

## **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 Second Interim Results for the 12 months ended 31 December 2016**

---

**The Board of Directors ("the Board") is pleased to advise shareholders of the continued growth of Ecsponent and its subsidiaries ("the Group") as reflected in further improved, consolidated results for the 12 months ended 31 December 2016.**

On 12 December 2016, the Board advised shareholders that the Group's financial year end had moved to 31 March. This has necessitated this second interim results report detailing the Group's performance for the 12-month period ended 31 December 2016 in terms of the JSE Listings Requirements.

The Board further advised shareholders on 20 December 2016 that the Group had undertaken a process of rationalising its operations and investments including a series of financial transactions designed to streamline operations and re-align the Group for increased strategic growth. These transactions provide uncompromising focus on the core business of capital raising, SME funding, enterprise development and private equity investment.

## **RESULTS HIGHLIGHTS**

The Group's access to capital through the issue of preference shares facilitated the continued improvement in the Group's performance and generated increased returns for the 12 months ended 31 December 2016.

As a result of the rationalisation the statement of profit and loss is presented in two categories being Continued and Discontinued Operations. The comparative period has also been 're-presented' to reflect the two categories and does not represent a restatement. Furthermore, the 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.

Highlights of the Group's December 2016 reviewed interim results compared to the December 2015 audited results are set out below:

- revenue from continuing operations increased by 81.5% to R245 million compared to R135 million;
- gross profits from continuing operations increased by 70% to R203.6 million compared to R119.8 million;
- operating profits from continuing operations increased by 198.3% to R129.3 million compared to R43.3 million;
- profits before tax from continuing operations increased by 121.4% to R55.4 million compared to R25 million;
- total assets increased by 128.1% to R1 063.3 million compared to R466.2 million;
- basic earnings increased by 24.2% to R29 million compared to R23.4 million; and
- resultant earnings per share ("EPS") increased by 22.1% to 3.16 cents per share compared to 2.59 cents per share.

The EPS increase did not flow through to headline earnings per share ("HEPS") as a result of categorisation requirements in accordance with circular 2/2015 issued by the South African Institute of Chartered Accountants. In the comparative period for 2015 the benefit of the disposal of certain financial assets were included in the calculation of HEPS while the disposal of the Swaziland retail credit business during the period under review was categorised under IFRS 10 and therefore excluded from the HEPS calculation.

## **OPERATIONAL REVIEW**

### **Group overview**

Below is an overview of the Group's operations during the first 12 months of the 2016/2017 financial year.

#### ***Financial Services SA***

The period under review highlighted the Group's successful shift in focus area to provide secured credit to small medium enterprises ("SME"). The comparative period to December 2015 reflects a predominantly retail, unsecured employee benefits credit business. The strategy to focus predominantly on enterprise finance and the provision of credit to specific niche market SME's has realised immediate improvement in the Group's results.

The Group's financial services operations continued their exponential growth during the period. Total assets increased by 87.3% to R1 330.8 million while revenue increased by 186% to R379.9 million compared to R132.8 million, comprising 72.6% of total revenue in the 2016 second interim results. As a result, operating profit increased by 252.1% to R229.5 million.

The demand for credit remains buoyant particularly in the enterprise development sector. The South African financial services operation has begun to make inroads in this high demand sector. In addition, the Group's policy to secure credit risk provides a competitive edge in unlocking value for all stakeholders in the chain. The directors are confident that the growth will continue specifically in respect of the continuing operations post the shareholder vote on the proposed disposals.

#### ***Financial Services Africa***

The roll out of the Group's financial services offering into Africa replicates the South African model and leverages the infrastructure, systems, products and management expertise of the local business. The African operations provide continuing opportunities for growth in deposit taking and retail credit operations. In each country, the local regulatory framework is fully complied with and the directors of the different companies are operationally autonomous. The South African backbone provides the required governance and control.

#### **Botswana**

The Botswana operations mirror the South African processes and the Group provides management oversight and liquidity to the country's credit operations. In addition to employee benefits, Ecsponent Botswana provides both enterprise and SME credit on a secured basis to qualifying clients.

Ecsponent Asset Management (Pty) Ltd Botswana ("EAM") was awarded a licence to operate as an Investment Company with Variable Capital (ICVC). Ecsponent through its local holding structures has a 70% interest in this operation.

The performance of the Botswana operations reflects a continued steady improvement compared to the year ended December 2015. Botswana grew revenue by 81.5% to R74.3 million, total assets increased by 105.9% to R378.5 million, and operating profits increased by 51.4% to R31.7 million.

The growth in the Botswana economy, stability of the currency and demand for credit continues to drive growth of the Ecsponent operation in the territory. The directors are confident that the growth will continue specifically in respect of the continuing operations post the shareholder vote on the proposed disposals.



## Swaziland

The Swaziland operation includes capital raising opportunities which mirror the South African process and provides ongoing liquidity to the country's credit operations which includes consumer credit, enterprise and SME finance.

The country has ambitious goals, targeted to be realised by 2022 and which require significant development in the country's SME sector. The directors believe that the Group is perfectly positioned to provide funding and services in support of the country's objectives.

Consequent to the strategy deployed in South Africa the Group has disposed of its interests in the strategic alliance with GetBucks, Ligagu Investments (Pty) Ltd. The Group continues to provide secured SME credit to GetBucks.

The performance of the Swaziland operations reflects a steady improvement compared to the December 2015 results. Swaziland grew revenue by 117.9% to R29.3 million whilst operating profits increased by 99% to R12.7 million. Total assets increased by 62.9% to R132.5 million.

The directors have confidence that the continuing business will continue to grow.

## Zambia

The Zambian operation provides similar products and services as the rest of the Group. In addition, the Group has a Tier 2 Deposit Taking Licence regulated by the Bank of Zambia and the operations are directed from the head office situated in Lusaka.

The country's demand for both retail and business credit ensures that the Group's products are likely to be profitable and successful. The country is recovering from the dramatic reduction in international commodity prices/demand and has also suffered significant currency fluctuation depressing both investments and business confidence. Off the back of the recovery and post the period under review, the Group started rolling out products that are anticipated to deliver returns in the 2017/2018 financial period.

As part of the group re-organisation the Group's 100% interest in Ecsponent Financial Services Limited (Zambia) will reduce to 24.99%, subject to shareholder approval. The directors are however confident that the Zambian operations will provide profitable future returns to the Group.

## **Private Equity**

### Biotechnology

The biotechnology sector is directly linked to the fluctuations in the international economy and margins remained under pressure during the period under review. The Group has continued to protect its market share and is bullish about prospects for the future.

The Group's biotechnology operations have had a significant growth year which realised the development of a new and extensive range of products to complement the existing cord blood and tissue stem cell products. Development is complete and commercialisation is now advanced. To reduce overheads and align the operations with the new strategy the underlying company infrastructures have been rationalised and the benefits from these developments will be realised during the 2017/2018 financial period.

The contracts with pharmaceutical and medical aid companies concluded by both Cryo-Save and Salveo have begun to translate into sales and this is anticipated to ramp up during the remainder of the financial period. Further channels to market are being negotiated by management and these are anticipated to be realised in the near future.

As per the Group's policy, the development costs of all the new ventures have been expensed and are included in the operating results.



## PROSPECTS

Key elements of the on-going expansion strategy are:

- continued investment in the credit operations of the Group;
- continued growth of underlying assets through product and market extension;
- focus on core businesses;
- aggressive trading and cost rationalisation/reduction; and
- increased emphasis on high yield private equity opportunities.

The abovementioned approach is aimed at the continued development of a robust and complementary financial services Group which provides sustainable returns.

## FINANCIAL RESULTS

Presented below are the reviewed condensed consolidated financial statements for the 12 months ended 31 December 2016.

### Condensed Consolidated Interim Statement of Financial Position as at 31 December 2016

		<b>Reviewed 31 December 2016 Group R'000</b>	<b>Audited 31 December 2015 Group R'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		7 117	8 475
Intangible assets and Goodwill		6 182	8 557
Other financial assets	5	604 059	98 066
Deferred tax		13 506	12 191
Other non-current receivables		4 569	3 127
<b>Current assets</b>			
Inventories		1 593	1 819
Other financial assets	5	99 167	278 450
Trade and other receivables		54 662	40 379
Current tax receivable		309	-
Cash and cash equivalents		20 605	15 115
Non-current assets held for sale	8	251 577	-
<b>TOTAL ASSETS</b>		<b>1 063 346</b>	<b>466 179</b>
<b>EQUITY AND LIABILITIES</b>			
Equity		36 817	78 191
Non-controlling interest	9	(11 962)	(4 653)
<b>Non-current liabilities</b>			
Other financial liabilities	7	759 526	324 840
Deferred revenue		2 248	9 552
Deferred tax		4 603	5 939
<b>Current liabilities</b>			
Other financial liabilities	7	23 771	17 259
Deferred revenue		132	4 144
Current tax payable		32 536	3 142
Trade and other payables		21 454	22 391
Bank overdraft		227	5 374
Liabilities held for sale	8	193 994	-



**TOTAL EQUITY AND LIABILITIES****1 063 346****466 179****Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income  
for the interim period ending 31 December 2016**

	<i>Re-presented</i>	
	<b>Reviewed</b>	<b>Audited</b>
	<b>12 months ended 31 December 2016 Group</b>	<b>12 months ended 31 December 2015 Group</b>
	<b>R'000</b>	<b>R'000</b>
Revenue	245 000	134 972
Cost of sales	(41 378)	(15 160)
GROSS PROFIT	203 622	119 812
Other income	27 637	21 862
Operating expenses	(101 988)	(98 331)
OPERATING PROFIT	129 271	43 343
Fair value adjustments	-	5 639
Net finance costs	(73 883)	(25 708)
Income from equity accounted investment	-	1 742
PROFIT BEFORE TAXATION	55 388	25 015
Taxation	(28 982)	(7 786)
PROFIT FROM CONTINUING OPERATIONS	26 406	17 228
(Loss)/Profit from discontinued operations	8 (5 077)	2 706
PROFIT FOR THE PERIOD	21 329	19 934
Other comprehensive income / (loss)	212	(301)
TOTAL COMPREHENSIVE INCOME	21 541	19 633
Loss attributable to non-controlling interest	7 484	3 298
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	29 025	22 931
Profit / (loss) attributable to owners of the parent from:		
Continuing operations	30 422	21 533
Discontinued operations	(1 416)	1 826
	29 006	23 359
Total comprehensive income/(loss) attributable to:		
Owners of the parent	29 025	22 931
Non-controlling interest	(7 484)	(3 298)
	21 541	19 633



Basic and fully diluted earnings per share (cents) from continuing operations attributable to equity holders of the parent		3.318	2.388
Basic and fully diluted earnings / (loss) per share (cents) from discontinued operations attributable to equity holders of the parent		(0.154)	0.203
Basic and fully diluted earnings per share (cents) attributable to equity holders of the parent	3	3.163	2.591



**Condensed Consolidated Interim Statement of Changes in Equity for the 12 months ended 31 December 2016**

	<b>Share capital</b>	<b>Non-distributable reserve</b>	<b>Foreign currency translation reserve</b>	<b>Common control reserve</b>	<b>Accumulated profit/(loss)</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 1 January 2015	118 071	3 842	(55)	(36 687)	(28 505)	(3 795)	52 871
Total comprehensive profit for the year	-	-	(428)	-	23 359	(3 298)	19 633
Purchase of non-controlling interest	-	(3 842)	-	-	2 435	2 440	1 033
Balance at 1 January 2016	118 071	-	(483)	(36 687)	(2 711)	(4 653)	73 537
Issue of shares	6 001	-	-	-	-	-	6 001
Business combinations	-	-	-	(56 824)	-	(19 400)	(76 224)
Total comprehensive profit for the 12 months	-	-	19	-	29 006	(7 484)	21 541
Profit for the 12 months	-	-	-	-	29 006	(7 677)	21 329
Other comprehensive income	-	-	19	-	-	193	212
Purchase of non-controlling interest	-	-	-	-	(19 575)	19 575	-

Realisation of Common control reserve #	-	-	-	93 511	(93 511)	-	-
<b>Balance at 31 December 2016</b>	<b>124 072</b>	<b>-</b>	<b>(464)</b>	<b>-</b>	<b>(86 791)</b>	<b>(11 962)</b>	<b>24 855</b>

# *In terms of the Group's accounting policies, Business combinations involving entities under common control comprise business combinations where both entities remain under the ultimate control of the holding company before and after the combination, and that control is not transitory. The group applies merger accounting for all its common control transactions which requires that the assets and liabilities of the purchased business be incorporated at the consolidated book value (by the ultimate parent) and the difference between the purchase consideration and the book value of the assets and liabilities be recorded in equity as a common control reserve.*

*During the financial period, the previous majority shareholder (ultimate parent – Ecsponent Capital (RF) Limited {"Capital"}) disposed of 34.9% of its interest in Ecsponent Ltd, resulting in the loss of control. On the effective date, the common control reserve was therefore realised to retained earnings, as per the accounting policies applied.*





**Condensed Consolidated Interim Cash Flow Statement for the 12 months ended 31 December 2016**

	<b>Reviewed</b>	<b>Audited</b>
	<b>12 months ended</b>	<b>12 months ended</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>Group</b>	<b>Group</b>
	<b>R'000</b>	<b>R'000</b>
Cash generated by operations	95 792	20 340
Interest revenue	2 671	388
Finance cost	(60 488)	(18 504)
Taxation paid	(3 004)	(1 222)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>34 971</b>	<b>1 002</b>
Proceeds on sale of investment in subsidiary / associate	(2 616)	7 740
Investment in financial assets	(803 425)	(443 638)
Proceeds from financial assets	318 853	191 110
Business combinations	4 11 733	600
Other	(4 523)	(7 657)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(479 978)</b>	<b>(251 845)</b>
Proceeds from other financial liabilities	502 037	273 144
Repayment of other financial liabilities	(24 004)	(4 496)
Other	-	(404)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>478 033</b>	<b>268 244</b>
Movement in cash and cash equivalents for the period	33 026	17 401
Cash and cash equivalents at the beginning of the period	9 741	(6 950)
Effect of exchange rate movement on cash balances	(663)	(710)
<b>Cash and cash equivalents at the end of the period</b>	<b>42 104</b>	<b>9 741</b>

**Notes to the Condensed Consolidated Interim Financial statements for the 12 months ended 31 December 2016**

**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 31 December 2016 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 second interim financial results represent the trading results of the Company and its subsidiaries which are active in the financial services and private equity markets. The Group showed sustained improvement in its performance for the period under review. The expansion strategy, substantially increased the portfolio of financial services assets. Funding for the expansion strategy was secured through the registration of Ecspontent'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 has continued to grow.

## 3. EARNINGS AND FULLY DILUTED EARNINGS PER SHARE

	<b>Reviewed</b>	<b>Audited</b>
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>R' 000</b>	<b>R' 000</b>
BASIC AND HEADLINE EARNINGS		
Basic earnings	29 006	23 359
Headline earnings	17 794	22 453
Basic and fully diluted earnings per share (cents) attributable to equity holders of the parent	3.163	2.591
Headline and fully diluted headline earnings per share (cents) attributable to equity holders of the parent	1.941	2.490
Number of shares in issue	931 769 996	901 588 049
Weighted average number of shares	916 937 611	901 588 049
RECONCILIATION BETWEEN BASIC EARNINGS AND HEADLINE EARNINGS		
IAS 33 Basic earnings	29 006	23 359
IAS 16 (Profit) / Loss on disposal of property plant and equipment	(48)	10
IAS 38 Impairment of intangible assets	-	494
IFRS 10 Gain on disposal of subsidiary	(11 164)	(1 410)
Headline earnings	<u>17 794</u>	<u>22 453</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. ACQUISITIONS AND DISPOSALS

The board actively investigates acquisition opportunities aimed at improving earnings and cash generation for the Group.

Aggregated business combinations for the period:

	<b>2016</b>
	<b>R</b>
Property, plant and equipment	1 027 791
Intangible assets	2 570 990
Deferred taxation	5 281 657
Trade and other receivables	47 800 334
Cash and cash equivalents	11 735 694
Other financial liabilities	(17 511 894)
Trade and other payables	(3 679 793)
Bank overdraft	(2 360)
Total identifiable net liabilities	47 222 419
Non-controlling interest	18 155 215
Common control reserve	56 824 377
Goodwill	9 255 232
Purchase consideration	131 457 243
<u>Net cash flow on acquisition</u>	
Purchase consideration \$	-
Net cash balances assumed	11 733 334
	11 733 334

\$ *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 Other Financial Asset and/or Liabilities movements.*

#### Return on Innovation (Pty) Ltd ("ROi")

ROi provides strategic management inputs across all media platforms from the rumblings on social media, through the wide variety of print media to radio and TV – all managed through one intelligence platform. The business provides a strategic high ground for its corporate clients. For Ecsponent, this acquisition is in line with its growth strategy in that ROi is an opportunity that is high tech, offers high margins, high barriers to entry and can effectively be applied in both a South African as well as in an international context. The Group concluded an agreement to acquire 51% of the company from Capital, effective 1 March 2016.

Fair value of the assets acquired and liabilities assumed are as follows:

	<b>2016</b>
	<b>R</b>
Property, plant and equipment	3 221 303
Deferred taxation	1 434 674
Trade and other receivables	1 570 226



Cash and cash equivalents	282 528
Other financial liabilities	(6 059 728)
Trade and other payables	(1 714 290)
Total identifiable net liabilities	(1 265 287)
Non-controlling interest	619 991
Common control reserve	2 145 296
Purchase consideration	1 500 000
<u>Net cash flow on acquisition</u>	
Purchase consideration \$	-
Net cash balances assumed	282 528
	<u>282 528</u>

The goodwill was recognised directly to the Common control reserve in terms of the Group's accounting policies, which is anticipated to be recovered through the future operating profits of the business. Included in the Trade and other receivables at the effective date was gross contractual trade receivables of R1 325 373 with a provision for doubtful debt of R2 280.

ROi reported sales amounting to R8.6 million, and a loss after tax and contributions toward group overheads of R2.4 million for the interim period ended 31 December 2016.

#### Ecsponent Development Fund (Pty) Ltd ("EDF")

EDF, a 74% owned subsidiary of the Company, agreed to acquire the business conducted by Ecsponent Investment Holdings (Pty) Ltd as a going concern. The business provides high yielding financing opportunities which offer an attractive proposition for the Company. The Group concluded an agreement to acquire the business of the company, effective 30 June 2016.

Fair value of the assets acquired and liabilities assumed are as follows:

	<b>2016</b>
	<b>R</b>
Property, plant and equipment	368 871
Deferred taxation	446 087
Trade and other receivables	44 608 966
Trade and other payables	(357 332)
Total identifiable net assets	45 066 592
Non-controlling interest	19 211 569
Common control reserve	54 679 081
Purchase consideration	118 957 242
<u>Net cash flow on acquisition</u>	
Purchase consideration \$	-
Net cash balances assumed	-
	<u>-</u>

The goodwill was recognised directly to the Common control reserve in terms of the Group's accounting policies, which is anticipated to be recovered through the future operating profits of the business. Included in the Trade and other receivables at the effective date was gross contractual trade receivables of R46 675 943 with a provision for doubtful debt of R2 066 977.



EDF reported revenue amounting to R22.7 million, and a profit after tax of R3.3 million for the second interim period ended 31 December 2016.

The Company acquired the 26% non-controlling interest in EDF effective on 30 September 2016. Profit after tax amounting to R156 538 was recognised as non-controlling interest profits up to the effective date. Refer below to note 9 for more detail in this regard.

The Company also entered a proposed sale agreement to dispose of a portion of the business. Please refer to note 8 for more detail in this regard.

Clade Investment Management (Pty) Ltd ("Clade") and its subsidiary

Ecsponent acquired 51% of the ordinary share capital of Clade, which wholly own the shares of Exchange Trade Fund Ltd, effective 30 June 2016. It has category 2 and 2A investment licences with the Financial Services Board, allowing the entity to offer a comprehensive range of hybrid investment solutions for investors.

Fair value of the assets acquired and liabilities assumed are as follows:

	<b>2016</b>
	<b>R</b>
Property, plant and equipment	8 606
Deferred taxation	3 400 896
Trade and other receivables	1 621 142
Cash and cash equivalents	11 453 166
Other financial liabilities	(11 452 166)
Trade and other payables	(1 608 171)
Bank overdraft	(2 360)
Total identifiable net assets	<u>3 421 113</u>
Non-controlling interest	(1 676 345)
Intangible assets and goodwill	<u>9 255 232</u>
Purchase consideration	<u>11 000 000</u>
<u>Net cash flow on acquisition</u>	
Purchase consideration \$^	-
Net cash balances assumed	<u>11 450 806</u>
	<u>11 450 806</u>

^ As part of the purchase consideration, 19 095 617 ordinary shares of the Company were issued at the 30 day VWAP (volume weighted average price) at the date of the Letter of Intent, equal to R4 million. The balance of the purchase consideration was payable in cash in seven equal monthly instalments.

The intangible assets and goodwill was recognised in terms of the Group's accounting policies, which represented the premium paid for the Category 2 and 2A, asset management license and therefore a new channel for capital raising. Included in the Trade and other receivables at the effective date was gross contractual trade receivables of R1 608 581 with no provision for doubtful debt. Clade reported revenue amounting to R50 921, and a loss after tax of R1.6 million for the interim period ended 31 December 2016.

The Company also entered a proposed sale agreement to dispose of its interest in Clade. Please refer to note 8 for more detail in this regard.

**Disposals**

Disposal of 51% of Ligagu Investments (Pty) Ltd Swaziland("Ligagu Investments")



Ecsponent entered into an agreement to dispose of its 51% shareholding in Ligagu Investments, its subsidiary in Swaziland providing retail credit loans to individuals. The investment was effectively sold on 30 June 2016 for a total consideration of R16 million, payable in twelve equal instalments from 31 July 2016.

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

	<b>2016</b>
	<b>R</b>
Property, plant and equipment	199 222
Intangible assets	275 321
Deferred taxation	759 219
Other financial assets	29 629 448
Trade and other receivables	751 854
Cash and cash equivalents	2 615 690
Other financial liabilities	(19 897 090)
Trade and other payables	(9 746 114)
Current tax payable	(1 729 620)
Total identifiable net assets	<u>2 857 930</u>
Non-controlling interest	(1 245 645)
Net assets derecognised	<u>1 612 285</u>
Profit on disposal	<u>14 387 715</u>
Consideration receivable	<u>16 000 000</u>
<u>Net cash flow on disposal</u>	
Purchase consideration \$	-
Net cash balances disposed off	<u>(2 615 690)</u>
	<u>(2 615 690)</u>

\$ *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.*

#### Disposal of acquired debt collection books

Ecsponent decided, as part of its new focus on financial services, to dispose of its acquired debt books to Ecsponent Business Finance (Pty) Ltd ("EBF"), effective on 28 February 2016. The disposal consideration of R9 million was paid in cash to Ecsponent Credit Services (Pty) Ltd in 12 equal instalments. The acquired debt books had a carrying value of R8.9 million on the effective date.

## **5. OTHER FINANCIAL ASSETS**

The other financial asset category incorporates the benefits provided to employees against payroll facilities contracts, business funding and purchase price repayment facilities. Total other financial assets increased by 86.8% compared to the comparative period. Provided below is the detail regarding the Group's other financial assets:

<b>Reviewed</b>	<b>Audited</b>
<b>Group</b>	<b>Group</b>
<b>31</b>	<b>31 December</b>
<b>December</b>	<b>2015</b>
<b>2016</b>	



	R '000	R '000
<i>At fair value through profit and loss – designated</i>		
Acquired debt	-	8 874
<i>Loans and receivables</i>		
Employee benefit loans *	-	77 645
Secured SME loans	230 620	54 942
Ecsponent Capital RF Limited	337 439	134 917
Ecsponent Investment Holdings (Pty) Ltd	-	81 940
Getbucks (Pty) Ltd – purchase price facility	-	18 198
Virtual Shared Services (Pty) Ltd – purchase price facility	9 633	-
Ecsponent Projects (Pty) Ltd	29 780	-
Clade Investment Management (Pty) Ltd (“Clade”)*	2 026	-
Ecsponent Financial Services Ltd - Zambia (“EFS Zambia”)*	13 782	-
Surechoice (Pty) Ltd (“Surechoice”)*	76 438	-
Ecsponent Holdings (Pty) Ltd – Botswana (“EHB”)*	3 508	-
<b>TOTAL OTHER FINANCIAL ASSETS</b>	<b>703 226</b>	<b>376 516</b>
Total included in non-current assets	604 059	98 066
Total included in current assets	99 167	278 450

\* *These items have been reclassified to ‘Non-current assets held for sale’ as they form part of the identified disposal groups as described above. Please also refer to note 8 for more detail related to the disposal groups and IFRS 5 disclosures.*

## 6. 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 financial services assets and the acquisition of new assets which contribute to the growth strategy. The Group’s primary capital raising is through the issuance of preference shares for on-going business needs. The Company has registered a R5 billion preference share programme (“the Programme”) under which Ecsponent may, from time to time, issue multiple tranches of preference shares. The Programme was approved by the JSE on 8 September 2014 and again on 15 December 2015. By 31 December 2016 Ecsponent Limited had received subscription investments of R661.5 million. The Group will continue to raise capital through the further issues of preference shares.

### Reconciliation of the number of preference shares in issue:

	<b><u>Ecsponent Limited (South Africa)</u></b>		
	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>
Reported at the beginning of the period	326 798	688 485	1 641 290
Issue of preference shares during the year	84 797	779 085	3 116 158
	<b>411 595</b>	<b>1 467 570</b>	<b>4 757 448</b>
<b>Weighted average issue price per share (Rands)</b>	<b>94.85</b>	<b>100.00</b>	<b>100.00</b>

	<b><u>Ecsponent Limited (Swaziland)</u></b>	
	<b>Class A</b>	<b>Class E</b>
Reported at the beginning of the period	18 058 000	18 174 000
Issue of preference shares during the year	27 597 000	26 278 700



	<b>45 655 000</b>	<b>44 452 700</b>
<b>Weighted average issue price per share (converted to Rand)</b>	<b>1.00</b>	<b>1.00</b>

	<b><u>Ecsponent Limited (Botswana)</u></b>	
	<b>Class A</b>	<b>Class B</b>
Reported at the beginning of the period	14 764 000	2 067 000
Redemption of preference shares during the year	(3 014 000)	-
	<b>11 750 000</b>	<b>2 067 000</b>
<b>Weighted average issue price per share (Pula)</b>	<b>1.00</b>	<b>1.00</b>
<b>Weighted average issue price per share (Rand)</b>	<b>1.26</b>	<b>1.26</b>

## 7. OTHER FINANCIAL LIABILITIES

In terms of IFRS the preference share capital is classified as debt and disclosed as other financial liabilities in the Condensed Consolidated Statement of Financial Position as at 31 December 2016. Consequently, the preference share dividends are classified as funding costs and disclosed as such in the Condensed Consolidated Interim Statement of Profit and Loss and Other Comprehensive Income for the 12 months ended 31 December 2016.

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:

	<b>Reviewed Group 31 December 2016</b>	<b>Audited Group 31 December 2015</b>
	<b>R '000</b>	<b>R '000</b>
<i>Held at amortised cost</i>		
Preference share liability	763 036	313 837
Experite NV Group	6 218	6 498
Capital bank - Term loan facilities *	-	8 977
Getbucks (Pty) Ltd	-	4 054
GetBucks (Pty) Ltd - Botswana	1 153	-
Ecsponent Projects (Pty) Ltd	-	4 873
Ecsponent Holdings (Pty) Ltd (Botswana) *	11 972	-
Other	918	3 860
<b>TOTAL OTHER FINANCIAL LIABILITIES</b>	<b>783 297</b>	<b>342 099</b>
Total included in non-current liabilities	759 526	324 840
Total included in current liabilities	23 771	17 259

\* *These items have been reclassified to 'Liabilities held for sale' as they form part of the identified disposal groups described above. Please also refer to note 8 for more detail related to the disposal groups and IFRS 5 disclosures.*





## 8. ASSETS CLASSIFIED AS HELD FOR SALE / DISCONTINUED OPERATIONS

The Group has undertaken a process of rationalising the Group's operations and investments including 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 Continued and Discontinued operations (disposal groups). The comparative period Statement of Profit / Loss has therefore been 're-presented' and does not represent a restatement of the results.

The results have also been presented to disclose the impact of the proposed transactions on the Group's financial results, resulting in the disclosure of Loan receivables and Loan payables between the affected subsidiaries and the continuing group financial services entities, disclosed in the two different categories. The continued revenue from loan funding have been included in the continued financial services operations' results for the period, as determined by the terms signed funding and/or sale agreements.

For details related to the various transactions, please refer below to note 13 for a summary of the 'Related Party Circular Transactions'.

The following disposal groups have been classified as held for sale for the period ended 31 December 2016:

<b><u>Profit and loss - December 2016</u></b>	<b>EHB and EAM Bots R'000</b>	<b>Clade and ETF R'000</b>	<b>Sure Choice R'000</b>	<b>EFS Zambia R'000</b>	<b>EDF R'000</b>	<b>TOTAL: R'000</b>
Revenue	248	10	35 004	1 642	19 589	<b>56 493</b>
Cost of sales	(826)	-	(20 661)	(52)	-	<b>(21 540)</b>
Gross profit	<b>(578)</b>	<b>10</b>	<b>14 343</b>	<b>1 590</b>	<b>19 589</b>	<b>34 953</b>
Other Income	280	-	-	-	-	<b>280</b>
Operating expenses	(7 279)	(1 030)	(8 104)	(4 943)	(4 096)	<b>(25 452)</b>
Operating profit / (loss)	<b>(7 577)</b>	<b>(1 020)</b>	<b>6 239</b>	<b>(3 353)</b>	<b>15 493</b>	<b>9 781</b>
Investment revenue	11 251	20	2 112	-	-	<b>13 384</b>
Finance Costs	(11 917)	(72)	(4 998)	(2 831)	(12 017)	<b>(31 835)</b>
Profit / (loss) before taxation	<b>(8 243)</b>	<b>(1 072)</b>	<b>3 353</b>	<b>(6 184)</b>	<b>3 476</b>	<b>(8 670)</b>
Taxation	2 011	468	(77)	2 164	(973)	<b>3 593</b>
Net profit / (loss) after tax	<b>(6 232)</b>	<b>(604)</b>	<b>3 276</b>	<b>(4 020)</b>	<b>2 503</b>	<b>(5 077)</b>
Gain (loss) on measurement to fair value less cost to sell	-	-	-	-	-	-
Tax thereon	-	-	-	-	-	-
Profit / (loss) for the year from discontinuing operations	<b>(6 232)</b>	<b>(604)</b>	<b>3 276</b>	<b>(4 020)</b>	<b>2 503</b>	<b>(5 077)</b>

<b><u>Profit and loss - December 2015</u></b>	<b>EHB and EAM Bots R'000</b>	<b>Clade and ETF R'000</b>	<b>Sure Choice R'000</b>	<b>EFS Zambia R'000</b>	<b>EDF R'000</b>	<b>TOTAL: R'000</b>
Revenue	-	-	23 597	1 143	-	24 740
Cost of sales	-	-	(11 963)	-	-	(11 963)
Gross profit	-	-	11 634	1 143	-	12 777
Other Income	-	-	91	-	-	91
Operating expenses	-	-	(6 928)	(1 902)	-	(8 830)



Operating profit / (loss)	-	-	4 797	(759)	-	4 038
Investment revenue	-	-	241	3	-	244
Finance Costs	-	-	(602)	(1 127)	-	(1 729)
Profit / (loss) before taxation	-	-	4 435	(1 883)	-	2 552
Taxation	-	-	(505)	659	-	154
Net profit / (loss) after tax	-	-	3 930	(1 224)	-	2 706
Gain (loss) on measurement to fair value less cost to sell	-	-	-	-	-	-
Tax thereon	-	-	-	-	-	-
Profit / (loss) for the year from discontinuing operations	-	-	3 930	(1 224)	-	2 706

**Assets classified as held for sale - December 2016**

	<b>EHB and EAM Bots R'000</b>	<b>Clade and ETF R'000</b>	<b>Sure Choice R'000</b>	<b>EFS Zambia R'000</b>	<b>EDF R'000</b>	<b>TOTAL: R'000</b>
Property, plant and equipment	1 047	6	925	1 433	356	3 767
Intangible assets	-	9 255	-	4 176	-	13 431
Other financial assets	31 334	-	93 527	4 058	-	128 919
Deferred tax	1 790	3 869	1 709	2 690	-	10 058
Trade Receivables	1 031	1 040	8 406	236	57 877	68 590
Cash and cash equivalents	17 097	3 538	5 901	276	-	26 812
	52 299	17 708	110 468	12 869	58 233	251 577

**Liabilities of disposal groups**

Other Financial Liabilities	(41 695)	(6 119)	(111 197)	(14 167)	-	(173 178)
Deferred income	-	-	(12 152)	-	-	(12 152)
Trade Payables	(1 733)	(116)	(1 074)	(257)	(173)	(3 353)
Current tax payable	-	-	(224)	-	-	(224)
Bank overdraft	-	-	(5 087)	-	-	(5 087)
	(43 428)	(6 235)	(129 734)	(14 424)	(173)	(193 994)

**Cash flows from discontinued operations - December 2016**

	<b>EHB and EAM Bots R'000</b>	<b>Clade and ETF R'000</b>	<b>Sure Choice R'000</b>	<b>EFS Zambia R'000</b>	<b>EDF R'000</b>	<b>TOTAL: R'000</b>
Net cash flows from operating activities	(7 521)	(886)	978	(5 754)	3 608	(9 575)
Net cash flows from investing activities	(32 455)	11 451	(30 311)	901	(58 232)	(108 646)
Net cash flows from financing activities	41 695	(6 416)	46 163	3 063	-	84 505
Net cash flow movement	<b>1 719</b>	<b>4 149</b>	<b>16 830</b>	<b>(1 790)</b>	<b>(54 624)</b>	<b>(33 716)</b>

Operating segment	Financial Services	Financial Services	Financial Services	Financial Services	Financial Services	
Geographical segment	Botswana	South Africa	Botswana	Zambia	South Africa	



## 9. NON-CONTROLLING INTEREST

The movement of the non-controlling interest for the period ending 31 December 2016 is as follows:

	<b>Reviewed</b>	<b>Audited</b>
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>R'000</b>	<b>R'000</b>
Balance at the beginning of the period	(4 653)	(3 795)
Non-controlling interest in current period income	(7 677)	(3 425)
Foreign currency translation on non-controlling interest	193	127
Acquisition of non-controlling interest	19 576	(370)
Non-controlling interest as a result of business acquisitions	(18 155)	-
Disposal of non-controlling interest	(1 246)	2 810
Total non-controlling interest at the end of the period	<b>(11 962)</b>	<b>(4 653)</b>

Ecsponent Limited acquired the following entities during the period under review:

- Clade Investment Management (Pty) Ltd and subsidiary
- Return on Innovation (Pty) Ltd
- The Business from Ecsponent Investment Holdings (Pty) Ltd

The following changes to non-controlling interests were effected during the period under review:

- Ecsponent Ltd disposed of its 51% controlling interest in Ligagu Investments (Pty) Ltd on 30 June 2016
- The EDF non-controlling interest was purchased effective on 30 September 2016 taking the controlling interest from 74% to 100%
- Ecsponent Ltd (Botswana) purchased the 100% interest in Sanceda Collections (Pty) Ltd (Botswana) from Ecsponent Holdings (Pty) Ltd (Botswana) effective on 1 July 2016, taking the effective controlling interest from 70% to 100%

## 10. RELATED PARTY DISCLOSURES

The group entered into 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:

	<b>Reviewed</b>	<b>Audited</b>
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>R'000</b>	<b>R'000</b>
<b>Related party balances</b>		
<b>Loan accounts - Owing (to) / by related parties</b>		
Ecsponent Capital (RF) Limited ("Capital")	337 439	134 917
Ecsponent Capital (RF) Limited	(1 082)	-
Ecsponent Investment Holdings (Pty) Ltd (subsidiary of Capital)	-	81 940
Ecsponent Projects (Pty) Ltd (subsidiary of Capital)	29 780	(4 873)
<b>Amounts included in Trade receivable / (Trade Payable) regarding related parties</b>		
Ecsponent Investment Holdings (Pty) Ltd (subsidiary of Capital)	(50)	-



Ecsponent Business Finance (Pty) Ltd (subsidiary of Capital)	(247)	-
--	-------	---

**Related party transactions**

**Interest (received from) / paid to related parties**

Ecsponent Capital (RF) Limited	(68 293)	(14 110)
Ecsponent Investment Holdings (Pty) Ltd (subsidiary of Capital)	(25 194)	(18 644)
Ecsponent Investment Holdings (Pty) Ltd (subsidiary of Capital)	2 486	-
Ecsponent Business Finance (Pty) Ltd (subsidiary of Capital)	(676)	-

**Administration fees paid to (received from) related parties**

Ecsponent Capital (RF) Limited	(4 471)	(5 962)
Ecsponent Investment Holdings (Pty) Ltd	(1 170)	(3 240)
Return on Innovation (Pty) Ltd (subsidiary of Capital up to 28 Feb 2016)	(216)	-
Ecsponent Investment Holdings (Pty) Ltd	50	-

**Commission paid to (received from) related parties**

Ecsponent Business Finance (Pty) Ltd	(2 069)	(1 500)
Ecsponent Investment Holdings (Pty) Ltd	(500)	-

**Recoveries paid to (received from) related parties**

Ecsponent Capital (RF) Limited	564	-
Ecsponent Business Finance (Pty) Ltd	(40)	-
Ecsponent Investment Holdings (Pty) Ltd	(37)	-
Return on Innovation (Pty) Ltd	117	-

**11. FINANCIAL INSTRUMENTS – 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 with unobservable inputs for the asset are disclosed below.

Financial instrument carried at fair value	<b>Reviewed 31 December 2016</b>	
	<b>Carrying value - Designated at fair value R'000</b>	<b>Fair value - Level 3 R'000</b>

Other financial assets	-	-
------------------------	---	---

Financial instrument carried at fair value	<b>Audited 31 December 2015</b>	
	<b>Carrying value - Designated at fair value R'000</b>	<b>Fair value - Level 3 R'000</b>



Other financial assets	8 874	8 874
------------------------	-------	-------

<b>Financial instrument carried at fair value</b>	<b>Reviewed 31 December 2016</b>	<b>Audited 31 December 2015</b>
Fair value gains recognised in profit and loss	-	5 639

<b>Financial instrument carried at fair value</b>	<b>Reviewed 31 December 2016</b>	<b>Audited 31 December 2015</b>
Opening balance at the start of the period	8 874	3 241
Purchases & revaluations	126	5 854
Transfer of realised gains recognised in profit and loss	-	(221)
Disposal of financial instrument	4 (9 000)	-
Balance at the end of the period	-	8 874

### **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 December 2015.

## **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. There has been no change in the basis of operational segmentation or in the basis of measurement of segment profit or loss since the 2015 annual financial statements.

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

### **Period ended 31 December 2016**

<b>Operating Segment</b>	<b>Total Assets R' 000</b>	<b>Revenue R' 000</b>	<b>Operating profit / (loss) R'000</b>
Financial Services	1 330 826	379 866	229 536
Private equity	59 200	63 143	(5 900)
Collections	4 548	3 160	(3 708)
Corporate	908 915	77 041	85 440
Eliminations	(1 239 303)	(221 718)	(166 316)
Group total	1 064 186	301 492	139 052



Transferred to discontinued operations	(251 577)	(56 492)	(9 781)
Total continued operations	<b>812 609</b>	<b>245 000</b>	<b>129 271</b>

<b>Geographic Segment</b>	<b>Total Assets</b>	<b>Revenue</b>	<b>Operating profit / (loss)</b>
	<b>R' 000</b>	<b>R' 000</b>	<b>R'000</b>
South Africa	1 779 399	417 439	264 261
Botswana	378 525	74 332	31 737
Swaziland	132 453	29 285	12 658
Namibia	244	513	65
Zambia	12 869	1 642	(3 353)
Eliminations	(1 239 303)	(221 718)	(166 316)
Group total	1 064 186	301 492	139 052
Transferred to discontinued operations	(251 577)	(56 492)	(9 781)
Total continued operations	<b>812 609</b>	<b>245 000</b>	<b>129 271</b>

### Year ended 31 December 2015

<b>Operating Segment</b>	<b>Total Assets</b>	<b>Re-presented Revenue</b>	<b>Re-presented Operating profit / (loss)</b>
	<b>R' 000</b>	<b>R' 000</b>	<b>R'000</b>
Financial Services	710 672	132 833	65 193
Private equity – Biotechnology	36 088	39 623	(5 644)
Collections	8 802	16 209	(258)
Corporate	355 853	57 728	30 618
Eliminations	(645 236)	(86 679)	(42 528)
Group total	466 179	159 712	47 381
Transferred to discontinued operations	-	(24 740)	(4 038)
Total continued operations	<b>466 179</b>	<b>134 972</b>	<b>43 343</b>

<b>Geographic Segment</b>	<b>Total Assets</b>	<b>Revenue</b>	<b>Operating profit / (loss)</b>
	<b>R' 000</b>	<b>R' 000</b>	<b>R'000</b>
South Africa	834 788	190 292	63 494
Botswana	183 856	40 956	20 969
Swaziland	81 321	13 438	6 362
Namibia	187	562	(157)
Zambia	11 263	1 143	(759)
Eliminations	(645 236)	(86 679)	(42 528)
Group total	466 179	159 712	47 381
Transferred to discontinued operations	-	(24 740)	(4 038)
Total continued operations	<b>466 179</b>	<b>134 972</b>	<b>43 343</b>

### 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.

The Board has undertaken a process of rationalising the Group's operations and investments and has announced a series of financial transactions designed to streamline operations and re-align the Group for increased strategic growth. These transactions ensure uncompromising focus on its core business of SME and enterprise finance and private equity, with the Group disposing of all other assets not aligned to these activities. The transactions are conditional upon obtaining the requisite shareholder approvals during the general meeting of shareholders, scheduled for 30 March 2017.

#### *Disposals*

1. the disposal of the Company's 51% interest in, and loan accounts against, Clade Investment Management Proprietary Limited ("Clade") to Ecsponent Capital (RF) Limited ("Capital") for a total consideration of R15 500 000 ("the Clade Disposal");
2. the disposal of the Company's 70% interest in, and loan accounts against Ecsponent Holdings Proprietary Limited, incorporated in Botswana ("ECS Holdings"), to Ecsponent Projects Proprietary Limited ("Projects"), for a consideration of P34 000 000 ("the ECS Holdings Disposal");
3. the disposal of a portion of the business of Ecsponent Development Fund Proprietary Limited ("EDF"), as a going concern, to Ecsponent Investment Holdings Proprietary Limited ("EIH"), for a consideration of R120 150 000 ("the EDF Disposal");
4. the issue of 1 500 000 new shares by Ecsponent Financial Services Limited ("EFS Zambia"), equating to 75% of the total issued share capital in EFS Zambia 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%; and
5. the disposal of the Company's 50% interest in Sure Choice Proprietary Limited ("Sure Choice") to GetBucks Limited ("GetBucks BW"), for a sale consideration of P10 000 000 ("the Sure Choice Disposal").

#### *Acquisitions*

1. The Board has proposed the acquisition by Ecsponent Limited, incorporated in Botswana ("ECS Botswana"), of 10.002% of the issued share capital of MyBucks SA ("MyBucks") from Projects for a purchase consideration of R262 570 000 ("the MyBucks Acquisition") as part settlement on the Loan Account reducing the balance on the Loan Account following the Disposals and the Loan Consolidation.

#### *Loan consolidation*

1. In addition to the above Disposals, the various parties to the Disposals, and/or their group companies, have agreed to undertake a process to consolidate various loan accounts due to and from the various parties and/or their group companies, resulting in one single loan account ("the Loan Account") between Ecsponent Treasury Services Limited ("ECS Treasury") and Capital ("the Loan Consolidation").

The following events initiated during the period, were concluded post the reporting period end:

#### *Rights offer*

In terms of the Rights Offer, 135 758 403 new ordinary Ecsponent shares ("Rights Offer Shares") were allocated to qualifying shareholders and Mason Alexander (Pty) Ltd ("the Underwriter"), resulting in R20 363 760.50 being received from the Rights Offer which concluded on 24 February 2017. Following the issue of the Rights Offer Shares, Ecsponent has 1 067 528 399 ordinary shares in issue.

## **14. CORPORATE ACTIONS**



During the financial period ended 31 December 2016, the following corporate actions were implemented by the Group:

#### Related party acquisitions

EDF, a subsidiary of the Company, acquired the business conducted by Ecsponent Investment Holdings Proprietary Limited ("EIH") as a going concern ("the EIH Transaction"). The EIH Transaction was approved by the requisite number of shareholders votes at a general meeting held on 3 May 2016 and became effective on 30 June 2016.

#### Class G Preference Shares

At the annual general meeting held on 25 August 2015, shareholders approved the creation of an additional Class G preference share, which contains provisions for conversion into ordinary shares on certain default events. Specific approval for the issue of convertible Class G shares was obtained from shareholders at a general meeting held on 3 May 2016, however none have been issued to date.

#### Issue of ordinary shares to Directors

The Company's remuneration committee approved the partial settlement of directors' fees for the non-executive directors and for the executive directors' salaries through the issue of ordinary shares to the directors in lieu of a cash settlement of the fees ("the Directors' Issue"). The issue was approved by the requisite number of shareholders at a general meeting held on 3 May 2016.

#### Odd lot offer and specific repurchase

The Company undertook an odd-lot offer and a specific repurchase of ordinary shares at 20.55 cents per share to reduce the ongoing administration costs associated with the Company's large minority ordinary shareholder base, as follows:

- an odd-lot offer to repurchase holdings equal to or less than 532 ordinary shares ("the Odd-Lot Offer");
- a specific offer to repurchase holdings of more than 532 ordinary shares and equal to or less than 10 000 ordinary shares ("the Specific Repurchase").

In terms of the Odd-Lot Offer and the Specific Repurchase, a total of 542 758 ordinary shares were repurchased and subsequently cancelled. The Odd-Lot Offer and the Specific Repurchase was approved by shareholders in a general meeting on 3 May 2016 and became effective on 19 August 2016.

#### Amendment of the Memorandum of Incorporation

The Company's MOI was amended to specifically allow the Company to expropriate shares pursuant to the Odd-Lot Offer. The amendment was approved by the requisite number of shareholders at a general meeting held on 3 May 2016.

#### Related party acquisition and disposals

The Board has undertaken a process of rationalising the Group's operations and investments and on 20 December 2016 announced a series of financial transactions designed to streamline operations and re-align the Group for increased strategic growth. Please refer to note 13 for details related to the Transactions.

#### Rights offer

Shareholders were advised on 10 October 2016 that Ecsponent intended to raise up to R50 million by way of a partially underwritten renounceable rights offer ("the Rights Offer").

In terms of the Rights Offer, 333 333 292 new ordinary Ecsponent shares ("Rights Offer Shares") were offered to Ecsponent shareholders recorded in Ecsponent's share register at the close of business on Friday, 10 February 2017 ("Record Date"), at a subscription price of 15 cents per Rights Offer Share.

## **15. SHARE CAPITAL**

The following ordinary shares were issued during the 12 months ended 31 December 2016.





	<b>Number of shares</b>	<b>Issued share capital</b>	<b>Total</b>
	<b>'000</b>	<b>R'000</b>	<b>R'000</b>
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	2 113	2 113
Closing balance 31 December 2016	<b>931 770</b>	<b>124 073</b>	<b>124 073</b>

## 16. DIVIDENDS

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

The Company has issued and listed three classes of Preference Shares 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; and
- Class C – prime plus 4% floating rate monthly dividend.

Preference Share dividends and interest of R74.2 million accrued to investors for the 12 months ended 31 December 2016. 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

The following changes in the directorate took place during the period, effective 1 October 2016:

- Mr TP Gregory (previous Chief Operating Officer) was appointed as the Company and Group's Chief Executive Officer ("CEO");
- Mr E Engelbrecht resigned as Company and Group CEO and retained a position as non-executive director on the Board; and
- Mr P Matute was appointed as a non-executive director on the Board.

The following changes in the directorate took place after the reporting period ending 31 December 2016, effective 20 March 2017:

- Mr G Manyere was appointed as a non-executive Vice Chairman to the Ecsponent Board;
- Mr W Oberholzer was appointed as independent non-executive director to the Ecsponent Board as well as a member of the Audit Committee.

## 19. COMPANY SECRETARY

During the period, Mr. D van der Merwe was appointed as the company secretary.

## 20. AUDITORS

At the Annual General Meeting held on 27 May 2016, shareholders reappointed Nexia SAB&T as the independent external auditors of the Group for the 2016/2017 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 Reviewed Second Interim Financial Statements for the 12 months ended 31 December 2016 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

31 March 2017

**Directors:** RJ Connellan\* (Chairman), KA Rayner\*, BR Topham\*, W Oberholzer\*, E Engelbrecht #, 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:** Acacia House, Green Hill Village Office Park, on Lynnwood, Cnr Botterklapper and Nentabos Street, The Willows, Pretoria East, PO Box 39660, Garsfontein East 0060

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

**Auditors:** Nexia SAB&T Inc.

**Sponsor:** Questco (Pty) Ltd

