



## **ANCHOR GROUP LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 2009/005413/06)

("Anchor" or "the Company" or "the Group")

JSE share code: ACG

ISIN: ZAE000193389

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## **SUMMARISED PROVISIONAL AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017 AND DECLARATION OF DIVIDEND NUMBER 7**

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### **HIGHLIGHTS**

- Top quartile investment performance and strong long-term track record.
- Assets under management and advice grew 14% during 2017 to R52.3 billion (31 December 2016: R45.9 billion).
- Cash and cash equivalents and short-term investments balance of R206 million (R218 million at 31 December 2016).
- The business is highly cash generative and 106% of operating profits were generated in cash.
- Adjusted Headline Earnings down 36% to R73.8 million (R115.2 million to 31 December 2016).
- Adjusted HEPS down 41% to 38 cents per share (64.7 cents to 31 December 2016).
- Final dividend of 10 cents (15 cents in 2016).

### **COMMENTARY**

Anchor began managing assets in 2012 and has grown rapidly to reach group-wide assets under management and advice at 31 December 2017 of R52.3 billion, up by 14% from R45.9 billion on 31 December 2016. Anchor has three primary divisions – Private Clients, Asset Management and Stockbroking. The long term strategy of Anchor is to become a major player in South African asset management, with an increasing focus on offshore investment. This will be achieved by both organic and acquisitive growth.

### **INTRODUCTION**

The 2017 year was a difficult one for the investment industry, with activity levels well down on the previous year. Anchor has reacted proactively to this environment, attracting over 1,600 new high net worth private clients in this reporting period, diversifying income streams and increasing global exposure. Anchor made meaningful progress in asset growth in 2017. The investment performance was solid and new initiatives delivered ahead of expectations. This was against a challenging backdrop in South Africa, with slow economic growth, local confidence levels low and investors taking a cautious stance. The much stronger currency also weighed on the market.

The business progressed well in 2017, but profits decreased. While turnover increased by 14%, the operating margin of 27% (2016: 40%) declined as a result of:

- A decline in the profitability of our hedge fund business
- Performance fees earned in 2016 not being repeated in 2017
- Lower activity levels resulting in lower private client brokerage revenue
- A stronger Rand and a change in asset mix (more fixed income revenues, where fees are lower)

- Investment “ahead of the curve” in new initiatives which are still building matching revenue.

The Company is well placed to take advantage of a more positive environment. The operating margin of 27% was the lowest since the inception of the business. This will increase as the scale of the business increases. In addition there are a number of newer businesses which are still operating at low operating margins.

## **RESULTS**

The turnover of the group grew by 14% to R476 million (2016: R419 million). The yield on average assets (R49 billion) for the period was 0.97% (2016: 1.01%).

Costs grew by 39% to R350 million (2016: R252 million). There was a like-for-like cost increase of 6%, with the new stockbroking business and newly consolidated businesses adding the remainder. The margin of certain new businesses is expected to increase going forward. The group also continued to invest in new distribution staff and partnerships throughout the country to accelerate future growth. Additional costs were also incurred in compliance and system enhancements to enrich the client experience.

Costs grew faster than turnover, resulting in an operating margin of 27% (2016: 40%). This resulted in operating profits declining by 24% to R127 million (2016: R167 million).

Profits were negatively impacted by the low return on balance sheet assets, primarily comprising seed investments in Anchor unit trusts and equities. This was largely due to the Rand/US\$ exchange rate strengthening by 9.6% for the year (and especially the 10% strengthening of the currency in December 2017).

The share of losses from equity accounted associates was a negative R1.9 million (2016: R7.8 million profit). Our offshore associate had lower earnings in 2017.

Adjusted headline earnings per share declined by 41% to 38 cents (2016: 64.7 cents). Adjusted headline earnings are calculated by the group in order to reflect the sustainable cash-flow earnings of the group. This number is used as the basis to determine the dividend cover of the group.

The business is highly cash generative and 106% of operating profits were generated in cash.

Shareholders' equity grew to R1.13 billion (2016: R1.08 billion). The net asset value per share is 574 cents. Cash and other liquid instruments were R206 million at 31 December 2017, which represents 104 cents per share.

## **OPERATIONAL REVIEW**

### **Private Clients and Asset Management**

Anchor is proceeding well, with the growth in assets previously outlined. Assets under management at year-end were R35.6 billion (+6%, 2016: R33.7 billion) and assets under advice R16.7 billion (+38%, 2016: R12.1 billion). Anchor does not own 100% of all of its subsidiaries. If one only includes Anchor's attributable share of assets under management the R35.6 billion reduces to R30.5 billion (up 10.5% on 31 December 2016: R27.6 billion).

The business welcomed a record number of new clients and group net inflows remain strong. We are pleased with the following:

- Anchor Capital has a strong institutional pipeline of committed mandates and this should increase Assets Under Management materially in 2018. The private client pipeline is the strongest it has ever been.
- Offshore managed assets grew by 12% to just over R14.5 billion, in spite of the Rand strengthening by 10% against the US\$.
- We received encouraging support from the financial advisor community and investments in group CIS (Collective Investment Scheme, or more commonly known as unit trusts) assets under management increased by 14% to R14.8 billion from R13 billion at 31 December 2016.
- Anchor's fixed income business was launched late in 2015 and has grown meaningfully with a strong pipeline.

Group marketing initiatives are proving effective and Anchor has achieved net inflows of over R400 million per month in 2017.

The investment performance of the Group has been strong since inception. The majority of assets are managed in segregated portfolios. Anchor Capital is relatively new to the CIS space, with three of its Anchor-branded funds now having a three year track record. The Anchor BCI Equity Fund will have a five year track record in April 2018 and since inception has averaged a compound 15.3% per annum against a peer group average of 9.6%. The Anchor BCI Worldwide Flexible Fund is third in its category (out of 29) for the same period (source: MoneyMate). After a disappointing year in 2016, Capricorn bounced back in 2017. The SA team won the Hedge News Africa Award 2018 award for best SA Long Short Hedge Fund. The team won the same award for 2015 performance. The Lyxor Capricorn GEMS UCITS Fund won the Hedge Fund Journal UCITS Hedge Awards 2018 for Best Emerging Market Long/Short Equity performance in 2017. They won the same award for 2015 performance.

Portfolio Bureau produced solid growth for the period and AG Capital performed ahead of budget. The contribution from Capricorn Fund Managers was lower than the prior period with a low level of performance fees. The company is exploring the launch of a long only global emerging market fund, to leverage off the long term investment performance of an experienced team.

Investment markets delivered reasonable returns in 2017: the SA All Share total return was 21%, the MSCI World was up 20% and the Rand strengthened by 10% against the US\$. In the 2017 year Anchor's offshore performance was ahead of benchmarks, while the local performance was below the benchmark. As Anchor increases in size, so it becomes increasingly sensitive to market returns and exchange rates. To balance this, Anchor is focused on growing annuity revenue streams and increasing the mix of asset classes.

Anchor has a long term strategy of being a meaningful South African asset management company and places a great deal of emphasis on fundamental research. Accordingly it has constructed a large investment team relative to its size. The group has 15 CA(SA)s, 15 CFA charter holders and a 20 strong investment team.

### **Stockbroking**

Anchor Securities Stockbroking was granted a JSE stockbroking license in September 2016 and this business generated profits in its first full year of operation in 2017, with excellent prospects.

### **Capital allocation and corporate activity**

Anchor has developed critical mass in all of its pillars and did not conclude any material acquisitions in 2017. We still see opportunity for bolt-on acquisitions and strategic partnerships.

Anchor repurchased 1.35m shares held as treasury shares in 2017 at an average price of R4.50. Anchor has a stated, long-term intention of paying half of adjusted headline earnings as a dividend. The Group deviated from this in the first half of 2017 to build up its balance sheet and provide capacity to buy back shares. The second half dividend is 10c per share. Given the strong balance sheet and anticipated cash generation the group commits to the 50% pay-out ratio in addition to any share buybacks in 2018.

## **STRATEGY AND NEW INITIATIVES**

Anchor is in its seventh year of existence and continues to make excellent progress. Anchor is a young and dynamic asset management business, which maintains its focus on quality and investment excellence, but also aims to do things differently and challenge the status quo. The private client market in South Africa has shown a strong appetite to support a relatively new player, but to penetrate other segments of the market, longer track records are required. The company now has a six year track record in its current form and some of its CIS products are approaching five year track records. As the track record lengthens and the asset base grows, we become a viable asset management alternative for bigger pools of assets. This is an industry where size begets size and we are encouraged by the early successes in winning mandates with bigger clients. Our critical mass has enabled us to conclude deals with South Africa's major platforms, which increases access to a broader set of potential investors.

Anchor Capital has taken a non-traditional approach to building an asset management business by investing heavily in marketing and distribution capabilities from inception, which is bearing fruit through the growth of assets under management. We are aiming for consequent financial leverage to follow in coming years.

The Anchor Group's strategy is as follows:

### **1. To build a world-class investment product range across asset classes and geographies:**

- This is now close to complete and Anchor now has a CIS product range which will service all investment needs, managed by a now well-established, extremely competent and strongly performing investment process.
- Anchor hired a fixed income team in 2015 and has built further capacity and capability in the hedge and offshore categories, both organically and acquisitively. The focus now is to leverage off this product offering by increasing assets under management.
- There is a strong focus on offshore, both for funds which are Rand-based and for funds which have been externalised.

### **2. To build distribution capacity and capability to generate growth in assets under management. This will be achieved in two ways:**

- Marketing to traditional channels who outsource the asset management function to third party asset managers. This includes financial advisors, institutional investors, multi-managers and fund-of-funds. We continue to add high quality personnel to this pursuit.
- Marketing directly to clients, primarily in the private client space. We continue to employ individuals who can attract assets and have over 50 high quality investment professionals who sign on clients. We will also pursue partnerships and acquisitions of businesses which have a distribution capability and existing client base. This strategy will prevail into 2018.

## **PROSPECTS**

Anchor views the financial performance in this period as disappointing, with the operating margin below historic levels. Management is targeting higher margins. In this period the asset base continued to grow and the client experience was a positive one. These factors underpin the future growth prospects of the business. Management is focussed on delivering on key metrics and

building an attractive business.

On the assumption of reasonable investment markets, Anchor looks forward to a stronger 2018. The key driver for the business is assets under management, which averaged R49 billion for the 2017 financial year. The 2018 financial year began with R52.3 billion of assets under management. The results for the forthcoming year will also be influenced by:

- The performance of local and global markets and Anchor's relative performance;
- The impact on assets under management from a larger distribution force and the progress of Anchor Financial Services;
- The exchange rate between the Rand and other currencies (we estimate across the business, including Capricorn Fund Managers, that the Rand hedge component is approximately 60%);
- The growth of the new stockbroking division, and
- An increase in shares in issue. The average shares in issue for 2017 were 194.3 million and the starting shares in issue at 1 January 2018 are 197 million.

Anchor intends paying a dividend of at least 50% of adjusted headline earnings per share in 2018, in addition to any money spent on share buyback.

A presentation on the results under review will be available on [www.anchorgroup.co.za](http://www.anchorgroup.co.za), on 27 March 2018.

#### **CHANGES TO THE BOARD OF DIRECTORS**

There were no changes to the board of directors during the period under review.

## Summarised provisional consolidated statement of comprehensive income

| Figures in R'000                                     | % change | Audited<br>31-Dec-17 | Audited<br>31-Dec-16 |
|--|----------|----------------------|----------------------|
| Revenue  | 14%      | 476 283              | 419 331              |
| Operating Expenses                                   | 39%      | -349 520             | -252 096             |
| <b>Operating profit</b>                              | -24%     | <b>126 763</b>       | <b>167 235</b>       |
| Other Income   | 36%      | 12 666               | 8 643                |
| Gain on bargain purchase                             | -100%    |                      | 1 661                |
| Fair Value gain on acquisition of former associate   | -100%    |                      | 30 645               |
| Finance Costs  | 354%     | -4 413               | -973                 |
| Share of (losses) / profits from associates          | -124%    | -1 895               | 7 763                |
| <b>Profit before taxation</b>                        | -38%     | <b>133 121</b>       | <b>214 974</b>       |
| Taxation expense                                     | -15%     | -36 384              | -42 994              |
| <b>Profit for the period</b>                         | -44%     | <b>96 737</b>        | <b>171 980</b>       |
| Other Comprehensive Income                           | -148%    | -554                 | 1 159                |
| <b>Total Comprehensive Income</b>                    | -44%     | <b>96 183</b>        | <b>173 139</b>       |
| <b>Profit for the period attributable to:</b>        |          |                      |                      |
| Owners of the parent                                 | -54%     | 63 337               | 138 346              |
| Non-controlling interest                             | -1%      | 33 400               | 33 634               |
|  | -44%     | <b>96 737</b>        | <b>171 980</b>       |
| <b>Total comprehensive income attributable to:</b>   |          |                      |                      |
| Owners of the parent                                 | -55%     | 62 783               | 139 505              |
| Non-controlling interest                             | -1%      | 33 400               | 33 634               |
|  | -44%     | <b>96 183</b>        | <b>173 139</b>       |
| Earnings per share (cents)                           | -58%     | 32,6                 | 77,7                 |
| Diluted earnings per share (cents)                   | -57%     | 32,6                 | 75,9                 |
| Headline earnings per share (cents)                  | -45%     | 32,6                 | 59,5                 |
| Diluted headline earnings per share (cents)          | -44%     | 32,6                 | 58,1                 |
| Adjusted headline earnings per share (cents)         | -41%     | 38,0                 | 64,7                 |
| Diluted adjusted headline earnings per share (cents) | -40%     | 37,9                 | 63,2                 |

**Earnings and headline earnings per share**

|   | <b>% change</b> | <b>Audited<br/>31-Dec-17</b> | <b>Audited<br/>31-Dec-16</b> |
|---|-----------------|------------------------------|------------------------------|
| <b>Earnings attributable to shareholders</b>                            | -44%            | <b>96 737</b>                | <b>171 980</b>               |
| Non-controlling interest  | -1%             | 33 400                       | 33 634                       |
| <b>Earnings attributable to ordinary shareholders</b>                   | -54%            | <b>63 337</b>                | <b>138 346</b>               |
| Gain on bargain purchase  | -100%           |                              | -1 661                       |
| Fair Value gain on acquisition of former associate                      | -100%           |                              | -30 645                      |
| <b>Headline earnings attributable to ordinary shareholders</b>          | -40%            | <b>63 337</b>                | <b>106 040</b>               |
| Amortisation on Intangible Asset  | 14%             | 4 065                        | 3 578                        |
| Equity settled share option costs                                       | 13%             | 6 393                        | 5 656                        |
| <b>Adjusted headline earnings attributable to ordinary shareholders</b> | -36%            | <b>73 795</b>                | <b>115 274</b>               |
| <br>  |                 |                              |                              |
| Number of shares in issue   | 2%              | 197 217                      | 193 455                      |
| <b>Weighted average number of shares in issue</b>                       | 9%              | <b>194 310</b>               | <b>178 120</b>               |
| Employee share incentive scheme   | -94%            | 244                          | 4 253                        |
| Contingent purchase consideration                                       |                 |                              |                              |
| <b>Diluted weighted average number of shares in issue</b>               | 7%              | <b>194 554</b>               | <b>182 373</b>               |

## Summarised provisional consolidated statement of financial position

| Figures in R'000                                | % Change    | Audited<br>31-Dec-17 | Restated<br>Audited<br>31-Dec-16 |
|---|-------------|----------------------|----------------------------------|
| <b>Assets</b>                                   |             |                      |                                  |
| <b>Non-Current Assets</b>                       |             |                      |                                  |
| Equipment                                       | -6%         | 7 325                | 7 806                            |
| Goodwill  | 1%          | 557 287              | 551 910                          |
| Intangible assets                               | 29%         | 87 222               | 67 677                           |
| Investments in associates                       | -2%         | 334 309              | 341 764                          |
| Financial assets                                | 36%         | 14 660               | 10 744                           |
| Deferred tax                                    | 107%        | 4 299                | 2 075                            |
|   | <b>2%</b>   | <b>1 005 102</b>     | <b>981 976</b>                   |
| <b>Current Assets</b>                           |             |                      |                                  |
| Current tax receivable                          | -63%        | 2 288                | 6 107                            |
| Cash and cash equivalents                       | 20%         | 93 672               | 78 184                           |
| Financial assets                                | -20%        | 111 882              | 139 837                          |
| Trade and other receivables                     | -15%        | 69 764               | 81 602                           |
| Amounts receivable on stockbroking activities   |             | 251 566              |                                  |
|   | <b>73%</b>  | <b>529 172</b>       | <b>305 730</b>                   |
| <b>Total Assets</b>                             | <b>19%</b>  | <b>1 534 274</b>     | <b>1 287 706</b>                 |
| <b>Equity</b>                                   |             |                      |                                  |
| Share capital                                   | 1%          | 913 902              | 904 010                          |
| Reserves  | 13%         | 6 308                | 5 590                            |
| Retained income                                 | 23%         | 183 845              | 149 526                          |
| Equity Attributable to Equity Holders of Parent | 4%          | 1 104 055            | 1 059 126                        |
| Non-controlling interest                        | 50%         | 27 492               | 18 366                           |
| <b>Total Equity</b>                             | <b>5%</b>   | <b>1 131 547</b>     | <b>1 077 492</b>                 |
| <b>Liabilities</b>                              |             |                      |                                  |
| <b>Non Current Liabilities</b>                  |             |                      |                                  |
| Financial liabilities                           | -50%        | 52 714               | 106 020                          |
| Deferred Tax                                    | 14%         | 19 308               | 16 974                           |
|   | <b>-41%</b> | <b>72 022</b>        | <b>122 994</b>                   |
| <b>Liabilities</b>                              |             |                      |                                  |
| <b>Current Liabilities</b>                      |             |                      |                                  |
| Financial liabilities                           | 18%         | 37 094               | 31 305                           |
| Trade and other payables                        | -40%        | 26 800               | 45 038                           |
| Current tax payable                             | 32%         | 14 357               | 10 877                           |
| Amounts payable on stockbroking activities      |             | 252 454              |                                  |
|   | <b>279%</b> | <b>330 705</b>       | <b>87 220</b>                    |
| Total Liabilities                               | <b>92%</b>  | <b>402 727</b>       | <b>210 214</b>                   |
| <b>Total Equity and Liabilities</b>             | <b>19%</b>  | <b>1 534 274</b>     | <b>1 287 706</b>                 |
| Net asset value per share (cents)               | 3%          | 574                  | 557                              |
| Net tangible asset value per share (cents)      | 4%          | 247                  | 237                              |



## Summarised provisional consolidated statement of cash flows

| Figures in R'000   | % change     | Audited<br>31-Dec-17 | Audited<br>31-Dec-16 |
|--|--------------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                  |              |                      |                      |
| Cash generated from / (used) from operations                 | -11%         | 140 736              | 157 260              |
| Interest income  | -3%          | 6 538                | 6 748                |
| Finance costs  | 354%         | (4 413)              | (973)                |
| Tax paid   | -65%         | (29 750)             | (85 620)             |
| <b>Net cash from operating activities</b>                    | <b>49%</b>   | <b>113 111</b>       | <b>77 415</b>        |
| <b>Cash flows utilised in investing activities</b>           |              |                      |                      |
| Purchase of equipment and intangible assets                  | 125%         | (9 256)              | (4 121)              |
| Cash acquired through business combination                   | -64%         | 4 363                | 12 254               |
| Proceeds / (Purchase) of financial assets                    | -166%        | 22 892               | (34 444)             |
| Decrease in investments in associates                        | -91%         | (21 499)             | (237 057)            |
| Proceeds on sale of associate                                |              |                      | 5 200                |
| <b>Net cash utilised in investing activities</b>             | <b>-98%</b>  | <b>(3 500)</b>       | <b>(258 168)</b>     |
| <b>Cash flows from financing activities</b>                  |              |                      |                      |
| Increase in stated capital / share capital                   | -61%         | 4 229                | 10 829               |
| (Decrease) / Increase of other financial liabilities         | -189%        | (39 891)             | 44 976               |
| Purchase of ACG shares                                       |              | (5 121)              |                      |
| Dividends paid   | -52%         | (53 292)             | (110 944)            |
| <b>Net Cash from financing activities</b>                    | <b>71%</b>   | <b>-94 075</b>       | <b>-55 139</b>       |
| <b>Total cash and cash equivalents movement for the year</b> | <b>-107%</b> | <b>15 562</b>        | <b>(235 892)</b>     |
| Cash and cash equivalents at the beginning of the year       | -75%         | 78 184               | 314 486              |
| Effect of exchange rate movement on cash balances            | -88%         | -48                  | -410                 |
| <b>Total cash and cash equivalents at end of the year</b>    | <b>20%</b>   | <b>93 672</b>        | <b>78 184</b>        |

## Summarised provisional consolidated statement of changes in equity

|  | Share Capital  | Foreign currency translation Reserve | Equity Reserve | Treasury shares | Share based payment reserve | Total reserves | Retained Income | Total attributable to equity holders of the group / company | Non-controlling interest | Total equity   |
|--|----------------|--------------------------------------|----------------|-----------------|-----------------------------|----------------|-----------------|---|--------------------------|----------------|
| <b>Figures in R'000</b>  |                |                                      |                |                 |                             |                |                 |   |                          |                |
| <b>Balance at 01 January 2016</b>  | <b>635 946</b> | <b>8</b>                             | <b>-</b>       |                 | <b>4 580</b>                | <b>4 588</b>   | <b>70 673</b>   | <b>711 207</b>  | <b>2 423</b>             | <b>713 630</b> |
| Profit for the year  | -              | -                                    | -              |                 | -                           | -              | 138 346         | 138 346   | 33 634                   | 171 980        |
| Other comprehensive income   | -              | 1 151                                | -              |                 | -                           | 1 151          | -               | 1 151   | -                        | 1 151          |
| <b>Total Comprehensive income for the year</b>   | <b>-</b>       | <b>1 151</b>                         | <b>-</b>       |                 | <b>-</b>                    | <b>1 151</b>   | <b>138 346</b>  | <b>139 497</b>  | <b>33 634</b>            | <b>173 131</b> |
| Issue of shares for Acquisitions of subsidiaries   | 268 064        | -                                    | -              |                 | -                           | -              | -               | 268 064   | -                        | 268 064        |
| Acquisition of CFM SA  |                |                                      |                |                 |                             |                |                 | -   | 32 164                   | 32 164         |
| Acquisition of AG Capital  |                |                                      |                |                 |                             |                |                 | -   | 1 816                    | 1 816          |
| Share buyback CFMSA  | -              |                                      | -4 800         |                 |                             | -4 800         | -               | -4 800  | -                        | -4 800         |
| Share based payments   | -              | -                                    | -              |                 | 5 656                       | 5 656          | -               | 5 656   | -                        | 5 656          |
| Changes in ownership interest - control not lost   |                |                                      | -1 005         |                 |                             | -1 005         |                 | -1 005  | -220                     | -1 225         |
| Dividends  | -              | -                                    | -              |                 | -                           | -              | (59 493)        | -59 493   | (51 451)                 | -110 944       |
| <b>Total contributions by and distributions to owners of company recognised directly in equity</b> | <b>268 064</b> | <b>-</b>                             | <b>-5 805</b>  |                 | <b>5 656</b>                | <b>-149</b>    | <b>-59 493</b>  | <b>208 422</b>  | <b>-17 691</b>           | <b>190 731</b> |

|  |              |             |          |               |              |               |                |                |                |
|--|--------------|-------------|----------|---------------|--------------|---------------|----------------|----------------|----------------|
| Balance at 01 January 2016   | 904 010      | 1 159       | -5 805   | 10 236        | 5 590        | 149 526       | 1 059 126      | 18 366         | 1077 492       |
| Profit for the year  |              |             |          |               |              | 63 337        | 63 337         | 33 400         | 96 737         |
| Other comprehensive income   |              | -554        |          |               | -554         |               | -554           |                | -554           |
| <b>Total comprehensive income for the year</b>   |              | <b>-554</b> |          |               | <b>-554</b>  | <b>63 337</b> | <b>62 783</b>  | <b>33 400</b>  | <b>96 183</b>  |
| Issue of shares  | 9 892        |             |          |               | -            |               | 9 892          |                | 9 892          |
| Shares of ACG held in subsidiary   |              |             | -5 121   |               | -5 121       |               | -5 121         |                | -5 121         |
| Share issue costs  |              |             |          |               | -            |               | -              |                | -              |
| Share based payments   |              |             |          | 6 393         | 6 393        |               | 6 393          |                | 6 393          |
| Dividends  |              |             |          |               | -            | -29 018       | -29 018        | -24 274        | -53 292        |
| <b>Total contributions by and distributions to owners of company recognised directly in equity</b> | <b>9 892</b> | <b>-</b>    | <b>-</b> | <b>-5 121</b> | <b>6 393</b> | <b>1 272</b>  | <b>-29 018</b> | <b>-17 854</b> | <b>-42 128</b> |
| Balance at 31 December 2017  | 913 902      | 605         | 5 805    | 5 121         | 16 629       | 6 308         | 1 104 055      | 27 492         | 1131 547       |

## Summarised provisional consolidated segmental information (R' 000)

| 31-Dec-17                        | Non-asset<br>Management | Asset Management | Stockbroking     | Eliminations     | Total            |
|----------------------------------|-------------------------|------------------|------------------|------------------|------------------|
| Revenue                          | 55 292                  | 372 050          | 129850           | (80 909)         | 476 283          |
| Operating expenses               | (23 827)                | (270 283)        | (92078)          | 36 668           | (349 520)        |
| <b>Operating profit</b>          | <b>31 465</b>           | <b>101 767</b>   | <b>37772</b>     | <b>(44 241)</b>  | <b>126 763</b>   |
| Other Income                     | 8 106                   | 8 093            | 3259             | (6 792)          | 12 666           |
| Share of losses from associates  | (1 895)                 | -                | -                | -                | (1 895)          |
| Finance costs                    | (548)                   | (5 081)          | (1 491)          | 2 707            | (4 413)          |
| <b>Profit before tax</b>         | <b>37 128</b>           | <b>104 779</b>   | <b>39540</b>     | <b>(48 326)</b>  | <b>133 121</b>   |
| 31-Dec-16                        | Non-asset<br>management | Asset Management | Stockbroking     | Eliminations     | Total            |
| Revenue                          | 90 883                  | 407 906          | -                | (79 457)         | 419 331          |
| Operating expenses               | (32 883)                | (234 886)        | -                | 15 673           | (252 096)        |
| <b>Operating profit</b>          | <b>58 000</b>           | <b>173 020</b>   |                  | <b>(63 784)</b>  | <b>167 236</b>   |
| Other Income                     | 24 095                  | 39 966           | -                | (23 112)         | 40 949           |
| Interest Income                  | -                       | -                | -                | -                | -                |
| Share of profits from associates | 8 012                   | 329              | -                | (578)            | 7 763            |
| Finance Costs                    | (347)                   | (626)            | -                | -                | (973)            |
| <b>Profit before tax</b>         | <b>89 760</b>           | <b>212 689</b>   | <b>-</b>         | <b>(87 474)</b>  | <b>214 974</b>   |
| <b>Financial Position</b>        |                         |                  |                  |                  |                  |
| 31-Dec-17                        | Non-asset<br>management | Asset Management | Stockbroking     | Eliminations     | Total            |
| <b>Assets</b>                    | <b>1 098 078</b>        | <b>421 838</b>   | <b>297 114</b>   | <b>(282 756)</b> | <b>1 534 274</b> |
| Non Current Assets               | 988 442                 | 251 717          | 8 889            | (243 946)        | 1 005 102        |
| Current Assets                   | 109 636                 | 170 121          | 288 225          | (38 810)         | 529 172          |
| <b>Liabilities</b>               | <b>(65 416)</b>         | <b>(90 691)</b>  | <b>(268 911)</b> | <b>22 291</b>    | <b>(402 726)</b> |
| Non Current Liabilities          | (63 468)                | (11 456)         | (17 237)         | 20 139           | (72 022)         |
| Current liabilities              | (1 948)                 | (79235)          | (251 674)        | 2 152            | (330 705)        |
| <b>Equity</b>                    | <b>1 032 662</b>        | <b>331 147</b>   | <b>28 203</b>    | <b>(260 465)</b> | <b>1 131 547</b> |
| 31-Dec-16                        | Non-asset<br>management | Asset Management | Stockbroking     | Eliminations     | Total            |
| <b>Assets</b>                    | <b>1 058 798</b>        | <b>458 706</b>   |                  | <b>(229 798)</b> | <b>1 287 706</b> |
| Non Current Assets               | 924 434                 | 252 001          | -                | (194 459)        | 981 976          |
| Current Assets                   | 134 364                 | 206 705          | -                | (35 339)         | 305 730          |
| <b>Liabilities</b>               | <b>(125 648)</b>        | <b>(154 851)</b> |                  | <b>70 285</b>    | <b>(210 214)</b> |
| Non Current Liabilities          | (75 772)                | (84 801)         | -                | 37 579           | (122 994)        |
| Current Liabilities              | (49 876)                | (70 050)         | -                | 32 706           | (87 220)         |
| <b>Equity</b>                    | <b>964 350</b>          | <b>303 855</b>   | <b>-</b>         | <b>(159 513)</b> | <b>1 077 492</b> |

## **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The accounting policies and method of measurement and recognition applied in the preparation of these condensed consolidated financial results are in terms of International Financial Reporting Standards ("IFRS") and are consistent with those applied in the audited annual financial statements for the previous year ended 31 December 2016 except for the adoption of new standards and interpretations which became effective in the current year.

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The summarised consolidated financial results have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in terms of the minimum disclosure requirements set out in International Accounting Standards ("IAS") 34 – Interim Financial Reporting, as well the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The financial director, Omair Khan CA(SA), was responsible for the preparation of the condensed consolidated financial results, which process was overseen by the CEO, Mr Peter Armitage CA(SA).

Any reference to future financial performance included in this announcement has not been reviewed or reported on by the group's external auditors.

These summarised consolidated financial statements for the year ended 31 December 2017 have been audited by Grant Thornton, who expressed an unmodified opinion. A copy of the auditor's report is available for inspection at the company's registered office.

These summary audited consolidated financial statements have been derived from the Anchor Group's annual financial statements. The directors take full responsibility for the preparation of the provisional report and that the financial information has been correctly extracted from the underlying annual financial statements.

The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Company's registered office.

## **EVENTS AFTER THE REPORTING PERIOD**

Anchor has no events after reporting period to report on.

## **RESTATEMENT IN CONSOLIDATED FINANCIAL STATEMENTS DUE TO GOODWILL**

On 1 December 2016, the group acquired 50% of the issued shares and voting rights of AG Capital Proprietary Limited. The group had recognised provisional amounts at the acquisition date owing to certain facts and circumstances being unknown at the acquisition date relating to the determination of the purchase price allocation and identifiable assets.

The unknown facts were the potential liability created due to underpin on the share price. At 30 November 2017, an additional at-acquisition contingent purchase consideration liability was

raised as part of the finalisation of the provisional fair values. The effect resulted in a change to goodwill of the 2016 financial results, where applicable.

A liability on acquisition arose for an amount payable to the previous owners if the profit warranty was exceeded. This was not the case and the liability was derecognised through the statement of comprehensive income.

## **DIVIDEND**

As stated, the Company has a long-term intention of paying out approximately half of its adjusted headline earnings as a dividend going forward as a listed business.

For the year ended 31 December 2017, the company has declared a gross dividend (Number 7) of 10 cents per share. The dividend was declared out of income reserves. The total dividend declared for the year amounts to 10 cents (2016: 32 cents).

The dividend will be subjected to a dividend withholding tax rate of 20% or 2 cents per ordinary share and accordingly the net dividend is 8 cents per share, while the dividend payable to shareholders who are exempt from dividend withholding tax is 10 cents per share.

Anchor's tax reference number is 9527/450/16/8. There are 197 216 921 ordinary shares in issue at the declaration date.

The salient dates for the dividend are as follows:

|  |                          |
|--|--------------------------|
| Last date to trade 'cum' dividend                          | Tuesday, 17 April 2018   |
| Shares commence trading 'ex' dividend                      | Wednesday, 18 April 2018 |
| Record date (date shareholders recorded in share register) | Friday, 20 April 2018    |
| Payment date   | Monday, 23 April 2018    |

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 18 April 2018 and Friday, 20 April 2018, both dates inclusive.

The dividend will be transferred to the dematerialised shareholder's CSDP accounts/broker on Monday, 23 April 2018. Certificated shareholder's dividend payments will be paid to certificated shareholder's bank accounts on or about Monday, 23 April 2018.

For and on behalf of the Board

**Peter Armitage**  
Chief Executive Officer  
26 March 2018

**Mike Teke**  
Chairman

## **DIRECTORS**

Executive Directors: Peter Armitage (Chief Executive Officer), Todd Kaplan (Chief Operating Officer), Omair Khan (Financial Director)

Non-executive directors: Mike Teke (Chairman), Paul Nkuna (Lead independent), Alastair Adams (Independent), Nick Dennis (Independent), Kajal Bissessor (Independent)

## **DESIGNATED ADVISOR**

Java Capital

**TRANSFER SECRETARIES**

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**REGISTERED OFFICE**

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