

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 Reviewed interim results for the 6 months ended 30 September 2017

The Board of Directors ("the Board") is pleased to advise shareholders of the continued exponential growth of Ecsponent and its subsidiaries ("the Group") as reflected in the further improved, consolidated results for the six months ended 30 September 2017.

The Company changed its financial year-end during the 2016 financial year, changing the reporting date from 31 December to 31 March. The change resulted in the 31 March 2017 financial period being extended to a 15-month period, commencing on 1 January 2016. As a result, the comparative interim period ended on 30 June 2016, while the current interim period ended on 30 September 2017.

The Group's sustained growth is the result of management's continued focus on selected niche markets of the Business Credit and Equity Investment business units. The directors envisage that this strategy will continue to drive expansion to dominate the niche sectors of the markets in which the Group operates.

RESULTS HIGHLIGHTS

Highlights of the Group's interim results ended 30 September 2017 compared to the comparative interim results for the period ended 30 June 2016 ("Prior Period") are set out below:

- Revenue from continuing operations increased by 41.9% to R154.6 million compared to R109 million in the Prior Period;
- Operating profits from continuing operations increased by 89.5% to R113.3 million compared to R59.8 million in the Prior Period;
- Total profits after tax increased by 77.4% to R31 million compared to R17.5 million in the Prior Period;
- Total assets increased by 88.2% to R1 462.6 million compared to R777.1 million in the Prior Period; and
- Resultant earnings per share ("EPS") increased by 40.2% to 3.12 cents per share compared to 2.23 cents per share in the Prior Period;
- Headline earnings per share ("HEPS") increased by 72.2% to 1.7 cents per share compared to 0.99 cents per share in the Prior Period.

External revenue generated by the Group's Business Credit operations increased by 56.4% to R142.2 million compared to R90.9 million in the Prior Period, comprising 87% of total revenue in the 2017

interim results. Funding for the Group's expansion strategy continues to be facilitated through Ecsponent's preference share programme ("the Programme"), enabling the Company to raise capital to fund investments on an ongoing basis. Continued market subscriptions of preference shares have been very encouraging and the Company has raised approximately R1.1 billion in preference shares issues since implementation in September 2014.

OPERATIONAL REVIEW

Group overview

Below is an overview of the Group's operations for the 2017 interim period end.

Investment Services

During the period under review both revenue and profitability in the Investment services business units evidenced continued growth. The Group's ability to deliver effective investment and other financial services products to the retail market is one of its core competencies. It is this distribution channel that has successfully raised over R1.25 billion across the Group's footprint in just 3 years. The Group's investment offering is now being expanded to include additional preference share products as well as more traditional annuity and preservation fund products. The directors anticipate further product roll out in the short to medium term which will provide additional profit opportunities for the Group.

Total assets increased by 124% from R635m to R1 425m compared to the comparative period. As a result, operating profit increased by 107.5% from R55m to R114m.

One of the Investment Services business unit's strategic objectives is to lower the Group's cost of capital through the acquisition of institutional debt funding. The Group is well positioned to take advantage of institutional funding due to its extremely low tier 1 debt ratio of below 1%. Reduced funding cost would flow through to the Group's profits.

Business Credit

Business Credit deploys short-term capital through bespoke loan and funding products. The unbanked/underbanked Small, Medium and Micro-sized Enterprises ("SMME") sector and the provision of enterprise development solutions are specific target markets. All Business Credit products are fully secured, as the Group does not take an unsecured position.

The Group's credit operations are centrally controlled 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 while securing the Group's interests in transactions.

The demand for credit in both of the SMME and Enterprise Development sectors has resulted in continued, sustained growth of the business across the Group's footprint. As with Investment Services, total assets increased by 148% from R645m to R1 597m compared to the comparative period. As a result, operating profit increased by 143% from R84m to R205m.

Equity Holdings

The Group's equity investments are intended to provide medium to long term capital growth for the Group. Investments are strategic, and business are targeted which have significant intellectual properties which provide a barrier to entry for competitors. In addition, the target business must be able to command significant margins and a robust business model.

At the end of the 2016/2017 financial period the group expanded its equity holdings to also include listed equities. The first such investment is a 9.4% holding in the Frankfurt listed (Luxembourg based) Fintech company MyBucks SA. This investment has the added advantage of providing a 'hard currency' hedge against local currency frailty.

The MyBucks acquisition immediately affected the performance of the business unit. Total assets increased by 968% from R30m to R318m compared to the comparative period and operating profit increased by R16.9m from a loss of R3.6m to a profit of R13.3m.

Geographical Footprint

The Group's operational footprint across Swaziland, Botswana and Zambia mirrors the product and services offering which is successfully deployed in South Africa. Client facing operations are deployed in country whilst the back-office infrastructure is managed from the central base in South Africa. The performance of the footprint to date has been restricted by access to funding in countries outside of the common monetary union.

PROSPECTS

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

- the continued investment in the Group's credit operations;
- the continued growth of underlying assets through product and market extension;
- the continued focus on core businesses;
- obtaining local and forex-based institutional funding;
- aggressive trading and cost rationalisation/reduction; and
- increased emphasis on high yield equity opportunities.

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 condensed consolidated financial statements for the 6 months ended 30 September 2017.

The group rationalisation as initially announced to shareholders on 20 December 2016 was concluded during the current reporting period, resulting in the statement of profit and loss being presented in two categories being Continued and Discontinued Operations. The comparative period has been 're-presented' to reflect the abovementioned categories. Furthermore, the remaining current period assets and liabilities related to the operations subject to the rationalisation (disposal groups) have been classified as 'Held for sale' in these financial statements, as required by IFRS 5.

Condensed Consolidated Interim Statement of Financial Position as at 30 September 2017

	Reviewed 30 September 2017 Group R'000	Reviewed 30 June 2016 Group R'000	Audited 31 March 2017 Group R'000
ASSETS			
Non-current assets			
Property, plant and equipment	6 296	10 567	6 810
Intangible assets and goodwill	5 668	20 131	6 011
Investment in associates	6 273 285	-	-
Other financial assets	7 895 770	70 980	667 089
Deferred tax	39 623	18 150	28 458
Other non-current receivables	5 652	4 314	4 656
Current assets			
Inventories	1 050	2 045	1 222
Other financial assets	7 184 638	509 455	314 542
Trade and other receivables	38 419	100 401	36 150
Current tax payable	254	88	186
Cash and cash equivalents	11 938	40 936	25 380

Non-current assets held for sale	4	-	-	124 313
TOTAL ASSETS		1 462 593	777 067	1 214 817
EQUITY AND LIABILITIES				
Equity		141 151	47 322	106 986
Non-controlling interest		(12 431)	(26 569)	(11 429)
Non-current liabilities				
Other financial liabilities	9	1 239 741	517 441	922 796
Deferred revenue		3 431	11 396	2 538
Deferred tax		18 689	4 232	13 454
Current liabilities				
Other financial liabilities	9	12 438	173 559	16 524
Deferred revenue		219	3 513	148
Current tax payable		32 483	15 358	11 864
Trade and other payables		26 131	30 790	20 778
Bank overdraft		741	25	469
Liabilities of disposal groups held for sale	4	-	-	130 689
TOTAL EQUITY AND LIABILITIES		1 462 593	777 067	1 214 817

**Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income
for the interim period ending 30 September 2017**

		<i>Re-presented</i>	
	Reviewed	Reviewed	Audited
	6 months	6 months	15 months
	ended	ended	ended
	30 September	30 June	31 March
	2017	2016	2017
	Group	Group	Group
	R'000	R'000	R'000
<i>Continuing operations</i>			
Revenue	154 597	108 954	321 795
Cost of sales	(18 115)	(18 591)	(43 782)
GROSS PROFIT	136 482	90 363	278 013
Other income	22 286	19 115	88 543
Operating expenses	(45 422)	(49 672)	(137 370)
OPERATING PROFIT	113 346	59 806	229 186
Fair value adjustments	15 127	-	(11 017)
Income from equity accounted investment	(274)	-	-
Net finance costs	(82 832)	(29 000)	(130 351)
PROFIT BEFORE TAXATION	45 367	30 806	87 818
Taxation	(29 710)	(12 199)	(23 094)
PROFIT FROM CONTINUING OPERATIONS	15 657	18 607	64 724
Profit from discontinued operations	4	15 312	(1 148)
PROFIT FOR THE PERIOD	30 969	17 459	67 576
Other comprehensive income / (loss)	478	113	282
TOTAL COMPREHENSIVE INCOME	31 447	17 572	67 858
Loss attributable to non-controlling interest	2 718	2 631	10 239
TOTAL COMPREHENSIVE INCOME	34 165	20 203	78 097
ATTRIBUTABLE TO ORDINARY SHAREHOLDERS			

<i>Profit attributable to owners of the parent from:</i>			
Continuing operations	18 324	20 187	75 160
Discontinued operations	15 373	(97)	2 852
	33 697	20 090	78 012
<i>Total comprehensive income/(loss) attributable to:</i>			
Owners of the parent	34 165	20 203	78 097
Non-controlling interest	(2 718)	(2 631)	(10 239)
	31 447	17 572	67 858
Basic and fully diluted earnings per share (cents) from continuing operations attributable to equity holders of the parent	1.697	2.236	8.074
Basic and fully diluted earnings / (loss) per share (cents) from discontinued operations attributable to equity holders of the parent	1.424	(0.011)	0.306
Basic and fully diluted earnings per share (cents) attributable to equity holders of the parent	3	3.121	2.226
			8.380

Condensed Statement of Changes in Equity for the 6 months ended 30 September 2017

	Share capital	Foreign currency translation reserve	Common control reserve	Accumulated profit/(loss)	Non-controlling interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 1 January 2016	118 071	(483)	(36 687)	(2 711)	(4 653)	73 537
Total comprehensive profit for the year	-	85	-	78 012	(10 239)	67 858
Issue of shares	27 098	-	-	-	-	27 098
Business combination and common control acquisitions	-	-	(56 824)	-	(18 155)	(74 979)
Realisation of common control reserve	-	-	93 511	(93 511)	-	-
Disposal of subsidiaries	-	-	-	-	2 043	2 043
Purchase of non-controlling interest	-	-	-	(19 575)	19 575	-
Balance at 1 April 2017	145 169	(398)	-	(37 785)	(11 429)	95 557
Total comprehensive profit for the 6 months	-	467	-	33 698	(2 718)	31 447
Profit for the 6 months	-	-	-	33 698	(2 729)	30 969
Other comprehensive income	-	467	-	-	11	478
Disposal of subsidiary	-	-	-	-	1 716	1 716
Balance at 30 September 2017	145 169	69	-	(4 087)	(12 431)	128 720

Condensed Consolidated Cash Flow Statement for the 6 months ended 30 September 2017

	Reviewed 6 months ended 30 September 2017 Group R'000	Reviewed 6 months ended 30 June 2016 Group R'000	Audited 15 months ended 31 March 2017 Group R'000
Cash generated by operations	100 789	41 787	177 263
Finance cost	(61 176)	(21 046)	(106 732)
Taxation paid	(16 649)	(470)	(25 234)
NET CASH INFLOW FROM OPERATING ACTIVITIES	22 964	20 271	45 297
Proceeds / (cash disposed of) through sale of investment in subsidiary	5 (7 369)	(2 616)	(24 994)
Investment in financial assets	(377 228)	(334 128)	(797 841)
Proceeds from financial assets	56 381	116 792	133 063
Business combinations	-	11 733	10 233
Other	(193)	(2 856)	(4 439)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(328 409)	(211 075)	(683 978)
Proceeds from other financial liabilities	294 702	222 452	656 597
Repayment of other financial liabilities	(4 664)	-	(18 899)
Proceeds from rights offer	-	-	19 465
Other	-	(65)	(111)
NET CASH INFLOW FROM FINANCING ACTIVITIES	290 038	222 387	657 052
Movement in cash and cash equivalents for the period	(15 407)	31 582	18 371
Cash and cash equivalents at the beginning of the period	26 481	9 741	9 741
Effect of exchange rate movement on cash balances	123	(413)	(1 631)
Cash and cash equivalents at the end of the period	11 197	40 910	26 481

Notes to the Condensed Consolidated Financial statements for the 6 months ended 30 September 2017

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

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements. The principle accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of the International Financial Reporting Standards and are consistent with those applied in the comparative consolidated annual financial statements.

The results of the Group, were prepared under supervision of the Group's financial director, Mr. B Shanahan CA (SA).

These interim condensed consolidated financial statements for the period ended 30 September 2017 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 interim condensed consolidated financial statements identified in the auditor's report.

2. 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 Investment services, Business credit and Equity holding markets. The Group showed sustained improvement in its performance for the period under review. The expansion strategy, substantially increased the portfolio of business credit assets. Funding for the expansion strategy was secured through the registration of Ecsponent's listed preference share programme enabling the company to raise capital to fund its investments on an ongoing basis. The market subscription of the preference shares continues to reflect robust demand for the Company's products.

3. EARNINGS AND FULLY DILUTED EARNINGS PER SHARE

	Reviewed 30 September 2017	Reviewed 30 June 2016	Audited 31 March 2017
	R'000	R' 000	R' 000
BASIC AND HEADLINE EARNINGS			
Basic earnings	33 698	20 090	78 012
Headline earnings	18 325	8 900	132
Basic and diluted basic earnings per share (cents) attributable to equity holders of the parent	3.121	2.226	8.380
Headline and diluted headline earnings per share (cents) attributable to equity holders of the parent	1.698	0.986	0.014
Number of shares in issue	1 079 550 795	930 531 435	1 079 550 795
Weighted average number of shares	1 079 550 795	902 676 200	930 907 328
RECONCILIATION BETWEEN BASIC EARNINGS AND HEADLINE EARNINGS			
Basic earnings	33 698	20 090	78 013
(Profit) / Loss on disposal of property plant and equipment	-	(25)	252
Impairment of intangible assets	65	-	-
Gain on disposal of subsidiary	-	(11 165)	(25 795)
Gain on disposal of discontinued operations	(15 438)	-	(52 338)
Headline earnings	<u>18 325</u>	<u>8 900</u>	<u>132</u>

The calculation of earnings per share ("EPS") is based on the profit for the period attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period. Headline earnings per share ("HEPS") are calculated in accordance with Circular 2/2015 issued by the South African Institute of Chartered Accountants.

4. ASSETS CLASSIFIED AS HELD FOR SALE / DISCONTINUED OPERATIONS

The Group undertook a process of rationalising its operations and investments during the latter part of 2016. This included a series of financial transactions designed to streamline operations and re-align the Group for increased strategic growth. The relevant recognition and disclosure requirements of IFRS 5 therefore resulted in the 're-presentation' of the financial results to disclose two categories being Continuing and Discontinued operations (disposal groups). The comparative period Statement of Profit / Loss has therefore been 're-presented' in accordance with these disclosure requirements.

The financial transactions as referred to above were concluded and finalised effective 31 March 2017, except for the disposal of the Groups interest in the Botswana retail operation and the dilution through the subscription agreement of the retail operation in Zambia. These two transactions were concluded and finalised during the current reporting period ending 30 September 2017.

The combined results of the discontinued operations included in the profit for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to differentiate between those operations classified as discontinued during the current year.

The following disposal groups continued to be classified as held for sale for the period ended 30 September 2017:

<u>Profit and loss – 6 months ended 30 September 2017</u>	Botswana	Zambia	TOTAL:
	R'000	R'000	R'000
Revenue	8 469	406	8 875
Cost of sales	(1 580)	(2)	(1 582)
Gross profit	6 889	404	7 293
Other Income	125	514	639
Operating expenses	(860)	(31)	(891)
Operating profit / (loss)	6 154	887	7 041
Investment revenue	-	-	-
Finance Costs	(6 112)	(1 297)	(7 409)
Profit / (loss) before taxation	42	(410)	(368)
Taxation	70	173	243
Net profit / (loss) after tax	112	(237)	(125)
Gain (loss) on measurement to fair value less cost to sell	10 452	6 384	16 836
Tax thereon	(1 399)	-	(1 399)
Profit / (loss) for the period from discontinuing operations	9 165	6 147	15 312

<u>Profit and loss – 6 months ended 30 June 2016</u>	Botswana	Zambia	TOTAL:
	R'000	R'000	R'000
Revenue	15 431	938	16 369
Cost of sales	(2 335)	-	(2 335)
Gross profit	13 096	938	14 034
Other Income	21	-	21
Operating expenses	(4 483)	(2 352)	(6 835)

Operating profit / (loss)	8 634	(1 414)	7 220
Investment revenue	147	7	154
Finance Costs	(8 328)	(1 311)	(9 639)
Profit / (loss) before taxation	453	(2 718)	(2 265)
Taxation	160	957	1 117
Net profit / (loss) after tax	613	(1 761)	(1 148)
Gain (loss) on measurement to fair value less cost to sell	-	-	-
Tax thereon	-	-	-
Profit / (loss) for the period from discontinuing operations	613	(1 761)	(1 148)

<u>Assets classified as held for sale – 30 September 2017</u>	Botswana	Zambia	Sub total	Disposal	TOTAL:
	R'000	R'000	R'000	R'000	R'000
Property, plant and equipment	930	692	1 622	(1 622)	-
Intangible assets	-	4 488	4 488	(4 488)	-
Other financial assets	87 425	4 770	92 195	(92 195)	-
Deferred tax	1 935	3 525	5 460	(5 460)	-
Income tax receivable	103	-	103	(103)	-
Trade Receivables	12 635	-	12 635	(12 635)	-
Cash and cash equivalents	11 601	404	12 005	(12 005)	-
	114 629	13 879	128 508	(128 508)	-
<u>Liabilities of disposal groups</u>					
Other Financial Liabilities	(103 157)	(16 901)	(120 058)	120 058	-
Deferred income	(6 233)	-	(6 233)	6 233	-
Trade Payables	(448)	(24)	(472)	472	-
Bank overdraft	(4 636)	-	(4 636)	4 636	-
	(114 474)	(16 925)	(131 399)	131 399	-

<u>Cash flows from discontinued operations – 6 months ended 30 September 2017</u>	Botswana	Zambia	TOTAL:
	R'000	R'000	R'000
Net cash flows from operating activities	(852)	(384)	(1 236)
Net cash flows from investing activities	2 485	(404)	2 081
Net cash flows from financing activities	4 218	752	4 970
Net cash flow movement	5 851	(36)	5 815
	Business	Business	
Operating segment	Credit	Credit	
Geographical segment	Botswana	Zambia	

5. DISPOSALS

The Group concluded the remaining two transactions in relation to the process of rationalisation detailed above, during the current reporting period. Refer below for more details regarding these transactions.

Aggregated business disposals for the period	Group 30 September 2017 R'000
Property, plant and equipment	1 622
Intangible assets	4 488
Deferred tax asset	5 460
Other financial assets	92 195
Income tax receivable	103
Trade and other receivables	12 635
Cash and cash equivalents	12 005
Loans from group companies	(86 081)
Other financial liabilities	(33 976)
Deferred income	(6 233)
Trade and other payables	(471)
Bank overdraft	(4 636)
Total identifiable net assets / (liabilities)	<hr style="width: 100%; border: 0.5px solid black;"/> (2 889)
Non-controlling interest	1 716
Foreign currency translation reserve	685
Loans from group companies settled through loan implementation	-
Net assets / (liabilities) derecognised	<hr style="width: 100%; border: 0.5px solid black;"/> (488)
Recognition of 25% investment in associate at fair value	(3 698)
Profit / (loss) on disposal	16 836
Consideration receivable	<hr style="width: 100%; border: 0.5px solid black;"/> 12 650 <hr style="width: 100%; border: 0.5px solid black;"/>

The gains on disposals have been included in 'Other income' of profit or loss from discontinued operations.

Net cash flow on disposal

Purchase consideration (*)	-
Net cash (balance)/overdraft disposed off	(7 369)
	<hr style="width: 100%; border: 0.5px solid black;"/> (7 369) <hr style="width: 100%; border: 0.5px solid black;"/>

* The purchase considerations are payable on deferred payment terms and no balance was payable at the effective date. All cash flow movements are therefore recognised through the movements in Other financial asset.

Business disposals during the 2018 financial period

Disposal of 50% of Sure Choice (Pty) Ltd (Botswana) ("Botswana")

Ecsponent entered into an agreement to dispose of its 50% shareholding in Botswana, a subsidiary which provides retail credit loans to individuals. The commercial terms of the agreement were concluded on 29 June 2017. The total consideration of P10 million is payable in twelve equal instalments from 31 July 2017. Interest at 12.5% per annum accrued on the deferred consideration.

Fair value of the assets and liabilities disposed of are as follows:

	Group 30 September 2017 R'000
Property, plant and equipment	930
Deferred tax asset	1 935
Other financial assets	87 425
Income tax receivable	103
Trade and other receivables	12 635
Cash and cash equivalents	11 601
Loans from group company	(69 597)
Other financial liabilities	(33 560)
Deferred income	(6 233)
Trade and other payables	(448)
Bank overdraft	(4 636)
Total identifiable net assets	155
Non-controlling interest	1 716
Foreign currency translation reserve	327
Net assets derecognised	2 198
Profit on disposal	10 452
Consideration receivable	12 650
 <i>Net cash flow on disposal</i>	
Purchase consideration (*)	-
Net cash balance disposed of	(6 965)
	(6 965)

(*) The disposal proceeds are receivable on deferred payment terms and no balance was received at the effective date. All cash flow movements are therefore recognised through the Other Financial Asset movements.

Dilution of shareholding in Ecsponent Financial Services Ltd ("Zambia")

The issue of 1 500 000 new shares by Zambia, equating to 75% of the total issued share capital in the company after the issue, to GetBucks Limited ("GetBucks MU"), for a subscription price equal to ZMW 7 500 000, payable in cash ("the EFS Zambia Subscription"), resulting in a dilution of Ecsponent's interest from 100% to 25%, resulting in the loss of control.

Fair value of the assets and liabilities derecognised are as follows:

	Group 30 September 2017 R'000
Property, plant and equipment	692

Deferred tax asset	3 525
Intangible asset	4 488
Other financial assets	4 770
Cash and cash equivalents	404
Loans from group company	(16 485)
Other financial liabilities	(414)
Trade and other payables	(24)
Total identifiable net assets	(3 044)
Foreign currency translation reserve	358
Net assets derecognised	(2 686)
Recognition of 25% investment in associate at fair value	(3 698)
Profit on disposal	6 384
Consideration receivable	-
 Net cash flow on disposal	
Net cash balance disposed of	(404)
	(404)

6. INVESTMENT IN ASSOCIATE

The Group acquired 9.4% of the listed share capital of MyBucks SA effective on 30 March 2017. The group further entered into an agreement with one of its customers whereby it obtained approval to vote on behalf of a further 12.8% of the total voting rights of MyBucks SA, pushing the Group's total voting rights in relation to its investment in MyBucks SA to 22.2%, resulting in significant influence and the classification as an Investment in an Associate. This agreement was concluded on 29 September 2017.

The issue of 1 500 000 new shares by Ecsponent Financial Services Ltd in Zambia led to a dilution of Ecsponent's interest from 100% to 25% and a consequent loss of control. The Company does, however retain significant influence through its voting rights and therefore classifies this investment as an associate in accordance with IAS 28.

Investment in associates consists of:

At cost:

	Sep 2017 R'000
MyBucks SA.	269 861
Ecsponent Financial Services Ltd Zambia	3 698
	273 559
Share of post-acquisition results net of dividend received	(274)
	273 285

At market value

MyBucks SA. - Listed shares	269 861
Ecsponent Financial Services Ltd Zambia - Unlisted equities	3 424

The following information relates to the Company's investments in its associates:

Name of companies	Holding company	Place of incorporation	Proportion of ownership interest (%)	
			Sep 2017	Mar 2017
			Ecsponent Financial Services Zambia	Ecsponent Ltd SA
MyBucks S.A	Ecsponent Ltd (BOT)	Luxembourg	9.4%	9.4%

The above associates are accounted for using the equity method in these consolidated financial statements.

The financial period end date of MyBucks SA is 30 June annually. No change of reporting date was required or made as MyBucks is a listed vehicle on the Frankfurt stock exchange and the period end was within the maximum range of 3 months difference. For the purposes of applying the equity method of accounting, the financial statements of MyBucks SA for the period ended 30 June 2017 have been used, and no adjustments were required for the effects of significant transactions between that date and the reporting date for the Group.

The financial period end date of Zambia is still 31 March annually. No change of reporting date was therefore required. For the purposes of applying the equity method of accounting, the management accounts of Zambia for the period ended 30 September 2017 have been used.

As at 30 September 2017, the group had significant influence over MyBucks SA and EFS Zambia by virtue of its voting powers affecting returns and the appointment of directors at the shareholders meeting of the group.

7. OTHER FINANCIAL ASSETS

The other financial asset category incorporates secured business funding and purchase price repayment facilities. Total other financial assets increased by 86% compared to the comparative period. Provided below is the detail regarding the Group's other financial assets:

	Reviewed Group 30 September 2017 R '000	Reviewed Group 30 June 2016 R '000	Audited Group 31 March 2017 R '000
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At fair value through profit and loss – designated

Listed shares	-	-	232 980
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On 30 March 2017, the Group acquired 1 100 000 foreign denominated listed equities, representing 9.4% 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. The investment was reclassified during the period. Please refer to note 4 and 5 above for more detail.

Loans and receivables

Employee benefit loans	-	80 397	-
<i>Retail employee benefits loan book in Botswana. The investment in this subsidiary was disposed of during the current financial period. Please refer to note 5 above for more detail. The comparative period's statement of financial position was not represented to disclose these assets as 'held for sale'.</i>			
Business funding – advances (per industry)			
- Fintech	470 534	130 685	339 770
<i>The Business funding advances are secured, via a cession of the underlying equity and/or assets, ranging between 125 - 150%. The advances bear interest at fixed interest rates based on the entity risk profile, ranging between 24 - 30% (2017: 24 - 30%) and repayment terms are facility specific, ranging between 1 - 4 years.</i>			
- Financial services and Investments	599 326	369 353	408 881
<i>The Business funding advances are secured, via a cession of the underlying equity and/or assets, ranging between 125 - 150%. The advances bear interest at fixed interest rates based on the entity risk profile, ranging between 24 - 30% (2017: 24 - 30%) and repayment terms are facility specific, ranging between 2 - 5 years.</i>			
Disposal proceeds facility	10 548	-	-
<i>Repayment facility relating to the Botswana disposal, bearing interest at 12.5%, repayable over 12 equal monthly installments.</i>			
TOTAL OTHER FINANCIAL ASSETS	1 080 408	580 435	981 631
Total included in non-current assets	895 770	70 980	667 089
Total included in current assets	184 638	509 455	314 542

8. PREFERENCE SHARE CAPITAL

Ecsponent's business model requires funding for both existing business growth and to pursue further acquisitions. Funding is deployed in the growth of Business Credit assets and the acquisition of new assets which contribute to the growth strategy. 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 September 2017 Ecsponent Limited had received subscription investments of R1.1 billion.

Reconciliation of the number of preference shares in issue:

	<u>Ecsponent Limited (South Africa)</u>			
	Class A	Class B	Class C	Class D
Reported at the beginning of the period	415 595	1 657 701	6 024 439	-
Issue of preference shares during the period	358 074	895 265	1 290 075	10 000
	773 669	2 552 966	7 314 514	10 000
Weighted average issue price per share (Rands)	96.76	100.00	100.00	100.00

	<u>Ecsponent Limited (Swaziland)</u>	
	Class A	Class E
Reported at the beginning of the period	53 195 000	53 727 700
Issue of preference shares during the period	36 991 000	19 174 000
	90 186 000	72 901 700
Weighted average issue price per share (converted to Rand)	1.00	1.00

	<u>Ecsponent Limited (Botswana)</u>	
	Class A	Class B
Reported at the beginning of the period	11 750 000	2 067 000
Repayment of preference shares during the period	-	-
	11 750 000	2 067 000
Weighted average issue price per share (Pula)	1.00	1.00
Weighted average issue price per share (Rand)	1.27	1.27

9. OTHER FINANCIAL LIABILITIES

The preference share capital is classified as debt and disclosed as other financial liabilities in the Condensed Consolidated Statement of Financial Position as at 30 September 2017 in line with the principles of IFRS. Consequently, the preference share dividends are classified as funding costs and disclosed as such in the Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income for the 6 months ended 30 September 2017.

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:

	Reviewed Group 30 September 2017 R '000	Reviewed Group 30 June 2016 R '000	Audited Group 31 March 2017 R '000
<i>Held at amortised cost</i>			
Preference share liability	1 244 897	508 828	927 973
Esperite NV Group	6 390	6 445	6 197
Capital bank - Term loan facilities #	-	34 647	-
Getbucks (Pty) Ltd	-	-	4 241
Ecsponent Capital (RF) Limited	-	1 082	-

Ecsponent Projects (Pty) Ltd	-	684	-	
Ecsponent Investment Holdings – purchase price facility	-	118 957	-	
Debentures #	-	11 452	-	
Capital protected investments #	-	2 668	-	
Other	892	6 237	909	
TOTAL OTHER FINANCIAL LIABILITIES		1 252 179	691 000	939 320
Total included in non-current liabilities		1 239 741	517 441	922 796
Total included in current liabilities		12 438	173 559	16 524

The liabilities related to disposal groups held for sale were reclassified to 'held for sale' for the 31 March 2017 period end results. These items were not reclassified or re-presented for the comparative period. The assets and liabilities held for sale were disposed of during the current reporting period. Refer to note 4 and 5 above for more detail.

10. RELATED PARTY DISCLOSURES

The group has transacted with the following related parties during the period:

Relationship

Shareholders with significant influence	Alexander Mason (Pty) Ltd – Represented by G. Manyere (also being a Non-executive director on the MyBucks SA Group Board) Esperite NV
Associate companies where the Company has significant influence	MyBucks SA and its subsidiaries Ecsponent Financial Services Ltd (Zambia)

Below is a summary of the relevant balances and transactions in this regard:

	Reviewed 30 September 2017 R'000	Reviewed 30 June 2016 R'000	Audited 31 March 2017 R'000
<i>Related party balances</i>			
Investments in:			
Associate companies	273 285	-	-
Loans Owning (to) / by:			
Associate companies	481 082	-	-
Shareholders with significant influence	(6 390)	(6 445)	(6 197)
Amounts included in Trade receivable / (Trade Payable):			
Associate companies	(4 347)	-	-
<i>Related party transactions</i>			
Interest received from / (paid to):			
Associate companies	780	-	-

11. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

Financial instruments measured in the Consolidated Statement of Financial Position at fair value require certain disclosures which are set out below.

Financial instrument carried at fair value	Reviewed 30 September 2017	Reviewed 30 June 2016	Audited 31 March 2017
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Listed equities (Level 1)	-	-	232 980
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Financial instrument carried at fair value (level 3)	Reviewed 30 September 2017	Reviewed 30 June 2016	Audited 31 March 2017
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Opening balance at the start of the period	-	8 874	8 874
Revaluations		126	126
Disposal of financial instrument	-	(9 000)	(9 000)
Balance at the end of the period	-	-	-

Financial instrument carried at fair value (level 1)	Reviewed 30 September 2017	Reviewed 30 June 2016	Audited 31 March 2017
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Opening balance at the start of the period	232 980	-	-
Purchases	1 000	-	262 570
Revaluation	35 881		(29 590)
Transfer to investment in associate	(269 861)	-	-
Balance at the end of the period	-	-	232 980

The listed equities carried at fair value through profit and loss as reported in the prior financial period was reclassified as an Investment in associate with effect from 29 September 2017. For more details related to this transaction, please refer to note 6 above.

Financial Instruments

The carrying amount of all financial assets and liabilities approximates the fair value. Directors consider the carrying value of financial instruments of a short term nature, that mature in 12 months or less, to approximate the fair value of such assets or liability classes. The carrying value of longer term assets are considered to approximate their fair value as these instruments bear interest at interest rates appropriate to the risk profile of the asset or liability class.

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 31 March 2017.

12. SUMMARISED CONSOLIDATED SEGMENTAL INFORMATION

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 the prior financial period also resulted in a change to the basis of operational segmentation and in the basis of measurement of segment profit or loss since the 2017 annual financial statements. The change has therefore resulted in the re-presentation of the comparative and prior period results, in order to reflect the same basis of measurement for comparative purposes.

The Group has the following operating segments:

- **Investment Services** (previously 'Financial Services'). The core change was as a result of the disposal of the asset management operations. The division also changed on the basis of introducing new products to the market, changing the segment to a profit centre and not only a capital raising vehicle.
- **Business Credit** (previously part of 'Financial Services'). The deployment of capital in the Group is now managed separately as a profit centre through the products offered as secured SMME lending and Enterprise Development. The Group disposed of all its retail lending operations.
- **Equity Holdings** (previously 'Private Equity'). At the end of the 2017 financial period the group expanded its equity holdings to also include listed equities. This division houses all the equity investments that do not fall within the financial services environment.
- **Corporate** (unchanged). This segment represents the Group's shared services operations.

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

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	-	406	803
Eliminations	(1 890 961)	(104 089)	(185 597)
Discontinued operations	-	(8 875)	(23 878)

Group total	1 462 593	154 597	113 346
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Period ended 30 June 2016 (Re-presented)

Operating Segment	Total Assets	Revenue	Operating profit / (loss)
	R' 000	R' 000	R'000
Business credit	644 616	110 495	84 325
Investment services	635 308	73 660	54 942
Equity holdings	29 790	20 021	(3 614)
Corporate	4 921	8 553	(4 108)
Eliminations	(537 568)	(87 406)	(64 519)
Discontinued operations	-	(16 369)	(7 220)
Group total	777 067	108 954	59 806

Geographic Segment	Total Assets	Revenue	Operating profit / (loss)
	R' 000	R' 000	R'000
South Africa	1 149 233	171 883	114 517
Botswana	126 209	23 242	10 918
Swaziland	24 742	16 431	7 409
Namibia	194	234	136
Zambia	14 257	938	(1 435)
Eliminations	(537 568)	(87 406)	(64 519)
Discontinued operations	-	(16 369)	(7 220)
Group total	777 067	108 954	59 806

Year ended 31 March 2017 (Re-presented)

Operating Segment	Total Assets	Revenue	Operating profit / (loss)
	R' 000	R' 000	R'000
Business credit	1 151 412	249 942	160 070
Investment services	1 083 560	92 996	17 309
Equity holdings	293 007	76 649	(18 106)
Corporate	7 355	112 951	57 748
Eliminations	(1 320 517)	(165 900)	19 170
Discontinued operations	(124 313)	(44 843)	(7 005)
Group total	1 090 504	321 795	229 186

Geographic Segment	Total Assets	Revenue	Operating profit / (loss)
	R' 000	R' 000	R'000
South Africa	1 944 539	406 740	168 382
Botswana	425 344	75 300	28 277

Swaziland	152 731	47 981	24 418
Namibia	187	626	19
Zambia	12 533	1 891	(4 075)
Eliminations	(1 320 517)	(165 900)	19 170
Discontinued operations	(124 313)	(44 843)	(7 005)
Group total	1 090 504	321 795	229 186

13. 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.

Institutional funding

Investment Services, as stated above, has as a strategic objective of lowering the cost of capital to the Group through the acquisition of institutional debt funding.

The Company procured debt funding during the period under review of USD10 million (ZAR135 million) on market related terms. The funding will be deployed by the Group's secured Business Credit division to expand its African operations. Loan funding provided to clients throughout the region will remain US dollar based to avoid exchange rate risk and provide additional hard currency assets.

Issue of additional classes of Preference Shares

Refer Corporate Actions section below

14. CORPORATE ACTIONS

During the financial period ended 30 September 2017, the following corporate actions were implemented and/or initiated with the objective of expanding the Group's Preference Share product range thereby providing additional investment products with enhanced flexibility to clients in response to market demands.

Class D, E, F and G Preference Shares

The Board proposed amendments to the Company's Memorandum of Incorporation ("MOI") amending the terms of the Company's unissued Preference Shares comprising of Class D, Class E, Class F and Class G. Shareholders approved the proposed amendments on 14 August 2017 via written consent in terms of Section 60 of the Companies Act.

These amended classes of preference shares, contain provisions for conversion into ordinary shares on certain default events. Specific approval for the issue of convertible Class G Preference Shares was previously obtained from shareholders in a general meeting held on 3 May 2016.

A Prospectus was issued during September 2017 offering Class D, E and G Preference Shares to the public. The Company listed 10 000 Class D, 10 000 Class E and 2 500 Class G Preference Shares on 4 October 2017, subject to the directors' general authority to issue shares.

Specific approval for the issue of convertible Class D and E Preference Shares was obtained from shareholders in a general meeting on 20 October 2017, with the meeting taking place after the current interim period end date.

Amendment of the Memorandum of Incorporation

The Board proposed amendments to the Company's MOI amending the terms of the Company's issued Preference Shares comprising of Class A, Class B and Class C to incorporate voluntary redemption terms at the option of the company.

Ordinary shareholders and Preference Shareholders with investments in Class A, B and/or C Preference Shares approved the proposed amendments to the MOI in general meetings held on 2 November 2017.

15. SHARE CAPITAL

No ordinary shares were issued during the 6 months ended 30 September 2017.

	Number of shares	Issued share capital	Total
	'000	R'000	R'000
Opening balance 1 January 2016	901 588	118 072	118 072
Acquisition of Clade Investment Management	19 096	4 000	4 000
Odd lot Offer - repurchase and cancellation	(543)	(112)	(112)
Shares issued pursuant to the Directors' Issue	11 629	2 112	2 112
Director share issue - incentives	12 022	1 631	1 631
Capitalisation of share issue expenses	-	(898)	(898)
Proceeds from rights offer	135 758	20 364	20 364
Closing balance 31 March 2017	1 079 550	145 169	145 169
Movement for the current period	-	-	-
Closing balance 30 September 2017	1 079 550	145 169	145 169

16. DIVIDENDS

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

The Company has issued and listed three additional classes of Preference Shares. Six classes are now 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 R77.3million accrued to investors for the 6 months ended 30 September 2017. 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.

17. 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.

18. DIRECTOR CHANGES

No changes to the Group's directors took place during the 6 months ended 30 September 2017. The Group Financial Director, Bryan Shanahan will be pursuing new ventures and will therefore leave the employment of the Group with effect from 31 January 2017. Dirk van der Merwe (current Group Company Secretary) will take over from Mr Shanahan with effect from 1 February 2017.

19. COMPANY SECRETARY

No changes to the Group's company secretary took place during the 6 months ended 30 September 2017. The new incumbent for the Company secretary position will be filled within the next two months.

20. AUDITORS

Nexia SAB&T continued in office as auditors for the Group for 2018 interim financial period.

At the Annual General Meeting held on 4 August 2017, shareholders reappointed Nexia SAB&T as the independent external auditors of the Group for the 2017/2018 financial year.

21. 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 30 September 2017 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'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.

For and on behalf of the Board

TP Gregory

Pretoria

28 November 2017

Directors: RJ Connellan* (Chairman), KA Rayner*, BR Topham*, W Oberholzer*, P Matute #, G Manyere (Vice Chairman) #, TP Gregory (Chief Executive Officer) and B Shanahan (Financial Director).
(* Independent Non-Executives)

(# Non-Executive)

Company Secretary: DP van der Merwe

Registered Office: Fintech Campus, on Lynnwood, Cnr Botterklapper and Ilanga Street, The Willows, Pretoria East, 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