reviewed Group 30 September 2017 R'000	Audited Group 30 June 2018 R'000
Fair value gains/(loss) recognised in profit and loss	122 614	-	(82 557)

Financial instrument carried at fair value	31 December 2018 R'000	Reviewed 30 September 2017 R'000	Audited 30 June 2018 R'000
Opening balance at the start of the period	280 700	-	232 980
Purchases & revaluations	9 339	-	88 234
Transfer of realised gains recognised in profit and loss	122 614	-	(40 514)
Disposal of financial instrument	(375 125)	-	-
Balance at the end of the period	37 528	-	280 700

Measurements of fair value – reconciliation of Level 3 fair values

Other financial assets designated as at fair value through profit and loss

Financial instrument carried at fair value	31 December 2018 R'000	Reviewed 30 September 2017 R'000	Audited 30 June 2018 R'000
Fair value (loss)/gains recognised in profit and loss	(19 992)	-	225 702

Financial instrument carried at fair value	31 December 2018 R'000	Reviewed 30 September 2017 R'000	Audited 30 June 2018 R'000
Opening balance at the start of the period	485 761	-	-

Purchases & revaluations	-	-	260 059
Transfer of realised gains recognised in profit and loss	(19 992)	-	238 904
Impairment	-	-	(13 202)
Balance at the end of the period	465 769	-	485 761

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 used:

Type	Valuation technique	Significant unobservable inputs
Option agreement	The Black Scholes formula was applied to determine the value of the European option contract.	<ul style="list-style-type: none"> - A 0% dividend yield on the underlying listed equity was assumed - A two year period of historic price history was used to calculate average price volatility at 46.36% - A risk free rate of 0.2% based on Euro bonds was applied. - Option strike price of Euro 18 - 31 December 2018 spot Euro rate to convert to reporting currency
Preference shares	Dividend discount model to determine the present value of future dividend flows.	<ul style="list-style-type: none"> - Dividend growth rate of 0% - 22% discount rate - Actual dividend payments
Capitis Equities - S12J portfolio	Each individual asset class within the portfolio's fair value was determined	<ul style="list-style-type: none"> - Discount rate of 22% - 0% dividend yield

FINANCIAL INSTRUMENTS

The carrying amount of all significant financial instruments approximates the fair value.

FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial statements as at and for the year ended 30 June 2018.

5. INVESTMENT IN ASSOCIATES

		Reviewed	Audited
	31 December 2018	30 September 2017	30 June 2018
	Group R'000	Group R'000	Group R'000
Cost of investment in associates	374 146	273 559	22 119
Reclassification from other financial assets	375 125	-	
Reclassification from investment in subsidiary	-	-	10 000
	749 271	273 559	32 119
Share of post-acquisition reserves net of dividends received	(851)	(274)	(1 173)
Disposal of investment in associate	-	-	(9 446)
Total investment in associates	748 420	273 285	21 500

At 31 December 2018 the Group had significant influence over MyBucks S.A. Limited ("MyBucks") and Ecsponent Financial Services Ltd ("Ecsponent Zambia") by virtue of its interest in these companies shareholding and voting powers.

Details of the Group's material associates are as follows:

Name of associate	Principle activity	Place of incorporation	Proportion of ownership interest (%)			Proportion of voting power (%)		
			Dec 2018	Sept 2017	June 2018	Dec 2018	Sept 2017	June 2018
MyBucks S.A Limited	Financial Services	Luxembourg	24.3%	9.4%	12.1%	24.3%	22.2%	12.1%
Ecsponent Financial Services Ltd	Financial Services	Zambia	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

	Reviewed	Audited
31 December 2018	30 September 2017	30 June 2018
Group R'000	Group R'000	Group R'000

MyBucks S.A. Limited

Equity method of accounting	727 152	269 861
Fair value	727 152	269 861

Ecsponent Financial Services Ltd

Equity method of accounting	21 268	3 424	21 500
Fair value (unlisted)	28 823	3 424	27 469

The financial period end of MyBucks and Ecsponent Financial Services Ltd (Zambia) is 30 June annually. The financial management accounts of these entities were used for the purpose of applying the equity method of accounting for the interim period to 31 December 2018.

Increase holding in MyBucks

By 31 December 2018 the Group held 24.3% 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.

At 30 September 2017 the Group had a direct equity holding of 9.4% in Mybucks. Ecsponent indirectly controlled a further 12.8% of the total voting rights in terms of a voting pool agreement with a customer of Ecsponent. Via the direct equity holding and the voting pool agreement Ecsponent controlled 22.2% of the MyBucks voting powers and as a result classified MyBucks as an associate in the 30 September 2017 results.

The Group acquire a further stake in MyBucks during February 2018 increasing its shareholding to 12.1% at 30 June 2018. The voting pool arrangement was, however, cancelled prior to the period end resulting in the Group losing control of the voting pool shares and significant influence. The MyBucks investment was accordingly classified as a financial instrument held at fair value in the 30 June 2018 audited results.

Ecsponent continued to acquire additional shares during the current interim 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 interim period until the acquisition on 14 December 2018. In determining the cost of the MyBucks associate investment for equity accounting purposes the fair value of the existing holding together with the cost of the additional MyBucks shares was classified as the cost of the associate.

Transfer out of level 1

The fair value of the MyBucks investment classified at level 1 at 30 June 2018 was transferred to level 3 for the interim reporting period prior to the transfer to the cost of the associate on 14 December 2018.

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. 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.

Summarised financial information for the 6 months ended 31 December 2018

	MyBucks R'000	Ecsponent Zambia R'000
Post-tax loss from continuing operations	(70 543)	(931)
Total comprehensive loss	(78 792)	(931)
Total assets	3 468 551	40 383
Total liabilities	3 194 478	60 159

6. LOANS AND ADVANCES

	Group	Reviewed Group	Audited Group
	31 December 2018	30 September 2017	30 June 2018
	R '000	R '000	R '000
Loans and advances carried at amortised cost			
Business credit	1 308 386	1 080 408	1 281 443
<i>The business funding advances are secured, via a cession of the underlying equity and/or assets with targeted security cover ranging between 100% – 150%. The advances bear interest at fixed interest rates based on the entity risk profile, ranging between 19% – 28% (Sept 2017: 24% – 30%) and repayment terms are facility specific, ranging between 2 – 3 years.</i>			
Supply chain funding	34 553	–	36 788
<i>Enterprise development and supply chain advances are of short-term nature with an average transaction cycle of 15 – 60 days. These advances provide high yielding annualised returns. Ecsponent secures funding via the terms of the transactions and where appropriate additional covering security is obtained.</i>			
Total loans and advances	1 342 939	1 080 408	1 318 231
Credit Impairments	(58 784)	-	(79 879)
Impairments for non-performing loans and advances	(23 262)	-	(22 289)
Impairments for performing loans and advances	(35 522)	-	(57 590)
Net loans and advances after credit impairments	1 284 155	1 080 408	1 238 352

Non-current assets	193 511	895 770	803 599
Current assets	1 090 644	184 638	434 753
Total Loans and Advances	1 284 155	1 080 408	1 238 352

7. OTHER FINANCIAL ASSETS

	Group	Reviewed Group	Audited Group
	31 December 2018	30 September 2017	30 June 2018
	R '000	R '000	R '000

At fair value through profit and loss – designated

Option agreement	218 912	-	238 904
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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. The Black-Scholes model was used to value the investment at year end.

Preference shares	100 000	-	100 000
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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.

Capitis Equities (Pty) Ltd	146 857	-	146 857
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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.

Listed shares – Go Life

<i>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.</i>	37 528	-	43 740
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Listed shares – MyBucks	-	-	236 960
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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 6-month period, this investment has been reclassified to an Investment in Associate as at 31 December 2018.

Other Financial Assets at amortised cost

Getbucks Botswana – Bond	66 855	-	65 727
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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.

Total Other Financial Assets	570 152	-	832 188
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Non-current assets

At fair value through profit and loss – designated	465 769	-	485 761
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At amortised cost	65 976	-	51 471
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531 745	-	537 232
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Current assets

At fair value through profit and loss – designated	37 528	-	280 700
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At amortised cost	879	-	14 256
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38 407	294 956
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Total Other Financial Assets	570 152	-	832 188
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8. PREFERENCE SHARES

Ecspontent'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"). The Programme was approved by the JSE on 8 September 2014 and again on 15 December 2015. By 31 December 2018 Ecsponent Limited had received subscription investments of R1.6 billion from the South African programme and a further combined R262 million in the Swaziland and Botswana markets.

The preference share capital is classified as debt and separately disclosed in the Condensed Consolidated Statement of Financial Position as at 31 December 2018 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 6-month period ended 31 December 2018.

	Group	Reviewed Group	Audited Group
	31 December 2018	30 September 2017	30 June 2018
	R '000	R '000	R '000
<i>Held at amortised cost</i>			
<i>Preference shares issued by Ecsponent Limited (South Africa)</i>			
Preference share – Class A	76 069	73 523	75 316
<i>Initial issue price redeemable after five years. Monthly dividends are paid at a rate of 10% per annum.</i>			
Preference share – Class B	543 694	280 628	417 931
<i>Preference share redeems at 170% of the initial issue price after five years. No monthly dividends are paid.</i>			
Preference share – Class C	718 881	703 744	713 021
<i>Initial issue price redeemable after five years. Monthly dividends are paid at a rate of prime plus 4% per annum.</i>			
Preference share – Class D	250 091	935	137 414
<i>Initial issue price redeemable after five years. Monthly dividends are paid at a rate of 12.5% per annum.</i>			
Preference share – Class E	149 511	-	86 311
<i>Initial issue price redeemable after five years. Monthly dividends are paid at a rate of 11.25% per annum.</i>			
Preference share – Class G	4 104	-	3 007
<i>Initial issue price redeemable after five years. Monthly dividends are paid at a rate of 10% per annum.</i>			
<i>Preference shares issued by Ecsponent Swaziland Limited</i>			
Preference share – Class A	139 816	84 960	139 878
<i>Five-year income provider with a variable rate redeemable, convertible unit of E1 000 comprising E1</i>			

preference share and E999 claim. Rate of 15% paid monthly.

Preference share – Class B	120 384	82 168	111 303
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Five-year capital growth provider with a zero-rate redeemable, convertible unit of E1 000 comprising E1 preference share and E999 claim. Redeem at the end of five years at E2 000.

Preference shares issued by Ecsponent Botswana Limited

Preference share – Class A	13 932	15 077	13 560
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Five-year income provider with a variable rate redeemable, convertible unit of P1 000 comprising P1 preference share and P999 claim. Rate of 15% paid monthly.

Preference share – Class B	4 621	3 862	4 234
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Five-year capital growth provider with a zero-rate redeemable, convertible unit of P1 000 comprising P1 preference share and P999 claim. Redeem at the end of five years at P2 000.

Total preference shares	2 021 103	1 244 897	1 701 975
Non-current liabilities	1 920 795	1 232 459	1 694 362
Current liabilities	100 308	12 438	7 613
Total preference shares	2 021 103	1 244 897	1 701 975

Reconciliation of the number of preference shares in issue:

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
Issues during the period	-	732 346	-	744 711	455 530	11 200
Reserved for issue at period end	-	247 220	-	412 050	215 880	-
	783 069	4 668 210	7 344 514	2 575 586	1 564 330	42 310
Weighted average issue price per share (Rands)	96.80	100.00	100.00	100.00	100.00	100.00

Ecsponent Swaziland Limited

	Class A	Class E
Reported at the beginning of the period	148 208	92 705
Redemption of preference shares during the period	(858)	(247)
	147 350	92 458
Weighted average issue price per share (Rand)	1.00	1.00

Ecsponent Botswana Limited

	Class A	Class B
Reported at the beginning of the period	10 350	2 027
Repayment of preference shares during the period	-	-
	10 350	2 027
Weighted average issue price per share (Pula)	1.00	1.00
Weighted average issue price per share (Rand)	1.31	1.31

9. NOTE PROGRAMME

	Group	Reviewed Group	Audited Group
	31 December 2018	30 September 2017	30 June 2018
	R '000	R '000	R '000
<i>Held at amortised cost</i>			
<i>Notes issued by Ecsponent Limited (South Africa)</i>			
Note 1 – Fixed Rate	10		
<i>Initial issue price redeemable after three years. Monthly interest is paid at a rate of 9% per annum.</i>			
Note 2 – Fixed Rate	388		
<i>Initial issue price redeemable after three years. Monthly interest is paid at a rate of 10% per annum</i>			
Note 3 – Fixed Rate	4 114		
<i>Initial issue price redeemable after three years. Monthly interest is paid at a rate of 12% per annum</i>			
Note 4 – Zero Coupon	879		

Note redeems at 137.49% of the initial issue price after three years. No monthly interest is paid.

Note 5 – Floating Rate 581

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	5 972
Non-current liabilities	5 972
Current liabilities	-
Total notes in issue	5 972

Reconciliation of the number of listed notes in issue:

	<u>Ecsponent Limited (South Africa)</u>				
	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 listed Notes during the period	10 000	-	-	100 000	100 000
Listed Notes reserved for issue at period end	-	400 000	1 500 000	500 000	800 000
	10 000	400 000	1 500 000	600 000	900 000
Weighted average issue price per Note (Rands)	100.00	100.00	100.00	100.00	100.00

10. OTHER FINANCIAL LIABILITIES

The other financial liabilities category incorporates external funding facilities with either banks, individuals or corporate funding entities. Provided below is the detail regarding the Group's other financial liabilities:

	Group	Reviewed Group	Audited Group
	31 December 2018	30 September 2017	30 June 2018
	R '000	R '000	R '000

Held at amortised cost

Scipion Active Trading Fund	144 774	-	138 385
<p><i>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 by July 2021.</i></p> <p><i>This loan is secured over 1 100 000 MyBucks SA Limited shares</i></p>			
Norsad Finance (Botswana) Limited	70 393	-	-
<p><i>USD 5 million term loan facility that bears interest at the three-month LIBOR plus 11% per annum, payable quarterly. The loan is repayable during July 2022.</i></p>			
Capitis Equities (Pty) Ltd	90 484	-	-
<p><i>This loan facility bears interest at 8% per annum and is repayable on 28 February 2019.</i></p>			
GetBucks Ltd (Mauritius)	27 079	-	-
<p><i>USD 2.5 million loan facility bears interest at 17% per annum and has no fixed terms of repayment.</i></p>			
Ever Prosperous Worldwide Limited	29 528	-	72 432
<p><i>USD 6 million loan is unsecured, bears interest at 2.5% per month and was repayable by 31 December 2018, terms extended to repayment in full by 31 March 2019.</i></p>			
Colyn Promissory Note	12 654	-	12 138
<p><i>This loan bears interest at 8% per annum, interest is payable monthly, and the capital is repayable by 20 March 2021.</i></p>			
Ecsponent Eswatini Collective Investment Scheme	2 784	-	-
<p><i>This loan facility bears interest at 15% per annum, payable monthly. The loan is repayable within 12 months.</i></p>			
Esperite NV Group	-	6 390	-
<p><i>The loan was unsecured, interest free and repayable on demand.</i></p>			
Other	2	892	-
Total Other Financial Liabilities	377 698	7 282	222 955
Non-current liabilities	227 491	7 282	150 523
Current liabilities	150 207	-	72 432
	377 698	7 282	222 955

11. RECONCILIATION OF THE TAX EXPENSE

Reconciliation between the applicable tax rate and average effective tax rate.

	Group 31 December 2018 %	Reviewed Group 30 September 2017 %	Audited Group 30 June 2018 %
<i>Applicable tax rate</i>	28.00	28.00	28.00
Disallowable charges - preference share dividends	31.63	45.51	26.73
Disallowable charges – penalties	-	-	0.01
Exempt income	(8.13)	-	(0.51)
Effect of unused tax losses and tax offsets not recognised as deferred tax asset	-	(2.94)	-
Income from equity accounted investments	-	0.17	(0.22)
Different tax rates applied in foreign subsidiaries	41.75	(1.67)	(2.18)
Capital gains tax	(0.39)	(1.03)	(5.10)
	92.86	68.04	46.73

12. EARNINGS AND FULLY DILUTED EARNINGS PER SHARE

	Group 31 December 2018 R'000	Reviewed Group 30 September 2017 R' 000	Audited Group 30 June 2018 R' 000
BASIC AND HEADLINE EARNINGS	R'000	R' 000	R' 000
Basic earnings	3 449	33 697	102 810
Headline earnings	3 359	18 325	75 476

Basic and fully diluted earnings per share (cents) attributable to equity holders of the parent	0.319	3.121	9.465
Headline and fully diluted headline earnings per share (cents) attributable to equity holders of the parent	0.311	1.698	6.991
Number of shares in issue	1 079 555 364	1 079 550 795	1 079 555 364
Weighted average number of shares	1 079 555 364	1 079 550 795	1 079 551 326

RECONCILIATION BETWEEN BASIC EARNINGS AND HEADLINE EARNINGS

IAS 33 Basic earnings	3 449	33 697	102 180
IAS 16 (Profit) / Loss on disposal of property plant and equipment	(90)	-	5
IAS 38 Impairment of intangible assets	-	66	811
IFRS 3 Gain on disposal of subsidiary and/or associate	-	-	(399)
IFRS 5 Gain on disposal groups held for sale	-	-	(3 905)
IFRS 5 Gain on disposal of discontinued operations	-	(15 438)	(15 438)
IFRS 10 Gain on disposal of subsidiary	-	-	(7 780)
Headline earnings	3 359	18 325	75 474

13. CONDENSED CONSOLIDATED SEGMENTAL INFORMATION

The segments identified are based on the operational and financial information reviewed by management for performance assessment and resource allocation. There has been no change in the basis of operational segmentation or in the basis of measurement of segment profit or loss since the 2018 annual financial statements.

The continued expansion of the Group has resulted in the need for geographic segmentation in addition to the operational segmentation.

Period ended 31 December 2018

Operating Segment	Total Assets	Revenue	Operating profit / (loss)
	R' 000	R' 000	R'000
Business credit	2 256 384	138 001	168 178
Investment services	2 201 529	181 669	172 408
Equity holdings	560 047	89 174	84 754
Corporate	4 385	12 617	3 952
Eliminations	(2 247 167)	(221 286)	(211 146)
Discontinued operations	-	-	-
Group total	2 775 178	200 175	218 146

Geographic Segment	Total Assets	Revenue	Operating profit / (loss)
	R' 000	R' 000	R'000
South Africa	3 878 907	326 557	304 545
Botswana	795 499	24 437	57 292
Swaziland	188 669	61 636	57 930
Namibia	-	-	-
Zambia	-	26	(135)
Mauritius	159 270	8 805	9 660
Eliminations	(2 247 167)	(221 286)	(211 146)
Discontinued operations	-	-	-
Group total	2 775 178	200 175	218 146

Period ended 30 September 2017

Operating Segment	Total Assets	Revenue	Operating profit / (loss)
	R' 000	R' 000	R'000
Business credit	1 597 124	198 122	204 576
Investment services	1 425 394	38 842	113 987
Equity holdings	318 269	18 701	13 275
Corporate	12 767	11 896	(9 017)
Eliminations	(1 890 961)	(104 089)	(185 597)
Discontinued operations	-	(8 875)	(23 878)
Group total	1 462 593	154 597	113 346

Geographic Segment	Total Assets	Revenue	Operating profit / (loss)
	R' 000	R' 000	R'000
South Africa	2 579 809	213 948	249 596
Botswana	431 853	20 405	43 598
Swaziland	341 562	32 471	28 720
Namibia	330	330	104
Zambia	-	407	803
Eliminations	(1 890 961)	(104 089)	(185 597)

Discontinued operations	-	(8 875)	(23 878)
Group total	1 462 593	154 597	113 346

Year ended 30 June 2018

Operating Segment	Total Assets	Revenue	Operating profit / (loss)
	R' 000	R' 000	R'000
Business credit	1 422 870	497 576	363 354
Investment services	375 771	362 409	288 994
Equity holdings	617 150	41 336	138 955
Corporate	16 307	37 984	724
Eliminations	(196 294)	(472 321)	(379 578)
Discontinued operations	-	(8 875)	(7 040)
Group total	2 235 804	458 109	405 409

Geographic Segment	Total Assets	Revenue	Operating profit / (loss)
	R' 000	R' 000	R'000
South Africa	1 448 080	792 554	550 965
Botswana	795 912	48 115	147 491
Swaziland	171 966	97 960	85 551
Namibia	194	508	(5)
Mauritius	2 112	168	8 025
Zambia	13 834	-	-
Eliminations	(196 294)	(472 321)	(379 578)
Discontinued operations	-	(8 875)	(7 040)
Group total	2 235 804	458 109	405 409

14. RELATED PARTY DISCLOSURES

The Group entered related party transactions with its holding company and related subsidiaries during the financial period. Below is a summary of the relevant balances and transactions in this regard:

	Group	Reviewed Group	Audited Group
	31 December 2018	30 September 2017	30 June 2018
	R'000	R'000	R'000
Related party balances			
Investment in associate companies	748 420	273 285	21 500
Other Financial Assets			
Associate companies	166 856	-	-

Loans owing (to) / by:

Associate companies	315 603	481 082	-
Shareholders with significant influence	-	(6 390)	-

Amounts included in trade receivables / (trade payables)

Associate companies	-	(4 347)	-
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Other financial assets

MHMK Capital Limited - option agreement	218 912		238 904
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15. ACQUISITIONS

The following acquisitions / investments were concluded during the financial period:

MyBucks S.A. Limited

R352.1 million acquisition of an additional 1 498 600 MyBucks S.A. Limited shares at an average price of Euro 14.25 per share. Total investment in MyBucks SA Limited ordinary shares after the transaction amounts to 3 095 530 shares comprising a total holding of 24.3%.

The acquisition was approved by general meeting of Ecsponent shareholders during the period and was effective on 14 December 2018.

GetBucks SMME Lending (Pty) Ltd

During the current 6-month period, the Group acquired 100% of a specialist finance company for R10 million to complement its SMME lending offerings. The company was subsequently renamed to Ecsponent Business Credit (Proprietary) Limited.

16. CORPORATE ACTIONS

In addition to the transactions mentioned above the following corporate actions were implemented during the period under review:

Capitis Equities

Shareholders approved on 5 September 2018 a further investment of up to R243 million in Capitis Equities, a section 12J entity. The approval provides the Ecsponent directors with the authority to increase its current investment of R156 million to a maximum of R400 million.

The board periodically re-evaluates the allocation of investment funding to its portfolio of investments. At 31 December 2018 the Group had not utilised the approval to make any further investments in Capitis Equities.

R10 billion Domestic Medium Term Note Programme

The company announced on 7 December 2018 the listing of the initial issue under its R10 billion Domestic Medium Term Note Programme.

The initial issue comprised of:

- Fixed rate notes paying interest monthly at a rate of 9% per annum, with the capital redeemable on 14 December 2021;
- Floating rate notes paying interest monthly at a rate of prime plus 1.5% per annum, with the capital redeemable on 14 December 2021; and
- Zero coupon notes issued at an initial issue price of R100 with capital redeemable at R137.49 on 14 December 2021, providing an implied yield of 10.66% per annum;

17. EVENTS AFTER THE REPORTING PERIOD

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

Acquisition of Pink Orchid

Shareholders approved in the general meeting held on 22 January 2019 the acquisition of 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.

Recapitalisation of MyBucks and Ecsponent taking a controlling interest

Ecsponent concluded an agreement in March 2019 enabling it to take a controlling interest in the Frankfurt-listed fintech company, MyBucks.

In terms of the agreement Ecsponent converts the loans it advanced to MyBucks', together with predetermined assets to the value of R450 million or EUR27,829,312 (at exchange rate of EUR16.17) into MyBucks shares at a subscription price of EUR1.00 per MyBucks share.

The resultant issue of 27,829,312 MyBucks shares to Ecsponent, increase the Ecsponent shareholding from 39,7% to a controlling stake, at an average price of EUR2.89 per share. The final shareholding percentage being dependent on confirmation of the extent to which other shareholders participate in the capitalisation.

The MyBucks acquisition is subject to, *inter alia*, Ecsponent obtaining shareholder approval for the acquisition. The effective date of the acquisition will be the date of fulfilment of all conditions precedent.

18. DIVIDENDS

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

Preference Share dividends of R134 million accrued to investors for the 6 months ended 31 December 2018. The dividends are classified as finance costs and included in the finance cost expense in the Condensed Consolidated Statement of Profit and Loss and Comprehensive Income.

The Company has six classes of preference shares in issue with the following summarised 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; and
- Class G – 10% fixed rate monthly dividend.

19. 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.

20. DIRECTOR CHANGES

Mr. G Manyere, appointed as non-executive vice chairman in March 2017 was appointed as an executive director on 1 February 2019.

Mr. BR Topham resigned as an independent non-executive director on 31 January 2019.

21. COMPANY SECRETARY

L du Preez-Cilliers continued in office as the company secretary for the Group.

22. AUDITORS

At the Annual General Meeting held on 2 November 2018, shareholders reappointed Nexia SAB&T as the independent external auditors of the Group for the 2019 financial year.

23. GOING CONCERN

The directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the Condensed Consolidated Interim Financial Statements for the 6 months ended 31 December 2018 have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient 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. 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.

For and on behalf of the Board

TP Gregory

Pretoria

26 March 2019

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

(* Independent Non-Executives)

(# Non-Executive)

Company Secretary: L Du Preez-Cilliers

Registered Office: 43 Garsfontein Road, Waterkloof, Pretoria, 0145, PO Box 39660, Garsfontein East 0060

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