

Directors' statutory report

Nature of the business

Ecsponent is a rapidly growing African financial services group with multiple subsidiaries and a footprint across South Africa, Botswana, Swaziland, Zambia and Namibia. The group predominantly creates wealth by investing in companies that offer a range of niche financial services. These services vary in different jurisdictions of operation. The core business pillars include Investment Services, Business Credit and Equity Holdings.



Review of operations

Commentary is given under the CEO's report on page 6 and the consolidated financial statements on pages 50 to 157.

Acquisitions

The group acquired a controlling interest in **Return on Innovation (Pty) Ltd** effective on 1 March 2016, which holds the computer software and related intellectual property to provide 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.

Ecsponent acquired 51% of the ordinary share capital of **Clade Investment Management (Pty) Ltd** and its wholly owned subsidiary **Exchange Traded Fund (Pty) Ltd**, effective 30 June 2016.

EDF, a 74% owned subsidiary of the company at the date of acquisition, 30 June 2016, agreed to acquire the business conducted by Ecsponent Investment Holdings (Pty) Ltd as a going concern.

On 30 March 2017, the group acquired 1 100 000 foreign denominated listed equities, representing 10% 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. MyBucks SA provides financial products such as banking, lending, insurance, credit reports, and budgeting tools. It has operations in 14 countries including South Africa, Botswana, Kenya, Malawi, Zimbabwe, Spain, Poland and Australia.

Disposals

Exit retail credit in Swaziland Ligagu Investment Proprietary Limited, trading as GetBucks Swaziland

The group exited the retail credit sector in SA in 2015 and in line with the group strategy, it disposed of its entire 51% interest in Ligagu Investment Proprietary Limited, trading as GetBucks Swaziland for a total consideration of R16 million. The group continues to provide SME credit to GetBucks on a secured basis. The proceeds from the sale was deployed in the provision of SME and enterprise credit. The transaction was effective 30 June 2016.

Ecsponent Business Finance (Pty)

Ecsponent also disposed of its acquired debt books to Ecsponent Business Finance (Pty) Ltd ("EBF"), effective on 28 February 2016, for a purchase consideration of R9 million.

Alignment of core operations

Through the transactions described below, Ecsponent committed its resources to the core business of providing small to medium enterprise (SME) finance, enterprise development finance, and equity investments.

The focused operational structure is likely to be more beneficial to the group's profitability. By reducing the span of operations, increased attention will be applied to core business operations. As a result, cash will be deployed into core assets, overhead costs and general infrastructure requirements will be reduced, thereby improving performance ratios.

The disposals included:

1. 51% interest and loan accounts in Clade Investment Management (for a total consideration of R16.5 million).
2. 70% interest and loan accounts in Ecsponent Holdings, incorporated in Botswana, (for a purchase consideration of just over P30.3 million).

The operations of both Clade and Ecsponent Holdings require a more diversified business portfolio, requiring extended management infrastructure and further capitalisation.

3. A portion of the business of Ecsponent Development Fund as a going concern (for a purchase consideration of R83.4 million).

This transaction enables Ecsponent to target the corporate sector of the enterprise development market and further reduces infrastructure requirements. The demand for enterprise development finance far outstrips the supply, not only in South Africa but across the continent. Therefore, providing enterprise development finance remains an exciting opportunity for the group. However, as this business has developed, it has become clear that there are distinct markets, requiring different levels of service and support.

In addition, the group has continued its exit from the provision of retail credit. This relates to:

4. The group's disposal of its 50% interest in Sure Choice, incorporated and operating in Botswana, to GetBucks (for a purchase consideration of P10 million); and
5. Its agreement to dilute its interest in Ecsponent Financial Services Zambia (EFS Zambia) from 100% to 25%, through an issue of shares by EFS Zambia to GetBucks MU.

The relevant regulatory approvals for the disposal of Sure Choice and the dilution of shareholding in Ecsponent Services Zambia (EFS Zambia) were not yet effective on 31 March 2017 and therefore these assets and liabilities of the disposal groups were classified as discontinued operations, held for sale.

The combined results of the discontinued operations included in the profit for the period are set out on page 111.

The comparative profit or loss from discontinued operations have been re-presented to include those operations classified as discontinued during the current period.

Ecsponent disposed of non-core assets at a gain of R83.1 million and refined its focus on core business operations.

Ordinary dividends

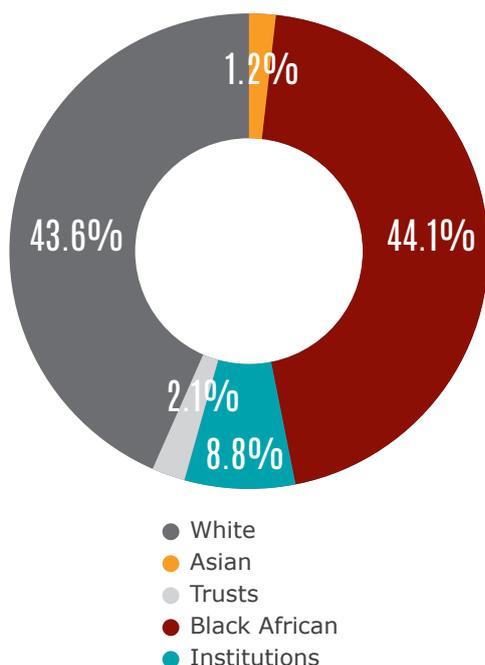
The company's dividend policy is to consider an interim and a final dividend in respect of each financial period. At its discretion, the board may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board may pass on the declaration of dividends.

No dividends have been declared and no dividend is proposed.

Share capital

During the current period, the issued ordinary share capital of the company increased by 177 962 746 shares to 1 079 550 795 (2015: 901 588 049). For more information, refer to Note 12 on page 88 of the consolidated financial statements.

Indicative demographic spread of shareholders



Corporate actions

In addition to those mentioned in the notes above, a number of corporate actions were concluded during the reporting period. Details of these transactions can be found in notes 37 and 38 on pages 126 to 135.

Events after the reporting period

The directors are not aware of any material event, other than the matters listed in the financial statements. Refer to the CEO and Chairman's reports for more information

about these developments. For more information, please consult note 29 (Events after the reporting date), set out on page 116 of the consolidated financial statements.

Borrowing powers

In terms of the Memorandum of Incorporation of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate, subject to the delegation of authority approved by the board. The board has passed a resolution to limit the group borrowings to R500 million, excluding the liabilities related to the R5bn preference share programme, and provided the shareholders with written notice thereof.

Shareholders approved at the last AGM a general authority allowing the company to enter into direct or indirect funding agreements in terms of Section 44 and 45 of the Act.

At 31 March 2017, the group's borrowings, including the preference share liabilities, totalled R939.3 million (2015: R342.1 million).

Consolidated financial statements and accounting policies

The consolidated and company consolidated financial statements have been prepared in accordance with IFRS and in the manner required by the Companies Act, the SAICA Financial Reporting Guidelines and the JSE Listings Requirements. The principal accounting policies adopted in preparation of these financial statements are consistent with those of the prior period, as set out in note 1 on page 56.

Non-current assets

The group entered into an agreement to dispose of both its retail business in Botswana and Zambia. The assets related to these disposal groups were classified as 'held for sale' during the current financial period, amounting to R124.3 million. For more detail in this regard, please refer to note 28, page 113. Other movements in non-current assets relate to intangible assets, property, plant and equipment and other financial assets as detailed in notes 3, 4 and 6.

As at 31 March 2017 the group's non-current assets amounted to R713 million (2015: R130.4 million).

Directorate

Full details of the current Board of Directors appear on pages 18 and 19.



For more information about the rights, duties and responsibilities of directors, visit <https://www.ecsponentlimited.com/governance/> where you will also be able to view Ecsponent's Memorandum of Incorporation.

Directors' interest in the company

At 31 March 2017 the directors' direct and indirect beneficial interests in the company amounted to 63.6% (2015: 60%). The difference in shareholding is mainly attributable to the change in ownership of the majority shareholding to Mason Alexander (Pty) Ltd. For more details please refer to note 34 of the consolidated financial statements set out on page 122.

No associates of any of the directors held any shares at 31 March 2017 or at the date of approval of the consolidated financial statements.

Directors' interest in contracts

During the financial period the following contracts were entered into in which E Engelbrecht (Non-executive director of the group) had an indirect interest:

- The acquisition of the business of Ecsponent Investment Holdings (Pty) Ltd (as detailed in note 37);
- The acquisition of the non-controlling interest in MyBucks SA (as detailed in note 6);
- The disposal of the group's 51% interest in Clade Investment Management (Pty) Ltd (as detailed in note 38);
- The disposal of the group's 70% interest in Ecsponent Holdings (Pty) Ltd (Botswana) (as detailed in note 38); and
- The disposal of a portion of the business of Ecsponent Development Fund (Pty) Ltd (as detailed in note 38).
- The disposal of the acquired debt books (as detailed in note 38).

No other transactions or contracts were entered into by directors or officers of the group which affected the business of the group.

Interest in subsidiaries

Ecsponent Limited is the holding company of several operating subsidiaries incorporated in the consolidated group financial statements. The relevant investments in subsidiaries, including the interest of the group in the profits and losses of its subsidiaries for the period ended 31 March 2017, are disclosed in note 5 of the consolidated financial statements (page 75).

Holding company

Ecsponent Capital (RF) Ltd, which held 56.81% of Ecsponent Limited disposed of 34.9% to Mason Alexander (Pty) Ltd on 26 September 2016, resulting in the loss of control by the controlling shareholding. Mason Alexander also underwrote a rights offer to the order of R20 million, which added another 12.6% to the company's total shareholding.

Special resolutions

Special resolution number 1 Amendment of Memorandum of Incorporation regarding odd-lot offers

"RESOLVED THAT, the Memorandum of Incorporation of the company be amended to allow the company to expropriate shares from odd-lot shareholders who have not made an election to either retain or sell their shares pursuant to an odd-lot offer. Accordingly, it is resolved that the following definitions and paragraphs be included in the Memorandum of Incorporation:

- i. "Odd-lot" means any total holding by a securities holder of less than 100 (one hundred) securities (or such other number as may be permitted by the JSE), or any total holding by a securities holder of 100 (one hundred) securities (or such other number as may be permitted by the JSE) or more, provided that it can be illustrated to the JSE that the cost associated with a securities holder disposing of such number of securities is equal to or exceeds the total value of such number of securities."
- ii. "Odd-lot holdings" means holdings by securities holders of odd-lots."
- iii. "Odd-lot offer" means an offer by the company to the holders of odd-lots."
- iv. "if, upon the implementation of any odd-lot offer made by the company, or pursuant to or following any odd-lot offer made by the company which is unconditional, there are securities holders with odd-lot holdings, then, unless such securities holders have specifically elected to retain their odd-lot holdings the directors shall be entitled to repurchase the odd-lot holdings on such basis as the directors may determine and the company shall account to such securities holders for the proceeds attributable to them pursuant to the sale of such odd-lot holdings, provided that:
 - the odd-lot offer has been approved by ordinary shareholders in a general meeting, in accordance with the Listings Requirements of the JSE; and
 - the odd-lot offer has been approved at a meeting of the holders of the class of securities which will be the subject matter of the odd-lot offer."

Explanatory note

Paragraph 5.124(d) of the Listings Requirements require the company's MOI to specifically allow for the expropriation of shares from odd-lot shareholders who have not made an election to either retain or sell their shares pursuant to an odd-lot offer.

This special resolution requires approval by at least 75% of the shareholders who are present in person or represented by proxy at the General Meeting and who are entitled to vote thereat, in accordance with section 65(9) of the Companies Act and the Memorandum of Incorporation.

Special resolution number 2

Specific approval for the repurchase of Shares pursuant to the Odd-lot Offer

"RESOLVED THAT the company be and is hereby authorised to approve and implement a specific repurchase of shares pursuant to the odd-lot offer (as defined in the circular to which this notice is attached), from the odd-lot shareholders (as defined in the circular to which this notice is attached) who elect to sell their shares to Ecsponent and, and subject to the passing of Special Resolution Number 1, to expropriate by way of a repurchase of odd-lot shares from the odd-lot shareholders who do not make an election to sell or retain their odd-lot holding, and that all such repurchased odd-lot shares will be submitted for cancellation, delisting and restoring to the status of authorised capital, it being further recorded that such odd-lot offer will be at a price equal to the thirty-day volume weighted average price of an Ecsponent share immediately prior to the Last Practicable Date of the Circular (as defined in the circular to which this notice is attached), and on such further terms and conditions as contained in the circular to which this notice is attached."

Explanatory note

In terms of paragraph 5.69(b) the Listings Requirements, the specific repurchase of shares by the company requires approval from shareholders by way of a special resolution, excluding the votes of shareholders who are participating in the said repurchase and their associates. Further, in terms of paragraph 5.124 of the listings requirements, shareholders are required to approve the odd-lot offer in order to allow for the expropriation of odd-lot shares pursuant to the odd-lot offer.

In order for this special resolution to be adopted, at least 75% of the shareholders who are present in person or represented by proxy at the general meeting and who are entitled to vote thereat must vote in favour of the resolution. Odd-lot shareholders, and their associates (as such term is defined in the Listings Requirements) will, in terms of the Listings Requirements, be excluded from voting in respect of this Special Resolution.

Special resolution number 3

Specific approval for the repurchase of Shares pursuant to the Specific Offer

"RESOLVED THAT the company be and is hereby authorised to approve and implement a specific repurchase of shares pursuant to the specific offer (as defined in the circular to which this notice is attached), from the target shareholders (as defined in the circular to which this notice is attached) who elect to sell their shares to Ecsponent, and that all such repurchased shares will be submitted for cancellation, delisting and restoring to the status of authorised capital, it being further recorded that such specific offer will be at a price equal to the thirty-day volume weighted average price of an Ecsponent share immediately prior to the last practicable date of the circular (as defined in the circular to which this notice is attached), and on such further

terms and conditions as contained in the circular to which this notice is attached."

Explanatory note

In terms of paragraph 5.69(b) the Listings Requirements, the specific repurchase of shares by the company requires approval from shareholders by way of a special resolution, excluding the votes of shareholders who are participating in the said repurchase and their associates. In order for this special resolution to be adopted, at least 75% of the shareholders who are present in person or represented by proxy at the General Meeting and who are entitled to vote thereat must vote in favour of the resolution. Target shareholders, and their associates (as such term is defined in the Listings Requirements) will, in terms of the Listings Requirements, be excluded from voting in respect of this Special Resolution.

Statement by the Directors of Ecsponent (in relation to both special resolution 2 and special resolution 3)

The directors, after considering the effect of the odd-lot offer and the specific offer are of the opinion that, for a period of 12 months following the date of the circular:

- the group will be able in the ordinary course of business to pay its debts;
- assets of the group will be in excess of the liabilities of Ecsponent and the group;
- the share capital and reserves of the group will be adequate for ordinary business requirements;
- the working capital of the group will be adequate for ordinary business purposes; and
- Ecsponent has passed the solvency and liquidity test and that since the test was done there has been no material changes to the financial position of the group.

Special resolution number 4

Approval for the issue of shares to directors

"RESOLVED THAT, the issue of ordinary shares to directors of the company in lieu of a cash settlement of directors' fees and remuneration, limited to 15 000 000 ordinary shares, and on the terms and conditions set out in the circular to which this notice is attached, be and is hereby approved.

Explanatory note

In addition to ordinary resolution number 3, the approval of shareholders is also required by way of a special resolution in terms of section 41(1) of the Companies Act, requiring the approval of 75% of the shareholders who are present in person or represented by proxy at the General Meeting and who are entitled to vote thereat.

Special resolution number 5

Approval for the issue of shares with voting rights in excess of 30% of the voting rights of shares currently in issue in terms of Section 41(3) of the Companies Act, 2008

"RESOLVED THAT, the company be authorised to issue multiple tranches of Class G Preference Shares under the Programme, which are potentially convertible in terms of the provisions of the memorandum of incorporation into

ordinary shares, which voting power of ordinary shares may be equal to or exceed 30% of the voting power of ordinary shares in issue at the time of such a conversion, which approval will endure indefinitely.”

Explanatory note

Section 41(3) of the Companies Act requires shareholders to approve the issue of securities by way of a special resolution, if the voting rights of such securities exceeds 30% of the voting rights in issue prior to the transaction.

Ecsponent Limited Special Resolutions May 2016

Special resolution number 1

Non-executive directors' remuneration

“RESOLVED THAT: the approval of the remuneration payable to the non-executive directors for the financial year ending 31 December 2016 and until the next annual general meeting be and is hereby approved as follows:

- RJ Connellan (Chairman of the Board, Nominations Committee and the Social and Ethics Committee)
 - Retainer per annum (Maximum): R500 000
- BR Topham (director and chairman of the audit and risk committee)
 - Retainer per annum (Maximum): R500 000
- KA Rayner (director and chairman of the remuneration committee)
 - Retainer per annum (Maximum): R R500 000”

Explanatory note on special resolution number 1

In terms of Section 69(9) of the Act, shareholders are required to approve the remuneration of directors. This special resolution requires a vote of 75% of shareholders present and eligible to vote at the General Meeting.

Special resolution number 2

General authority to enter into funding agreements, provide loans or other financial assistance

“RESOLVED THAT: in terms of Section 44 and 45 of the Act, the company be and is hereby granted approval to enter into direct or indirect funding agreements or guarantee a loan or other obligation, secure any debt or obligation or to provide loans or financial assistance between subsidiaries or between itself and its directors, prescribed officers, subsidiaries, or any related or inter-related persons from time to time, subject to the provisions of the JSE Listings Requirements, and as the directors in their discretion deem fit.”

Explanatory note on special resolution number 2

The purpose of this resolution is to enable the company to enter into funding arrangements with its directors, prescribed officers, subsidiaries and their related and inter-related persons and to allow intergroup loans between subsidiaries. This special resolution requires a vote of 75% of shareholders eligible to vote.

Special resolution number 3

Repurchase of the company's ordinary shares

“RESOLVED THAT, as a general approval, the directors of the company be and they are hereby authorised, subject to provision of section 48, read with section 46 of the Act and of the JSE Listings Requirements, to approve the purchase by the company of its own ordinary shares, and the purchase of ordinary shares in the company by any of its subsidiaries, upon such terms and conditions and in such amounts as the board may from time to time determine, provided that:

- i. the repurchase of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- ii. this general authority shall only be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 months from the date of passing of this special resolution;
- iii. in determining the price at which the company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be repurchased will be 10 per cent of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the five trading days immediately preceding the date on which the transaction is effected;
- iv. the repurchase of ordinary shares shall not in the aggregate in any one financial year exceed 20 per cent of the company's issued ordinary share capital;
- v. the company may only effect the repurchase once a resolution has been passed by the board confirming that the board has authorised the repurchase, that immediately after the repurchase the company would satisfy the solvency and liquidity tests, and that since this was done there have been no material changes to the financial position of the group;
- vi. the company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless a repurchase programme is in place and the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The issuer must instruct an independent third party, which makes its investment decisions in relation to the issuer's securities independently of, and uninfluenced by, the issuer, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- vii. an announcement, containing full details of acquisitions in accordance with section 5.79 and 11.27 of the JSE Listings Requirements, will be published once the company has cumulatively repurchased three per cent of the number of the ordinary shares in issue at the time this general authority is granted (initial number), and for each three per cent in aggregate of the initial number acquired thereafter; and

viii. at any point in time, the company may only appoint one agent to effect any acquisition/s on its behalf.”

Explanatory note on special resolution number 4

The purpose of this resolution is to enable the company to buy back its ordinary shares should the opportunity arise. This special resolution requires a vote of 75% of shareholders eligible to vote. Refer to Annexure 3 of this notice for the disclosures and working capital statements as required in terms of paragraph 11.26 of the JSE Listings Requirements.

Special resolution number 4

Repurchase of the company's preference shares

“RESOLVED THAT, as a general approval, the directors of the company be and they are hereby authorised, subject to provision of section 48, read with section 46 of the Act and of the JSE Listings Requirements, to approve the purchase by the company of any of its classes of preference shares, and the purchase of such preference shares in the company by any of its subsidiaries, upon such terms and conditions and in such amounts as the board may from time to time determine, provided that:

- i. the repurchase of any preference shares must be effected through the order book operated by the JSE's trading system and done without any prior understanding or arrangement between the company and the counterparty;
- ii. this general authority shall only be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 months from the date of passing of this special resolution;
- iii. in determining the price at which the company's preference shares are acquired in terms of this general authority, the maximum premium at which such preference shares may be repurchased will be 10 per cent of the weighted average of the market value at which such preference shares are traded on the JSE, as determined over the five trading days immediately preceding the date on which the transaction is effected;
- iv. the repurchase of any class of preference shares shall not in aggregate in any one financial year exceed 20 per cent per class of issued preference share of the company's issued preference share capital;
- v. the company may only effect the repurchase once a resolution has been passed by the board confirming that the board has authorised the repurchase, that immediately after the repurchase the company would satisfy the solvency and liquidity tests, and that since this was done there have been no material changes to the financial position of the group;
- vi. the company or its subsidiaries may not repurchase preference shares during a prohibited period as defined by the JSE Listings Requirements, unless a repurchase programme is in place and the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The issuer must instruct an independent third party, which makes its investment decisions

in relation to the issuer's securities independently of, and uninfluenced by, the issuer, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;

- vii. an announcement, containing full details of acquisitions in accordance with section 5.79 and 11.27 of the JSE Listings Requirements, will be published once the company has cumulatively repurchased three per cent of any class of preference share in issue at the time this general authority is granted (initial number), and for each three per cent in aggregate of the initial number acquired thereafter; and
- viii. at any point in time, the company may only appoint one agent to effect any acquisition/s on its behalf.”

Explanatory note on special resolution number 4

The purpose of this resolution is to enable the company to buy back its ordinary shares should the opportunity arise. This special resolution requires a vote of 75% of shareholders eligible to vote. Refer to Annexure 3 of this notice for the disclosures and working capital statements as required in terms of paragraph 11.26 of the JSE Listings Requirements.

Ecsponent Limited Special Resolutions October 2016

Special resolution number 1

Approval of the issue of shares with voting rights in excess of 30% of the voting rights currently in issue

“RESOLVED THAT, in terms of section 41(3) of the Act, the company be approved to issue 333 333 292 authorised but unissued shares available for issue pursuant to the proposed rights offer, which will be equal to or exceed 30% of the voting power of all the shares of that class held by shareholders immediately before the rights offer.”

In order to be adopted, the abovementioned special resolution must be supported by 75% or more of the voting rights exercised on such resolution.

Ecsponent Limited Special Resolution March 2017

Special resolution number 1

Approval for the issue of shares to Directors

“RESOLVED THAT, the issue of ordinary shares to TP Gregory and B Shanahan, directors of the company, in lieu of a cash settlement of directors' remuneration, and on the terms and conditions set out in the circular to which this notice is attached, be and is hereby approved.

Explanatory note

This resolution requires the approval of shareholders by way of a special resolution in terms of section 41(1) of the Companies Act, requiring the approval of 75% of the

shareholders who are present in person or represented by proxy at the General Meeting and who are entitled to vote thereat.

The issue of shares to directors is also a specific issue of shares to related parties (as defined by the Listings Requirements) and accordingly, in terms of paragraph 5.51(g) of the Listings Requirements, requires the approval of shareholders by way of an ordinary resolution, requiring 75% of the shareholders who are present in person or represented by proxy at the General Meeting and who are entitled to vote thereat.

Going concern

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated financial statements 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 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.

Review of results and financial position

The net profit for the period (15 months) ended 31 March 2017 amounted to R67.6 million (2015: R19.9 million). This translates into earnings per share of 8.38 cents (2015: 2.59 cents) based on the weighted average number of shares in issue during the period.

The consolidated and company consolidated financial statements detailed on pages 50 to 157 provide adequate disclosure of the financial results and position for the financial period ended 31 March 2017.

Date of authorisation for issue of financial statement

The consolidated financial statements have been authorised for issue by the directors on 29 June 2017. No authority was given to anyone to amend the financial statements after the date of issue.

