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

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE METTLE GROUP FOR THE SIX MONTHS ENDED 31 AUGUST 2019

KEY INFORMATION

- Earnings per share increased by 65%
- Headline earnings per share increased by 124%
- Revenue increased by 68% from R84.1 million to R141.5 million due to Reward Investments (No. 2) Limited ("Reward") being consolidated for the full six month period compared to only three and a half months in the comparative period
- Reward contributed R23.4 million profit
- Net asset value per share increased by 5% to 208 cents
- Implementing the Mettle Solar Investments Proprietary Limited ("Mettle Solar") shareholder transaction

THE METTLE BUSINESS

The Company owns 90% of Reward (based in Leeds and Manchester in the United Kingdom ("UK")). Reward owns 72.5% of Reward Finance Group Limited ("RFG") which has two wholly owned operating companies, namely Reward Capital and Reward Invoice Finance.

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

RFG is the largest contributor to the profits and net asset value of Mettle (refer to note 7).

Mettle's South African businesses are focussed mainly on lending, financial advisory and solar power solutions.

FINANCIAL PERFORMANCE REVIEW

The unaudited condensed consolidated interim results of Mettle and its subsidiaries ("the Group") for the six months ended 31 August 2019 include both the South African businesses and Reward for the full period. The six months ended 31 August 2018 included the South African businesses for six months and Reward for only three and a half months.

Earnings per share increased by 65% from 5.08 cents to 8.38 cents while headline earnings per share increased by 124% from 4.65 cents to 10.41 cents. The reconciliation between basic earnings and headline earnings is detailed in note 5.

Revenue increased to R141.5 million (2018: R84.1 million), while profit attributable to shareholders increased to R20.7 million (2018: R9.4 million). Reward contributed R122.1 million (£6.6 million) to revenue and R23.4 million (£1.3 million) to profit attributable to shareholders.

Reward traded in line with expectations despite the UK's political impasse over Brexit and the pending general election. Mindful of this, Reward continues to be a prudent fully secured lender. Its loan and invoice discounting book increased steadily from R1.2 billion (£63.1 million) at 28 February 2019 to R1.3 billion (£67.4 million). Management successfully increased its senior funding facility to £60 million, of which £20 million remained unutilised at 31 August 2019. The £40 million balance is only repayable in September 2023. Any subsequent draw downs are repayable four years after the advance date.

Reward continues to invest in its key personnel and IT systems. The opening of a fully staffed operational office in Manchester has provided access to a further substantial market and at the same time demonstrated Reward's scalability.

However, the performance of the South African businesses was negatively impacted by the impairment of the investment in Lendcor Proprietary Limited ("Lendcor") of R5 million.

Lendcor provides unsecured loans for home improvements to the lower LSM market through a network of building supply merchants. During the prior year, certain changes to the collection methodology relating to a segment of its lending book were imposed. Lendcor has reduced its exposure to this segment but this has, to date, reduced profitability.

Shareholders are referred to the SENS announcement issued by the Company on 24 June 2019 in which they were advised of a transaction that would result in Gridworks Development Partners LLP (“Gridworks”) becoming a 40% shareholder in Mettle Solar (“the Transaction”). In addition, a circular was issued on 26 November 2019 as certain terms of the Transaction require shareholders’ approval.

The Company’s interests in solar power generation businesses were held through a 55% shareholding in each of Mettle Solar and Mettle Solar Africa Limited (“Mettle Solar Africa”). In order to facilitate the Transaction and create a single-entry point for Gridworks, it was necessary to implement a group restructure, which resulted in Mettle Solar Africa becoming a wholly-owned subsidiary of Mettle Solar and the Company retaining its 55% effective shareholding in Mettle Solar Africa via its 55% shareholding in Mettle Solar.

In addition, all shareholders’ loans advanced to Mettle Solar had to be capitalised. This resulted in the Company’s shareholding in Mettle Solar increasing from 55% to 59.2% as at 31 August 2019. Once Gridworks has invested the full R106.7 million (required to be completed by 31 March 2020), the Company’s shareholding in Mettle Solar will reduce to 35.2%. The Transaction supports the carrying value of the Company’s investment in Mettle Solar.

Mettle concluded the acquisition of 49% in Christopher Finance Proprietary Limited (“Christopher Finance”) in November 2018. Christopher Finance provides working capital finance to selected firms of attorneys. The finance is secured by claims for costs the attorneys have against reputable third parties. Christopher Finance contributed R3.2 million of equity accounted income. Management are currently sourcing facilities to fund the growing demand for this working capital product.

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

The Rand has been relatively stable against the Pound and ended the period at R18.47 (from R18.60 at 28 February 2019). The average exchange rate for the period under review was R18.40 (2018: R 17.63).

Net asset value per share and tangible net asset value per share have both increased by 5% to 208 cents and 205 cents, respectively.

ORDINARY DIVIDEND

The board of directors of the Company (“the Board”) has decided not to declare an interim dividend.

PROSPECTS

The Board expects the results for the second six-month period ending on 29 February 2020 to be similar to those of this first six-month period.

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 unaudited condensed consolidated interim financial statements have been 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 2019:

IFRS 16 Leases
IFRS 16 requires almost all leases to be recognised on the statement of financial position as the distinction between operating and finance leases is removed. For lessee contracts that were previously classified as operating leases, an asset (the right to use the leased item) and a financial liability to pay rentals are now recognised. The only exceptions are short term and low value leases. The accounting for lessors has not changed significantly.

The Group has applied the simplified transition approach and has not restated the comparative figures. Right-of-use assets for property leases were measured on transition as if the new rules had always been applied.

Right-of-use assets of R4.9 million and lease liabilities of R5.3 million were recognised on 1 March 2019. Equity decreased by R0.4 million.

Net profit after tax for the period decreased by R0.1 million due to the adoption of IFRS 16.

Operating cash flows increased and financing cash flows decreased by R0.4 million as the repayment of the principal portion of the lease liabilities are classified as financing cash flows.

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. This measure has been calculated in a consistent manner since the Company's listing in May 2018. This is not a defined term under IFRS and may not be comparable with similar measures disclosed by other companies. The directors confirm that this disclosure is in terms of the JSE Practice Note 4/2019.

PREPARATION OF FINANCIAL RESULTS

The preparation of the financial results for the six months ended 31 August 2019 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

Mr HvdM Scholtz was appointed as a non-executive director on 14 August 2019.

FH Esterhuyse	**HF Prinsloo**
Chairman	CEO

29 November 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 August 2019 R'000	Audited 28 February 2019 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**10 355**	1 693
Goodwill	**5 595**	5 595
Deferred taxation	**975**	1 644
Investments in joint ventures	**32 499**	29 020
Investments in associates	**95 105**	37 111
Loans due from associates	**-**	47 647
Loans due from joint ventures	**13 493**	24 768
Financial assets at fair value through profit or loss	**11 124**	10 932
Loan receivables	**35 260**	36 421
Total non-current assets	**204 406**	194 831
Current assets		
Taxation	**-**	11
Loans due from associates	**21**	21
Loan receivables	**32 329**	25 991
Trade and other receivables	**1 281 201**	1 209 389
Cash and cash equivalents	**180 412**	109 648
Total current assets	**1 493 963**	1 345 060
Total assets	**1 698 369**	1 539 891
EQUITY AND LIABILITIES		
Capital and reserves		
Stated capital	**545 828**	545 828
Retained income	**65 053**	38 765
	610 881	584 593
Foreign currency translation reserve	**26 067**	28 572
Common control reserve	**(123 560)**	(123 560)
Capital and reserves attributable to the owners	**513 388**	489 605
Non-controlling interest	**66 182**	60 317
Total equity	**579 570**	549 922
Non-current liabilities		
Deferred taxation	**954**	771
Borrowings	**719 573**	731 099
Borrowings due to related parties	**110 820**	194 824
Lease liabilities	**6 768**	-
Other financial liability	**3 116**	2 611
Total non-current liabilities	**841 231**	929 305
Current liabilities		
Borrowings	**94 581**	2 658
Borrowings due to related parties	**130 010**	-
Bank overdrafts	**20 587**	19 241
Taxation	**9 424**	7 800
Lease liabilities	**1 246**	-
Provisions	**2 641**	4 885
Trade and other payables	**19 079**	26 080
Total current liabilities	**277 568**	60 664
Total equity and liabilities	**1 698 369**	1 539 891
Net asset value per share (cents)	**208**	198
Tangible net asset value per share (cents)	**205**	196

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 31 August 2019 R'000	Unaudited 31 August 2018 R'000
Revenue	**141 541**	84 112
Other income	**5 373**	12 474
Loss allowance	**(4 354)**	(3 475)
Operating expenses	**(53 755)**	(43 490)
Profit from operations	**88 805**	49 621
Interest expense	**(41 713)**	(20 674)
Fair value loss on other financial liability	**(505)**	-
Impairment of equity accounted investments	**(5 001)**	-
Profit/(loss) from equity accounted investments	**244**	(6 128)
Profit before taxation	**41 830**	22 819
Taxation	**(10 264)**	(7 733)
Profit after taxation before non-controlling interest	**31 566**	15 086
Other comprehensive income		
Items that may be subsequently reclassified to profit		
Exchange difference on translation of foreign operation	**(2 728)**	43 015
Total comprehensive income	**28 838**	58 101
Profit attributable to:		
Equity holders of the parent	**20 719**	9 401
Non-controlling interest	**10 847**	5 685
	31 566	15 086
Total comprehensive income attributable to:		
Equity holders of the parent	**18 425**	45 931
Non-controlling interest	**10 413**	12 170
	28 838	58 101
Earnings per share (cents):		
- basic	**8.38**	5.08
- diluted	**8.38**	5.08

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 2018	100 622	22 198	-	-	-	122 820
Issue of ordinary shares	445 206					445 206
Acquisition of subsidiary				(123 560)	48 557	(75 003)
Profit after taxation		15 417			16 622	32 039
Profit on purchase of loan claim from related party		1 150				1 150
Other comprehensive income			28 572		5 235	33 807
Dividends paid to non-controlling interest					(10 097)	(10 097)
Equity at 28 February 2019	545 828	38 765	28 572	(123 560)	60 317	549 922
Adoption of IFRS 16 Leases		**(251)**	**5**		**(126)**	**(372)**
Profit after taxation		**20 719**			**10 847**	**31 566**
Other comprehensive income			**(2 294)**		**(434)**	**(2 728)**
Disposal to non-controlling interest		**5 820**	**(216)**		**2 460**	**8 064**
Dividends paid to non-controlling interest					**(6 882)**	**(6 882)**
Equity at 31 August 2019	**545 828**	**65 053**	**26 067**	**(123 560)**	**66 182**	**579 570**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 31 August 2019 R'000	Unaudited 31 August 2018 R'000	
Cash flows from operating activities			
Profit from operations	**88 805**	49 621	
Non-cash items	**(95 238)**	(56 095)	*
Changes in working capital	**(63 498)**	(53 513)	*
Cash utilised in operations	**(69 931)**	(59 987)	
Interest received	**64 643**	30 529	*
Interest paid	**(36 795)**	(20 674)	
Taxation paid	**(8 690)**	(5 061)	
Net cash outflow from operating activities	**(50 773)**	(55 193)	
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(2 483)**	(393)	
Proceeds on disposal of property, plant and equipment	**-**	81	
Acquisition of investment in joint venture	**-**	(6)	
Cash outflow on acquisition of subsidiaries	**-**	(318 097)	
Cash outflow on disposal of subsidiary	**(315)**	(1 853)	
Loans advanced to associates	**(3 480)**	(5 434)	
Loans recovered from associates	**4 575**	8 189	
Loans advanced to joint ventures	**(905)**	(14 140)	
Loan receivables advanced	**(13 812)**	(29 989)	*
Loan receivables recovered	**8 703**	29 574	*
Dividend received from associate	**-**	2 000	
Dividend received from joint venture	**381**	124	
Net cash outflow from investing activities	**(7 336)**	(329 944)	
Cash flow from financing activities			
Issue of ordinary shares	**-**	403 206	
Repayment of borrowings	**(548)**	(10 254)	
Receipt of borrowings	**80 800**	72 942	
Repayment of borrowings due to related parties	**(8 114)**	-	
Receipt of borrowings due to related parties	**55 200**	-	
Repayment of lease liabilities	**(404)**	-	
Proceeds on sale of shares to non-controlling interest	**8 064**	-	
Dividends paid to non-controlling interest	**(6 882)**	(5 911)	**
Net cash inflow from financing activities	**128 116**	459 983	
Net increase in cash and cash equivalents	**70 007**	74 846	
Effect of changes in exchange rate	**(589)**	7 394	
Cash and cash equivalents at beginning of the period	**90 407**	4 922	
Cash and cash equivalents at end of the period	**159 825**	87 162	
As presented on the statement of financial position			
Cash and cash equivalents	**180 412**	91 500	
Bank overdrafts	**(20 587)**	(4 338)	
	159 825	87 162	

Cash and cash equivalents include restricted cash of R43.8 million (2018: RNil).

* Restated to classify the cash flow movements on the RFG loan books as operating activities rather than investing activities

** Previously classified as an operating activity cash flow

SUPPLEMENTARY INFORMATION

1. BUSINESS COMBINATION

Disposal of Mettle Specialised Finance ("MSF")

Mettle disposed of 50% of MSF to EMC2 Investment Proprietary Limited ("EMC2") in August 2019 for R1. EMC2 is connected to Werner Maree, a director of MSF.

	Unaudited 31 August 2019 R'000
MSF had the following assets and liabilities on disposal date:	
Equipment	**367**
Deferred tax asset	**991**
Trade and other receivables	**4 959**
Cash and cash equivalents	**315**
Trade and other payables	**(2 244)**
Lease liability	**(380)**
Amount due to related party	**(4 008)**
	-
Fair value of retained equity interest	**-**
Profit on disposal	**-**
Cash flow on disposal of subsidiary	
Cash and cash equivalents disposed with the subsidiary	**(315)**
Proceeds on disposal	**-**
	(315)

MSF is now equity accounted as a joint venture in the Group. The amount due to related party is now included in loans due from joint ventures.

	Unaudited 31 August 2019 R'000	Audited 28 February 2019 R'000
2. TRADE AND OTHER RECEIVABLES		
Trade receivables		
South Africa	**35 755**	35 126
Reward Capital	**1 056 004**	977 631
Reward Invoice Factoring	**209 801**	222 721
Loss allowance		
South Africa	**(1 501)**	(1 262)
Reward Capital	**(16 198)**	(13 068)
Reward Invoice Factoring	**(3 990)**	(13 663)
	1 279 871	1 207 485
Other receivables	**1 330**	1 904
	1 281 201	1 209 389

	Unaudited 31 August 2019 R'000	Audited 28 February 2019 R'000
3. BORROWINGS		
Non-current		
Small Enterprise Finance Agency SOC Limited ("SEFA")	**-**	46 683
Foresight Group ("Foresight")	**719 573**	684 416
	719 573	731 099
Related parties		
Sandy Limited ("Sandy")	**110 820**	55 813
Tradegro S.àr.l ("Tradegro")	**-**	139 011
	110 820	194 824
Current		
SEFA	**49 432**	2 658
Mettle Debt Fund *En Commandite* Partnership ("Debt Fund")	**45 149**	-
	94 581	2 658
Related parties		
Tradegro	**130 010**	-
Bank overdrafts		
FirstRand Bank Limited ("FirstRand")	**13 118**	8 313
Nedbank Limited ("Nedbank")	**7 469**	10 928
	20 587	19 241
	1 075 571	947 822

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 R72.4 million.

The borrowings from Foresight accrue interest at a fixed rate of 6.5% which is payable quarterly. The facility limit increased from £50 million to £60 million in September 2019. The borrowings are repayable in September 2023. Foresight has a debenture over all assets of RFG (including shares in its subsidiaries). The carrying value of these assets amount to R1.3 billion at 31 August 2019. The amounts owed by RFG to Reward (R397.9 million) and Sandy (R110.8 million) are subordinated in favour of Foresight.

The borrowings from Sandy are unsecured and accrue interest at a fixed rate of 7% which is payable monthly. The borrowings are repayable on 31 January 2023, unless Sandy exercises its right to demand repayment on 1 year's notice. The remaining facility of £3 million was drawn down during the period.

The borrowings from Tradegro are unsecured, accrue interest at sterling three-month Libor plus 6.5%. The capital and capitalised interest are repayable by 28 May 2020.

The borrowings from the Debt Fund are unsecured, accrue interest at 13% and are repayable by 30 November 2019.

The R15 million overdraft facility from FirstRand accrues interest at prime plus 1% which is settled monthly. This facility is secured by the financial assets at fair value through profit or loss (unit trust investment) of R11.1 million. This facility decreased to R5 million in October 2019 and the security was released to Nedbank. This facility is reviewed annually.

The unsecured R10 million overdraft facility from Nedbank accrues interest at prime which is settled monthly. This facility increased to R25 million in October 2019 and is now secured by the unit trust investment. This facility is reviewed annually.

	Unaudited 31 August 2019 R'000	Unaudited 31 August 2018 R'000

4. REVENUE

Fee income		
- Administration and management	**3 144**	4 024
- Corporate finance	**2 098**	2 637
- Fundraising	**358**	3 145
- Secretarial and sponsor services	**447**	263
Service fees	**27 896**	16 614
Discounting income	**8 593**	8 256
Interest income	**99 005**	49 173
	141 541	84 112
Timing of revenue recognition		
- At a point in time	**8 855**	5 663
- Over time	**132 686**	78 449
	141 541	84 112

Revenue is split in geographical regions in note 7.

5. EARNINGS PER SHARE

Basic earnings per share (cents)	**8.38**	5.08
Diluted earnings per share (cents)	**8.38**	5.08
Headline earnings per share (cents)	**10.41**	4.65
Diluted headline earnings per share (cents)	**10.41**	4.65

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	**20 719**	9 401
Weighted average number of ordinary shares ('000)	**247 174**	185 072

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	**20 719**	9 401
Bargain purchase gain on acquisition of subsidiary	**-**	(823)
Loss on disposal of subsidiary	**-**	85
Profit on disposal of property, plant and equipment	**-**	(81)
Impairment of equity accounted investments	**5 001**	-
Tax impact of adjustments	**-**	23
Headline earnings	**25 720**	8 605
Weighted average number of ordinary shares ('000)	**247 174**	185 072

6. FAIR VALUE DISCLOSURES

The Group's financial instruments are measured at amortised cost besides the financial assets at fair value through profit or loss of R11.1 million and other financial liability of R3.1 million.

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

The other financial liability is an option contract whereby the remaining shareholder in Lendcor Holdings Proprietary Limited can put its 50.1% shares to Mettle. The exercise price is the greater of a proportional share of six times the profit after tax for the year ending 28 February 2021 of Lendcor and R12.9 million and can only be exercised during the period from 1 June 2021 to 31 August 2021. The valuation of the put option considers the exercise period, exercise price and current net asset value and future profitability of Lendcor (level 3).

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

7. SEGMENT INFORMATION

The Group has two reportable segments:

31 August 2019	**Unaudited United Kingdom R'000**	**Unaudited South Africa R'000**	**Unaudited Total R'000**
Revenue	**122 065**	**19 476**	**141 541**
Profit/(loss) attributable to equity holders of the parent	**23 384**	**(2 665)**	**20 719**
Total assets	**1 417 388**	**280 981**	**1 698 369**
Total liabilities	**993 119**	**125 680**	**1 118 799**
31 August 2018			
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. There has been no change in the basis of operational segmentation or in the basis of measurement of segment profit or loss since the Group's annual financial statements for the year ended 28 February 2019.

8. 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 2019 besides for that detailed below:

	Unaudited 31 August 2019 R'000
Loan to TCAS Investments Limited ("TCAS")	**7 591**

RFG advanced £0.4 million to TCAS in June 2019. TCAS is a shareholder in RFG and the company is controlled by Tim Stafford who is also a director of RFG. The loan is repayable after 10 years and accrues interest at sterling three-month Libor plus 2.5%. Dividends payable to TCAS are used to repay the loan. The loan is secured by its 2.5% shareholding in RFG. Tim Stafford has also guaranteed (as principal obligor) the repayment of the loan.

Amount due from Mettle Solar Africa	**1 650**

Mettle has provided a guarantee for the Rand equivalent of $3.1 million to Investec Bank (Mauritius) Limited (via Investec Bank Limited) for its $5 million funding facility provided to Mettle Solar Africa. Mettle had to place the required funds on deposit at Investec Bank Limited. Mettle earns a monthly guarantee fee of 1%. This facility funds the construction of Mettle Solar Africa's solar projects in Kenya and the Seychelles.

9. EVENTS AFTER THE REPORTING DATE

The Group has drawn down £4 million from Foresight and settled £5 million of the amount owing to Tradegro.

Cape Town
29 November 2019

Designated Advisor
Questco Corporate Advisory Proprietary Limited