

AFRISTRAT INVESTMENT HOLDINGS LIMITED

Incorporated in the Republic of South Africa

Registration number: 1998/013215/06

JSE Code: ATI - ISIN: ZAE000305959

Debt Issuer Code: ATID

Hybrid Issuer Code: ATIG

("Afristrat" or "the Company" or "the Group")



QUARTERLY PROGRESS REPORT – 31 DECEMBER 2023

Holders of securities are referred to the SENS announcement dated 5 August 2022 relating to the suspension by the JSE Limited ("**JSE**") of Afristrat's securities as a result of its failure to publish its annual financial statements for the year ended 31 March 2022 within the prescribed period ("**the Suspension**").

Holders of securities are further referred to the SENS announcement dated 21 October 2022 pertaining to the urgent liquidation application filed by an ordinary shareholder against the Company ("**the Application**"), which was duly opposed by the Company. As set out in the announcement released on SENS on 13 June 2023, holders of securities were advised that judgment in the Application, which was heard in the North Gauteng High Court Pretoria ("**Court**") on 8 and 9 June 2023, was reserved. It has been more than three months after the hearing of the matter, and the Company continues to await a copy of the court judgment.

Details of the continued negative implications that the Application has had on the Company are set out below.

In line with paragraph 1.11(c) of the JSE Listings Requirements, Afristrat is required to provide holders of securities with an update on the state of the Company's affairs on a quarterly basis until the Suspension is lifted.

Accordingly, holders of securities are referred to the following announcements released on SENS (and using the terms defined therein unless otherwise stated) and relevant updates thereto:

- The 'Late submission of Annual Financial Statements update' announcement dated 5 August 2022 stating, *inter alia*, that the Company's audited annual financial statements for the year ended 31 March 2022 ("**AFS**") are only expected to be distributed on or before 30 November 2022;
- The 'Resignation of External Auditor' announcement dated 15 August 2022 advising of the resignation of Nexia with effect from 12 August 2022, which resignation would have a further negative impact on the release of Afristrat's AFS and that the Board had commenced the process of appointing new external Auditors;

As previously reported, the Board advised that it had undertaken a process of evaluating a proposal from a prospective auditor, specifically regarding the proposed fees. However, this process has been negatively affected by the Application, the outcome of which may potentially impact the recovery of the prospective auditor's audit fees. As a result, the process of appointing an auditor and subsequently releasing Afristrat's AFS has been suspended until such time that the Application has been finalised in Court;

- the 'Business Update on Afristrat's listed note and equity investment in FirstCred Limited Botswana' dated 26 August 2022 advising, *inter alia*, that the Investigation initiated by FirstCred (previously Getbucks Limited Botswana), which was finalised in August 2022, revealed gross misuse of the BWP120 million raised from investors by the former management of Getbucks Limited Botswana between 2017 and 2019 and that FirstCred has since initiated civil and criminal action against former management and their associates who were found to have participated in the aforementioned loss of investors' funds, which included an amount of BWP50 million invested by Afristrat. As requested by FirstCred's existing executives, on 19 August 2022 the High Court granted an order of Judicial Management to allow the company an opportunity to resolve its debt position, which surfaced from the mismanagement and misappropriation of funds by former management;

As previously reported, the Judicial Management is currently ongoing and all creditors in FirstCred, including the Company, are being engaged with a view to finding an acceptable creditor compromise. Failure to find an acceptable creditor compromise will result in FirstCred being placed under

liquidation. While the Board believes that the Judicial Management of FirstCred will further negatively impact the Company's liquidity, the prospects of achieving a creditor compromise through the Judicial Management will provide an opportunity to potentially recover some of its investment value, although this will primarily be applied first towards creditors in ECS Private Equity Limited (formerly Ecsponent Botswana Limited), a wholly-owned subsidiary of the Company and the holder of the BWP50 million bond investment. However, the Board is concerned that the prolonged period of Judicial Management to which FirstCred is being subjected, despite the underlying business and its operations having clearly shown that the business is a going concern, and that furthermore it had been a victim of a BWP120 million misuse of funds by the former management of Mybucks S.A (Luxembourg) who had borrowed such amount in 2017 from the then Getbucks Limited Botswana without having repaid the loan, effectively leaving a "hole" that has led to the ongoing Judicial Management;

- the 'Business update on legal actions, Event of Default, proposed debt restructuring, rationale for a capital raise and Cautionary Announcement' dated 12 May 2022 regarding, *inter alia*, the Event of Default and offers to holders of Afristrat's securities and the 'Renewal of Cautionary Announcement' announcement dated 19 September 2022 advising holders of securities that restructuring initiatives are still underway and that holders of securities should continue to exercise caution when dealing with the Company's securities.

Afristrat has been unable to make additional progress in this regard due to the JSE Suspension and the subsequent Application. The restructuring initiatives process, which included an offer to holders of securities was expected to be resumed once the Suspension is lifted and the judgment regarding the Application has been delivered.

Holders of securities are further advised that discussions on the above-mentioned matters have been suspended until judgment in the Application has been delivered. The Application has had a significant negative impact on the Company, including increased legal threats and actions across its various asset holdings, and this has specifically and negatively affected the following processes that the Company has undertaken:

- (i) Completion of the process to appoint a new auditor and the subsequent release of Afristrat's AFS;
- (ii) Completion of the process of restructuring debts owed to certain lenders, which debts are secured with the Company's investment portfolio, namely Getbucks Microfinance Bank Limited (Zimbabwe) shareholding, Ecsponent Financial Services Zambia Limited t/a Mybucks Zambia loan book, FirstCred Limited shares, bond investment and loan book. The failure to complete the restructuring will result in a loss of assets by the Company through foreclosure by the lenders and possible liquidation of the Company's subsidiaries where the debts are sitting; and
- (iii) Completion of the process to defend any other legal claims or actions that might arise.

The Application and the negative impact it has had on (i) and (ii) above, resulted in the Company's 100% owned subsidiary holding company, GetB Limited (formerly Getbucks Limited), a company incorporated in Mauritius with Company No. C38778 and formerly a wholly owned subsidiary of Mybucks S.A ("GetB"), and the holder of (a) 100% of the shares in Getbucks Zambia ("**Getbucks Zambia**"); (b) 65% of the shares in Ecsponent Financial Services Limited, trading as Mybucks Zambia ("**Mybucks Zambia**"); (c) 52% of Shares in GetBucks Microfinance Bank Limited (Zimbabwe) ("**Getbucks Zimbabwe**"); and (d) 100% of shares in FirstCred (formerly GetBucks Botswana), having negative US\$39,985,935 in net assets and being unable to discharge its liabilities. Furthermore, GetB's continued existence will result in it incurring further unnecessary costs, expenses and liabilities, such as government fees for the renewal of the Petitioner's registration, administrators' fees, and fees for the preparation accounts, whilst being insolvent. As previously reported, this has consequently, in compliance with the requirements of Mauritian law, necessitated the filing of a petition in the Supreme Court of Mauritius (Bankruptcy Division) in terms of the Insolvency Act 2009 on 22 September 2023, to place GetB in liquidation by way of court winding up and cause the official receiver to be appointed as liquidator to wind up the company.

Holders of securities are further advised that at a meeting of the Board held on 6 December 2023, it was noted that the Group continues to experience the following major challenges, which include (i) a decline in the solvency and liquidity and (ii) a significantly impaired balance sheet. As a result, the Board performed a going concern assessment of the Group, and in performing the assessment, the Board considered historical data relating to resources and reserves, available information about the future, the possible outcomes of ongoing litigation and planned events, changes in future conditions, the current impact on the global economic situation due to the Russian-Ukraine and Israel-Hamas wars and the responses to such events and conditions that would be available to the Board.

The Board, inter alia, considered the following specific factors in determining whether the Group is a going concern:

- The total comprehensive loss of R41 million for the unaudited 9-month period ended 30 September 2023;
- Current liabilities exceed current assets by approximately R764 million as at 30 September 2023;
- The Group has no cash resources to pay its creditors and maturing liabilities as and when they fall due;
- The Group has no cash resources to meet its operating costs for the ensuing twelve months;
- The existence of significant litigation, which continues to threaten the going concern status of the Group;
- The unavailability of cash resources in the Group to recapitalise its investments and or invest in new opportunities;
- The Suspension of the Group's listing on the JSE; and
- The inability of the Group to organise an extraordinary general meeting and request creditors to convert their debt into equity and/or to request shareholders to recapitalise the Group.

The Board further believes that the current economic outlook and Liquidation Application against the Group compounds the significant challenges in the near term, as predominantly evidenced by the fair value reduction in the Group's investments and the current macroeconomic conditions. The Board has no practical measures or shareholder support to improve either solvency and liquidity or deal with the constraints above.

In consideration of the above, the Board assessment indicated that the Group is unable to continue as a going concern.

Taking into account the going concern assessment, the Board evaluated the prospect of entering into business rescue, which is a procedure aimed at facilitating the rehabilitation of a financially distressed company. However, in order for a business rescue practitioner to accept a business rescue engagement, there needs to be a reasonable prospect that the business can be rescued and that all business rescue fees will be recovered. It is the Board's assessment that, in the case of the Group, the indicators highlighted above in terms of the going concern assessment equally make it impossible to place the Group under business rescue.

Since 2019, the Group has been trying to deliver and implement a turnaround plan. However, the continued prevalence of all the challenges highlighted above has resulted in the Group no longer being a going concern. The Board will continue to wait for the judgment of the Liquidation Application before it can act on the conclusions reached.

14 December 2023
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