METTLE INVESTMENTS LIMITED
(Registration Number: 2008/002061/06)
Incorporated in the Republic of South Africa
JSE share code: MLE ISIN: ZAE000257622
(**"Mettle"** or **"the Group"**)

CONDENSED CONSOLIDATED UNAUDITED INTERIM RESULTS OF THE METTLE GROUP FOR THE SIX MONTHS ENDED 31 AUGUST 2018

HIGHLIGHTS

- Reward Investments (No.2) Limited ("Reward") and Mettle Solar Africa Limited ("Mettle Solar Africa") acquired by Mettle from Tradehold Limited ("Tradehold") as part of a group restructure ("the Restructure")
- Mettle unbundled from Tradehold and listed on the JSE on 23 May 2018 with stated capital of R545.8 million
- Net asset value per share increased by 55% from 128 cents to 199 cents
- Profits for the period depressed by 'once-off' Restructure costs and a non-recurring write down of a loan book in an associate

DETAILS OF THE RESTRUCTURE

As detailed in Mettle's pre-listing statement dated 14 May 2018 ("PLS"), Tradehold invested a further R445.2 million in Mettle in May 2018 as part of the Restructure.

These funds were utilised as follows:

- R42 million settlement of shareholder borrowings due to Tradehold;
- R226.7 million subscription of ordinary shares in Reward (a wholly owned subsidiary of Tradehold prior to the Restructure);
- R162.8 million purchase of a loan claim against Reward from Tradegro S.a.r.l (a wholly owned subsidiary of Tradehold), which Reward then capitalised through the issue of shares;
- R6,499 purchase of 55% of the ordinary shares in Mettle Solar Africa (a joint venture) from Tradehold Africa Limited (wholly owned subsidiary of Tradehold); and
- R13.7 million purchase of the loan claim against Mettle Solar Africa from Tradehold Africa Limited.

The Group now owns 90% of Reward (based in Leeds in the UK). Reward owns 75% of Reward Finance Group Limited ("Reward Finance Group") which has three operating companies, namely Reward Capital, Reward Invoice Finance and Reward Trade Finance.

THE METTLE BUSINESS

Following the Restructure, Reward is now the largest contributor to the profits and net asset value of Mettle.

Reward provides asset secured short and medium-term loans and invoice discounting to the UK small and medium-sized enterprises ("SME") market. Loan sizes are between £50,000 and £2 million. Reward's strategy is to target SMEs that are not adequately serviced by traditional banks.

The South African businesses are involved mainly in lending, financial advisory and solar power solutions.

FINANCIAL PERFORMANCE REVIEW

The results include the South African businesses for six months and Reward for only three and a half months.

Revenue increased to R84.1 million for the six-month period ended 31 August 2018 (2017: R20.5 million), while profit attributable to shareholders increased to R9.4 million (2017: R5.9 million). Reward contributed R60.8 million to revenue and R12.3 million (£0.7million) to profit. Had Reward been consolidated for the full six-month period, the profit attributable to shareholders would have increased by an additional £0.5 million.

Earnings per share decreased by 16.6% from 6.09 cents to 5.08 cents while headline earnings per share decreased by 19.3% from 5.76 cents to 4.65 cents. The reconciliation between basic earnings and headline earnings is detailed in note 4.

The performance for the period was negatively impacted by once off Restructure costs of R4 million, new recurring listing related costs of R1 million and equity accounted losses of R2.8 million at Lendcor.

Lendcor provides unsecured loans for home improvements to the lower LSM market through a network of building supply merchants. The results of Lendcor have been negatively impacted by the changes to the bank accounts into which SASSA grants are paid. This has resulted in a non-recurring provision against a portion of Lendcor's loan book. Changes have been made to the business rules to ensure that this situation does not recur.

Reward's loan and invoice discounting book grew to R1.2 billion (£60.5 million) by 31 August 2018 from R1 billion (£57.5 million) at date of acquisition by Mettle. Reward has benefited from the continued uncertainty in the UK which has resulted in banks being hesitant to lend to smaller businesses. A new office has been opened in Manchester and additional qualified staff have been employed.

The remaining South African businesses have performed in line with budget.

The Rand has depreciated sharply against the Pound since the acquisition of Reward by Mettle and ended the period at R19.09 (from R16.88 at acquisition date). This resulted in a foreign currency translation reserve of R36.5 million in the Group results.

Net asset value per share has increased by 55% to 199 cents (2017: 128 cents), while tangible net asset value per share has increased by 63% to 196 cents (2017: 120 cents).

SHARE ISSUES

Mettle converted its ordinary shares from par value to no par value and increased its authorised ordinary share capital from 200 million to 500 million shares in May 2018.

On 14 May 2018 Mettle issued 40.2 million ordinary shares to Tradehold in settlement of borrowings due to the shareholder amounting to R42 million.

On 15 May 2018 Mettle issued 110.7 million ordinary shares to Tradehold for a consideration of R403.2 million.

ORDINARY DIVIDEND

The board has decided not to declare an interim dividend.

PROSPECTS

The results for the period under review contain several 'once off' items that will not recur in future periods. In addition, the results of Reward have only been consolidated into Mettle for three and a half months. As such, the directors expect the results for the 6 months ended 28 February 2019 to more accurately reflect the true operational potential of the Group's business.

Given the reliance of Mettle on the performance of Reward, the outcome of the Brexit negotiations is a source of both risk and opportunity. Once the Brexit negotiations have been finalised, the directors will be able to make a more accurate assessment of the potential impact on the business.

All businesses have sufficient facilities in place to support growth for the foreseeable future.

Mettle has concluded agreements for the acquisition of an indirect 49% shareholding in, and certain loan claims against, Christopher Finance Proprietary Limited as announced on SENS on 5 November 2018 (refer to note 8).

Any reference to future financial performance included in this statement has not been reviewed or reported on by the Group's external auditors and does not constitute an earnings forecast.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated unaudited interim financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for interim reports, and the requirements of the Companies Act, No 71 of 2008 applicable to interim financial statements.

The JSE Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated unaudited interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements except for the adoption of the following new standards, amendments to publicised standards and interpretations that became effective for the current reporting period beginning on 1 March 2018:

IFRS 9 Financial Instruments
IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces the expected credit loss model for the measurement of impairment allowances for financial assets. IAS 39 required an impairment allowance when there was objective evidence of default. IFRS 9 stipulates that the impairment allowance is based on the lifetime expected credit losses.

As the Group has historically incurred minimal bad debt write offs, the adoption of IFRS 9 has not had a material impact.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 replaces IAS 18 Revenue. IFRS 15 details the measurement, classification and disclosure of revenue from contracts with customers and establishes a five-step model to recognise revenue. The risk and reward criteria of IAS 18 no longer apply.

There was no impact from the adoption of IFRS 15 on the interim financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group's reportable segments reflect those components of the Group that are regularly reviewed by the chief executive officer and other senior executives who make strategic decisions.

Tangible net asset value per share
Tangible net asset value per share excludes goodwill and intangible assets from the calculation of the Group's net asset value, being the same manner in which tangible net asset value was calculated in the PLS. This is not a defined term under IFRS and may not be comparable with similar measures disclosed by other companies.

PREPARATION OF FINANCIAL RESULTS

The preparation of the financial results for the six months ended 31 August 2018 was supervised by the Group financial director, Justin Rookledge BBusSci Finance (Hons), CA (SA).

These financial results have not been audited or independently reviewed by the Group's external auditors, PricewaterhouseCoopers Inc.

The directors take full responsibility for the preparation of these interim results.

CHANGES TO BOARD AND COMPANY SECRETARY

The following changes to the Mettle board have taken place since the previous financial year end, being 28 February 2018:

JA Aitken	Resigned on 19 April 2018
WD Marais	Resigned on 19 April 2018
W Maree	Resigned on 19 April 2018
IHJ Visagie	Resigned on 19 April 2018
BA Chelius	Appointed on 19 April 2018
TM Flannery	Appointed on 19 April 2018
HRW Troskie	Appointed on 19 April 2018 and resigned on 12 September 2018
MVZ Wentzel	Appointed on 19 April 2018
RD Fenner	Appointed on 18 September 2018

RD Fenner is the lead independent non-executive director and chairman of the audit and risk committee.

Mettle Corporate Finance Proprietary Limited was appointed as company secretary on 19 April 2018.

F H Esterhuyse	H F Prinsloo
Chairman	CEO

9 November 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 August 2018 R'000	Audited 28 February 2018 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1 703**	592
Goodwill	**7 475**	7 475
Deferred taxation	**1 129**	1 142
Investments in joint ventures	**7 173**	7 073
Investments in associates	**49 466**	53 123
Loans due from associates	**35 016**	32 390
Loans due from joint ventures	**16 651**	-
Financial assets at fair value through profit or loss	**32 297**	31 234
Loan receivables	**29 263**	18 285
Total non-current assets	**180 173**	151 314
Current assets		
Taxation	**-**	1
Loans due from associates	**-**	8 189
Loan receivables	**1 196 451**	21 467
Trade and other receivables	**31 999**	35 826
Cash and cash equivalents	**91 500**	6 278
Total current assets	**1 319 950**	71 761
Total assets	**1 500 123**	223 075
EQUITY AND LIABILITIES		
Capital and reserves		
Stated capital	**545 828**	100 622
Retained income	**31 599**	22 198
	577 427	122 820
Foreign currency translation reserve	**36 530**	-
Common control reserve	**(121 226)**	-
Non-controlling interest	**55 723**	-
Total equity	**548 454**	122 820
Non-current liabilities		
Deferred taxation	**1 303**	309
Borrowings	**888 012**	43 757
Total non-current liabilities	**889 315**	44 066
Current liabilities		
Borrowings	**30 783**	9 462
Borrowings due to shareholders	**-**	42 000
Taxation	**9 043**	82
Provisions	**184**	329
Trade and other payables	**22 344**	4 316
Total current liabilities	**62 354**	56 189
Total equity and liabilities	**1 500 123**	223 075
Net asset value per share (cents)	**199**	128
Tangible net asset value per share (cents)	**196**	120

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 31 August 2018 R'000	Reviewed 31 August 2017 R'000
Revenue	**84 112**	20 472
Other income	**12 474**	2 563
Operating expenses	**(46 965)**	(11 961)
Profit from operations	**49 621**	11 074
Interest expense	**(20 674)**	(3 196)
(Loss)/profit from equity accounted investments	**(6 128)**	81
Profit before taxation	**22 819**	7 959
Taxation	**(7 733)**	(2 091)
Profit after taxation before non-controlling interest	**15 086**	5 868
Other comprehensive income		
Items that may be subsequently reclassified to profit		
Exchange difference on translation of foreign operation	**43 015**	-
Total comprehensive income	**58 101**	5 868
Profit attributable to:		
Equity holders of the parent	**9 401**	5 868
Non-controlling interest	**5 685**	-
	15 086	5 868
Total comprehensive income attributable to:		
Equity holders of the parent	**45 931**	5 868
Non-controlling interest	**12 170**	-
	58 101	5 868
Earnings per share (cents):		
- basic	**5.08**	6.09
- diluted	**5.08**	6.09

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	**Retained income R'000**	**Foreign currency translation reserve R'000**	**Common control reserve R'000**	**Non-controlling interest R'000**	**Total R'000**
Equity at 28 February 2017	100 622	6 364	-	-	-	106 986
Profit after taxation		15 834				15 834
Equity at 28 February 2018	100 622	22 198	-	-	-	122 820
Issue of ordinary shares	**445 206**					**445 206**
Acquisition of subsidiary				**(121 226)**	**49 464**	**(71 762)**
Profit after taxation		**9 401**			**5 685**	**15 086**
Other comprehensive income			**36 530**		**6 485**	**43 015**
Dividends paid to non-controlling interest					**(5 911)**	**(5 911)**
Equity at 31 August 2018	**545 828**	**31 599**	**36 530**	**(121 226)**	**55 723**	**548 454**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 31 August 2018 R'000	Reviewed 31 August 2017 R'000
Cash flows from operating activities		
Profit from operations	**49 621**	11 074
Non-cash items	**(10 830)**	(8 764)
Changes in working capital	**7 314**	(8 679)
Cash generated from/(utilised in) operations	**46 105**	(6 369)
Interest received	**4 382**	7 282
Interest paid	**(20 674)**	(216)
Dividends paid to non-controlling interest	**(5 911)**	-
Taxation paid	**(5 061)**	(1 235)
Net cash inflow/(outflow) from operating activities	**18 841**	(538)
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(393)**	(53)
Proceeds on disposal of property, plant and equipment	**81**	-
Acquisition of investment in joint venture	**(6)**	(4 000)
Cash outflow on acquisition of subsidiaries	**(318 097)**	-
Cash outflow on disposal of subsidiary	**(1 853)**	-
Purchase of financial assets at fair value through profit or loss	**-**	(30 474)
Loans advanced to associates	**(5 434)**	(9 940)
Loans recovered from associates	**8 189**	-
Loans advanced to joint ventures	**(14 140)**	-
Loan receivables advanced	**(883 809)**	(36 781)
Loan receivables recovered	**803 449**	40 632
Dividend received from associate	**2 000**	-
Dividend received from joint venture	**124**	-
Proceeds on disposal of asset held for sale	**-**	6 626
Net cash outflow from investing activities	**(409 889)**	(33 990)
Cash flow from financing activities		
Issue of ordinary shares	**403 206**	-
Repayment of borrowings	**(10 254)**	(1 571)
Receipt of borrowings	**72 942**	55 500
Repayment of borrowings due to shareholder	**-**	(613)
Receipt of borrowings due to shareholder	**-**	1 650
Net cash inflow from financing activities	**465 894**	54 966
Net increase in cash and cash equivalents	**74 846**	20 438
Effect of changes in exchange rate	**7 394**	-
Cash and cash equivalents at beginning of the period	**4 922**	10 611
Cash and cash equivalents at end of the period	**87 162**	31 049
As presented on the statement of financial position		
Cash and cash equivalents	**91 500**	31 049
Bank overdraft (included in current borrowings)	**(4 338)**	-
	87 162	31 049

SUPPLEMENTARY INFORMATION

1. BUSINESS COMBINATIONS

Acquisition of Gondotrix

Mettle acquired the other 50% of Gondotrix Proprietary Limited ("Gondotrix") on 31 March 2018 for R1. Gondotrix owns 100% of Mettle Credit Services Proprietary Limited ("MCS"). MCS provides a full spectrum of credit assessment, administration and account management services.

Gondotrix had the following assets and liabilities on acquisition date:

	Unaudited R'000
Recognised amounts of identifiable net assets	
Equipment	**157**
Trade and other receivables	**1 189**
Cash and cash equivalents	**1 413**
Trade and other payables	**(875)**
Taxation	**(121)**
	1 763
Fair value of consideration transferred	
Consideration settled in cash	**-**
Fair value of equity interest (associate) held before business combination	**(940)**
Bargain purchase gain	**823**
Cash flow on acquisition of subsidiary	
Cash and cash equivalents acquired with the subsidiary	**1 413**
Consideration settled in cash	**-**
	1 413

Disposal of Mettle Credit Services

Montsi Investments invested R1.8 million in MCS on 31 May 2018 and became a 51.1% shareholder. As a result, Mettle's indirect shareholding in MCS diluted to 48.9%.

MCS is now a level 2 B-BBEE contributor.

MCS had the following assets and liabilities on disposal date:

Equipment	**138**
Trade and other receivables	**1 028**
Cash and cash equivalents	**1 853**
Trade and other payables	**(903)**
Taxation	**(186)**
	1 930
Fair value of retained equity interest	**(1 845)**
Loss on disposal	**85**
Cash flow on disposal of subsidiary	
Cash and cash equivalents disposed with the subsidiary	**(1 853)**
Proceeds on disposal	**-**
	(1 853)

Acquisition of Reward

Mettle acquired 90% of Reward on 15 May 2018. Reward owns 75% of Reward Finance Group.

IFRS 3 Business Combinations was not applicable as this transaction was a combination of businesses under common control.

Reward had the following assets and liabilities on acquisition date:

	Unaudited R'000
Recognised amounts of identifiable net assets	
Equipment	**844**
Loan receivables	**969 824**
Trade and other receivables	**877**
Cash and cash equivalents	**70 001**
Borrowings	**(558 357)**
Borrowings – related parties	**(144 408)**
Trade and other payables	**(14 618)**
Taxation	**(6 414)**
	317 749
Non-controlling interest	**(49 464)**
	268 285
Fair value of consideration transferred	
Consideration settled in cash	**389 511**
Common control reserve	**121 226**
Cash flow on acquisition of subsidiary	
Cash and cash equivalents acquired with the subsidiary	**70 001**
Consideration settled in cash	**(389 511)**
	(319 510)

The Rand:Pound exchange rate on acquisition date was R16.88.

The Group has included revenue of £3.4 million and profit attributable to equity holders of the parent of £0.7 million relating to Reward (refer to note 6).

Had Reward been consolidated for the full six-month period, its contribution to revenue and profit attributable to equity holders of the parent would have increased to £5.8 million and £1.2 million, respectively.

2. BORROWINGS

	Unaudited 31 August 2018 R'000	Audited 28 February 2018 R'000
Non-current		
Small Enterprise Finance Agency SOC Limited ("SEFA")	**43 890**	43 757
Foresight Group ("Foresight")	**698 809**	-
Tradegro S.a.r.l ("Tradegro")	**145 313**	-
	888 012	43 757
Current		
Christina Wiese ("Wiese")	**20 999**	-
Small Enterprise Finance Agency SOC Limited ("SEFA")	**5 425**	5 547
FirstRand Bank Limited ("FirstRand")	**21**	2 560
Nedbank Limited ("Nedbank")	**4 338**	1 355
	30 783	9 462
	918 795	53 219

The borrowings from SEFA accrue interest at prime plus 1%. Interest is payable semi-annually with capital repayable in March 2020. The borrowings are secured by Group cash balances and loan and trade receivables of R68.8 million. The R50 million facility has been fully drawn down.

The borrowings from Foresight accrue interest at a fixed rate of 6.5% which is payable quarterly. The facility limit is £45 million until 31 December 2018 and £50 million from 1 January 2019. The repayment date is four years from each individual draw down with the first repayment due in August 2021. Foresight has a debenture over all assets of Reward Finance Group (including shares in its subsidiaries). The carrying value of these assets amount to R1.1 billion at the end of the period. The amounts owed by Reward Finance Group to Reward (R374.3 million) and Wiese (R21 million) are subordinated in favour of Foresight.

The borrowings from Tradegro (related party) are unsecured, accrue interest at sterling three-month LIBOR plus 6.5% and are repayable on 28 May 2020. Interest is capitalised.

The borrowings from Wiese (related party) are unsecured, accrue interest at sterling three-month LIBOR plus 4% and repayable on demand. Interest is paid monthly.

The R33 million facility from FirstRand accrued interest at prime less 1% and expired on 31 August 2018. The facility was secured by the Gray Swan Sanlam Collective Investments unit trust investments (R32.3 million). The terms of this facility were revised in October 2018. The R15 million overdraft facility is now secured by R10 million of the above unit trust investments and accrues interest at prime plus 1%. This facility is reviewed annually.

The unsecured R5 million overdraft facility from Nedbank accrues interest at prime which is settled monthly. This facility has been increased to R10 million in October 2018. This facility is reviewed annually.

	Unaudited 31 August 2018 R'000	Reviewed 31 August 2017 R'000

3. REVENUE

Fee income	**10 069**	5 926
Service fees	**16 614**	-
Discounting income	**8 256**	6 642
Interest income	**49 173**	7 904
	84 112	20 472

Revenue is split in geographical regions in note 6.

4. EARNINGS PER SHARE

Basic earnings per share (cents)	**5.08**	6.09
Diluted earnings per share (cents)	**5.08**	6.09
Headline earnings per share (cents)	**4.65**	5.76
Diluted headline earnings per share (cents)	**4.65**	5.76

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent with the weighted average number of ordinary shares in issue for the period.

Profit attributable to equity holders of the parent	**9 401**	5 868
Weighted average number of ordinary shares ('000)	**185 072**	96 292

Diluted earnings per share

The Group has no dilutive potential ordinary shares.

Headline earnings per share

Headline earnings per share is calculated by dividing the headline earnings with the weighted average number of ordinary shares in issue for the period.

Profit attributable to equity holders of the parent	**9 401**	5 868
Bargain purchase gain on acquisition of subsidiary	**(823)**	-
Loss on disposal of subsidiary	**85**	-
Profit on disposal of property, plant and equipment	**(81)**	-
Profit on asset held for sale	**-**	(326)
Tax impact of adjustments	**23**	-
Headline earnings	**8 605**	5 542
Weighted average number of ordinary shares ('000)	**185 072**	96 292

5. FAIR VALUE DISCLOSURES

The Group's financial instruments are measured at amortised cost besides the financial assets at fair value through profit or loss.

These financial assets are unit trust investments measured at quoted prices (level 1).

The carrying value of all other financial instruments approximate fair value.

6. SEGMENT INFORMATION

The Group has two reportable segments at 31 August 2018 (after the acquisition of Reward in the UK).

	Unaudited United Kingdom R'000	Unaudited South Africa R'000	Unaudited Total R'000
Revenue	**60 835**	**23 277**	**84 112**
Profit/(loss) attributable to equity holders of the parent	**12 305**	**(2 904)**	**9 401**
Total assets	**1 262 877**	**237 246**	**1 500 123**
Total liabilities	**890 034**	**61 635**	**951 669**

There were no transactions between the segments.

7. RELATED PARTIES

Certain Group companies concluded transactions with each other in the ordinary course of business. These intergroup transactions and balances are eliminated on consolidation.

Related party balances and transactions for the current period are similar to those disclosed in the Group's annual financial statements for the year ended 28 February 2018 besides for those that took place as part of the Restructure and those detailed below:

	Unaudited 31 August 2018 R'000
Loan to EAF Investments Limited ("EAF")	**18 090**

Reward Finance Group advanced £1.2 million to EAF in April 2017. EAF is a shareholder in Reward Finance Group and the company is controlled by Nick Smith who is also a director of Reward Finance Group. The loan is repayable after 10 years and accrues interest at sterling three-month LIBOR plus 2.5%. Dividends payable to EAF are used to repay the loan. The loan is secured by its 10% shareholding in Reward Finance Group.

Loan to JE&K Limited ("JE&K")	**13 628**

Reward Finance Group advanced £0.76 million to JE&K in April 2018. JE&K is a shareholder in Reward Finance Group and the company is controlled by David Harrop who is also a director of Reward Finance Group. The loan is repayable after 10 years and accrues interest at sterling three-month LIBOR plus 2.5%. Dividends payable to JE&K are used to repay the loan. The loan is secured by its 5% shareholding in Reward Finance Group.

The terms of the related party borrowings due to Tradegro and Wiese are disclosed in note 2.

8. EVENTS AFTER THE REPORTING DATE

Mettle has concluded agreements for the acquisition of an indirect 49% shareholding in, and certain loan claims against, Christopher Finance Proprietary Limited. The total purchase consideration of R27.2 million will be settled in cash. The suspensive conditions should be fulfilled by 15 November 2018.

Shareholders are referred to the SENS announcement released on 5 November 2018 for more details.

DESIGNATED ADVISOR
Questco Corporate Advisory Proprietary Limited