TRANSACTION CAPITAL AUDITED RESULTS AND DIVIDEND DECLARATION

FOR THE YEAR ENDED 30 SEPTEMBER

2018

Transaction Capital

CONTENTS

COMMENTARY

HIGHLIGHTS

SANTACO ACQUIRES **25% STAKE** IN SA TAXI FOR **R1.7 BILLION**

CORE HEADLINE EARNINGS PER SHARE[1] 111.7 cents ▲16% 2017: 96.4 cents

TOTAL DIVIDEND PER SHARE 50.0 cents ▲25% 2017: 40.0 cents

CORE HEADLINE EARNINGS[1]

TRANSACTION CAPITAL GROUP
▲18%
R682 MILLION

SA TAXI
▲21%
R368 MILLION

TRANSACTION CAPITAL RISK SERVICES
▲17%
R273 MILLION

INTRODUCTION

Transaction Capital owns businesses that operate in highly specialised, under-served segments of the South African and Australian financial services markets. Its divisions, SA Taxi and Transaction Capital Risk Services (TCRS), are diversified and scalable business platforms that leverage their specialised expertise, proprietary data and technology to create value for customers.

Positioned deliberately in relation to socio-economic dynamics, both are highly defensive businesses able to deliver good commercial returns and positive social impact in different economic conditions. Each of them has an entrepreneurial, innovative and experienced management team, and operates according to a mature governance framework.

Since listing on the JSE Limited in June 2012, the group has consistently achieved compound annual growth in earnings per share of 20%, with dividends per share growing even faster at 33%, supported by high cash conversion rates. In the 2018 financial year, the group extended its track record of high-quality organic earnings growth, with core headline earnings up 18% to R682 million. Core headline earnings per share grew 16% to 111.7 cents, diluted by the issue of 28.4 million shares in the prior year (February 2017) that raised R419 million.

The early adoption of IFRS 9 in the 2015 financial year, ahead of the 2018 deadline, resulted in a lower-risk balance sheet and higher-quality earnings. At 30 September 2018, the group's balance sheet was well capitalised and flexible, with excess capital of about R650 million available to fund growth.

1. *Headline earnings attributable to the group. Core financial ratios exclude once-off acquisition costs of R22 million incurred during the 2017 financial year.*

COMMENTARY *continued*

TRADING ENVIRONMENT

Despite positive political developments, macro- and socio-economic conditions in South Africa have deteriorated, with the economy entering a technical recession. Consumer and business confidence remain low, with persistently high unemployment (27.5%) and household debt to income (71.3%) levels, a volatile Rand, fuel prices at record highs, a 1% increase in value-added tax (VAT) to 15%, rising costs of household essentials (with inflation at 4.9% in September 2018), and stagnating credit extension.

SA Taxi and TCRS are resilient businesses, strategically well positioned in their chosen markets. They have adjusted to the persistently difficult economic conditions by refining and diversifying their fintech platforms and achieving operational efficiency. While economic improvement would benefit the divisions, no economic upside has been provided for in our guidance.

ACCELERATED BOOKBUILD IN MARCH 2018

Shareholders are referred to the Stock Exchange News Service (SENS) announcements on 7 and 8 March 2018 (available at http://www.transactioncapital.co.za/SENS.php) detailing the accelerated bookbuild by Everglen Capital (Proprietary) Limited (Everglen), Transaction Capital's largest shareholder currently owning 29%. Everglen sold approximately 72 million shares, which increased the group's free float significantly, enhancing liquidity and daily trade. The group's international investor base increased to 16% at year end from 6% in 2017, reflecting the attractiveness of its investment proposition to these investors.

SA TAXI

		For the year ended 30 September		
		2018	2017	Movement
FINANCIAL PERFORMANCE				
Headline earnings attributable to the group	Rm	**368**	303	21%
Non-interest revenue	Rm	**540**	427	26%
Net interest income	Rm	**979**	885	11%
Net interest margin	%	**11.0**	11.4	
Cost-to-income ratio	%	**47.6**	48.6	
CREDIT PERFORMANCE				
Gross loans and advances	Rm	**9 402**	8 303	13%
Non-performing loan ratio	%	**17.7**	17.1	
Credit loss ratio	%	**3.3**	3.2	

Market positioning and operating context

SA Taxi is a vertically integrated business platform, providing a comprehensive financial, insurance and allied services offering to minibus taxi operators. The division offers a unique blend of vehicle procurement, retail, repossession and refurbishment capabilities with asset-backed developmental finance and insurance specifically designed for the minibus taxi industry.

Around 69% of all South African households use minibus taxis, equating to more than 15 million commuter trips a day. Minibus taxi transport is a non-discretionary expense for most South Africans, which supports the industry's resilience even without financial support from government. In contrast, bus and rail are subsidised but together account for less than two million commuter trips a day.

In recent years, persistently difficult economic conditions combined with high minibus vehicle prices and escalating fuel costs have placed strain on the minibus taxi industry. During the year, average petrol and diesel prices rose by 12% and 16% respectively. Minibus taxi prices increased by 2%, which brought the recommended retail price for a Toyota diesel vehicle to approximately R435 000 at year end (adjusted for the increased VAT rate of 15%) compared to about R350 000 four years ago. Although these conditions necessitated greater fare increases in the year, intensifying commuter density due to urbanisation continues to drive demand, with more commuters choosing minibus taxis over bus or rail due to competitive pricing, convenience and accessibility.

Ground-breaking ownership transaction and initiatives with SANTACO

SA Taxi and the South African National Taxi Council (SANTACO) have engaged over several years to formalise the industry's participation in revenue streams of the minibus taxi industry value chain, and to achieve meaningful and sustainable commercial benefits for industry participants. This supports the viability of minibus taxi operators' businesses and in turn their ability to repay loans and afford insurance premiums.

This relationship has deepened considerably in recent years, culminating in a unique and transformational ownership transaction that formalises SA Taxi's relationship with SANTACO. Via a subscription for new shares to the value of R1.7 billion, SANTACO will acquire a 25% interest in SA Taxi. Proportional ownership, allocated to SANTACO and a trust representing its broad-based provincial structures, will ensure that the economic benefits of this investment accrue to all levels.

Of the total future dividend flows 90% will be applied to reducing debt, with 10% flowing from the outset, to be administered and allocated according to a predetermined charter. This dividend income will support relevant infrastructure and other developmental projects designed to create sustainable value for minibus taxi associations, operators, commuters and other stakeholders. Partnerships with local government will be sought to leverage this investment in infrastructure for greater socio-economic impact.

Of the R1.7 billion subscription price, R1.2 billion will be funded by Standard Bank and Futuregrowth Asset Management, with the remainder facilitated by SA Taxi in the form of vendor funding. SA Taxi will use approximately R1 billion of the net proceeds of R1.2 billion to settle interest bearing external and shareholder debt, with the remainder retained by SA Taxi to fund growth.

Going forward, SA Taxi continues to grow earnings organically at rates similar to prior years. However, the financial benefit of the transaction (improved net interest margins from the lower leverage and interest expenses savings) and the operational benefits of a stronger enhanced relationship with SANTACO is significantly accretive to SA Taxi's earnings over the medium term and are expected to support higher growth rates.

This capitalisation of SA Taxi's balance sheet increases its net asset value by approximately R1.2 billion, will reduce gearing significantly and position SA Taxi strongly for its next wave of organic growth. This growth will be funded predominantly by more efficiently priced senior debt. Despite the capitalisation, accretive earnings growth over the medium term will enable SA Taxi to generate a return on equity of about 20%.

The vendor funding made available by SA Taxi will result in Transaction Capital consolidating 81.4% of SA Taxi's earnings. Although Transaction Capital's proportionate share of SA Taxi's earnings will be smaller, earnings are expected to increase due to the settlement of debt. Seen together with the operational benefits expected from greater alignment with the minibus taxi industry, this ground-breaking deal is expected to be earnings accretive to the group over the medium term.

Shareholders are referred to the SENS announcement released on 20 November 2018 (available at http://www.transactioncapital.co.za/SENS.php) for more detail on the terms of the transaction.

This transaction and resulting partnership is truly ground-breaking. It provides broad-based participation in the value chain in an entirely black-owned industry, comprised entirely of small- and medium-sized enterprises (SMEs), which has developed without government subsidy into the most critical component of the South African integrated public transport system. The alignment of interests required to conclude the transaction has formalised the industry ecosystem to an extent not achieved before, providing a framework for wide-reaching initiatives to transform the minibus taxi industry from within, and to grow and support the sustainability of the industry at all levels.

As a socially responsible corporate citizen, the group is cognisant of businesses' responsibilities to the broader South African society, extending our obligations well in excess of statutory or legislative requirements. Transaction Capital's willingness to take on and to financially facilitate the SANTACO ownership transaction, on a voluntary rather than an obligatory basis, stands as testament to our strategic emphasis on creating shared value – enhancing commercial returns while at the same time delivering positive social impact.

COMMENTARY *continued*

The transaction augments SA Taxi's social impact, which extends to financial inclusion, job creation, skills development and economic transformation, all of which underpin the sustainability of the industry. Most operators in the minibus taxi industry do not qualify for traditional finance, with about eight out of ten SA Taxi clients deemed unsuitable for bank finance. Since 2008, the division has provided loans of more than R21.9 billion to taxi operators, supporting the creation of an estimated 72 423 SMEs, and more than 130 000 direct and 215 000 indirect jobs. More broadly, by enabling taxi operators to replace old vehicles with new, safer and lower emission minibus taxis, SA Taxi assists in improving this critically important component of South Africa's integrated public transport network.

SA Taxi continues to work closely with SANTACO leadership on other initiatives designed to deliver sustainable benefits to SA Taxi's clients and the industry as a whole. These include:

> A highly competitive credit life product, launched in October 2017 and developed by SA Taxi in response to a request from SANTACO.

> The Black Elite fuel loyalty programme in partnership with Shell, launched in April 2018, which rewards minibus taxi operators with cash back and airtime for their petrol or diesel purchases. At 30 September 2018, more than 6 300 cards had been distributed, with over 40% in active use. In the future, similar programmes will be considered, including related rewards and benefits.

> Providing over 70 patrol vehicles, worth more than R20 million, to various regional, provincial, and national taxi associations to support industry self-regulation and road safety.

> Funding and facilitating Project Refentse, launched in March 2018, to provide certificated skills training for unqualified technicians currently repairing vehicles at taxi ranks.

> Approaching various industry stakeholders, specifically government, regarding subsidies, funding, or increasing scrapping allowances to facilitate the recapitalisation of the national minibus taxi fleet.

Vehicle retail

SA Taxi's retail dealership, Taximart Dealership, sells new and pre-owned minibus taxis, with turnover of about R800 million a year. Its vertically integrated business model enables SA Taxi to rebuild high quality income-generating pre-owned minibus taxis that give operators a more affordable alternative to purchasing new vehicles.

Loans originated through SA Taxi's dealership perform better from a credit performance perspective and provide SA Taxi with the opportunity to earn product margin and insurance revenue. Within its dealership, SA Taxi limits unnecessary charges and add-ons to vehicles that add no income producing value, making vehicles more affordable. SA Taxi is expanding its dealership network and opened a dealership in Polokwane during October 2018. Additional dealerships are being considered.

Vehicle financing

SA Taxi's loans and advances portfolio, comprising 30 617 vehicles, grew 13% to R9.4 billion. Growth of 7% in the number of loans on book and the increase in minibus taxi prices supported this result. Focused loan origination strategies resulted in higher credit quality, with 75% of loans originated in better risk categories, and repeat loans to existing clients increasing to approximately 31%, from 26% a year ago.

Net interest income grew 11% to R979 million. Effective capital management kept SA Taxi's net interest margin at 11.0%, despite a marginal increase in the cost of borrowing. The risk-adjusted net interest margin remained robust at 7.7%. The credit loss ratio increased marginally to 3.3% and remains at the bottom end of the division's risk tolerance of 3% to 4%. This increase was partly due to SA Taxi electing to dispose of a portion of repossessed vehicles via auction or salvage as opposed to refurbishment and refinance. The difficult economic conditions combined with high minibus vehicle prices and escalating fuel costs, resulted in an increase in SA Taxi's non-performing loan ratio to 17.7%.

A marginally higher non-performing loan ratio, offset by the reduced average cost to refurbish repossessed vehicles and higher recoveries on the re-sale of these vehicles, resulted in the division reducing provision coverage to 4.0%. At this level, SA Taxi's after-tax credit loss remains covered at 1.7 times.

SA Taxi's funding requirements for the 2019 financial year are secured, with a diversified funding base of 44 distinct debt investors. The business continues to balance the cost of international debt against the benefit of diversified funding.

After issuing R505 million of Moody's credit rated and JSE-listed debt via its Transsec 3 securitisation programme in November 2017, SA Taxi placed an additional R505 million of debt under this programme in June 2018. The issue was 2.24 times oversubscribed, resulting in the weighted average interest cost reducing by 10 basis points to three-month JIBAR plus 170 basis points, when compared to the first Transsec 3 auction.

Vehicle insurance

SA Taxi's insurance business is the main driver of non-interest revenue, growing faster than the vehicle financing business. In 2018, the division's gross written premium grew 23% to R687 million, supported by broadening its client base and product offering. SA Taxi's credit life portfolio grew strongly as it continued to penetrate its customer base. SA Taxi's insured clients each have two SA Taxi insurance products on average. The launch of new products is planned.

More than 85% of SA Taxi's financed clients are insured by SA Taxi, with the remainder insured by other reputable insurers. To grow its base of open market insurance clients (that is insurance clients not financed by the division), SA Taxi initiated its broker network strategy during 2018 with more than 100 brokers participating. Take-up rates are steadily increasing with the number of insurance clients up 10% from the prior period. Annualised new business premium grew to R349 million for the year (2017: R283 million).

Claims ratios improved further as the proportion of insurance claims processed via SA Taxi's combined autobody and mechanical refurbishment facility continued to grow.

SA Taxi's insurance operation is consolidated in accordance with International Financial Reporting Standards.

Autobody repair, mechanical refurbishment, salvage and parts procurement and distribution

SA Taxi's autobody repair and mechanical refurbishment facility is designed to reduce the cost of insurance claims and lower credit losses in the event of repossession. Enhancing the value of repossessed vehicles through a high quality but efficient refurbishment process enables SA Taxi to recover more than 73% of loan value on the sale of repossessed vehicles.

Despite a weaker Rand causing inflationary pressure on spare part costs, the average cost to refurbish repossessed or insured vehicles reduced further in the period, underpinned in part by greater efficiency in SA Taxi's focused refurbishment facility.

SA Taxi established its own parts procurement and distribution, and vehicle salvage operation in March 2018, called Taxi Auto Parts or TAP. Via TAP, SA Taxi is able to import and procure locally quality parts directly at a lower cost, and distribute these to SA Taxi's own refurbishment centre as well as its network of preferred external autobody repairers. Through TAP, SA Taxi is also able to optimise the salvage value of vehicles. A further initiative to support taxi operators is the retailing of well-priced new and refurbished vehicle parts to taxi operators.

Apart from reducing the credit loss and insurance claims ratios, TAP benefits taxi operators by supplying them with well-priced vehicle parts, ultimately managing insurance premiums, reducing the cost of claims and reducing credit shortfalls in the event of repossession.

Connected services, telematics and technology

Data and telematics underpin SA Taxi's operations and are key to mitigating risk. The division continues to enrich its proprietary database, with data accumulated daily from each minibus taxi and applied to credit decisions, collections, repossessions and insurance activities. In addition, it continues to invest in information technology, data management and predictive analytics specifically designed to reduce risk, prevent insurable events and reduce the cost of insurance claims, as well as technologies that improve processing capabilities and extract operational efficiencies.

Wi-Fi in taxis and ranks, SA Taxi's telematics systems and the Black Elite fuel loyalty programme have culminated in SA Taxi's Connected Services division, with a growth strategy focused on initiating communication and transacting with South Africa's 250 000 minibus taxi operators. Once established, this function could serve as a gateway to provide relevant financial products and services to the 9.9 million households or 15 million commuters who use SA Taxi's minibus taxi infrastructure.

Conclusion

SA Taxi's operational, credit and financial performance remains robust. This is evident in 13% growth in gross loans and advances, net interest margins at 11.0% and good credit performance in a challenging environment; 26% growth in non-interest revenue from insurance products, vehicle sales and telematics services, now comprising 36% of SA Taxi's revenue after interest expenses (2012: 26%); and significant operational leverage via the improvement in the cost-to-income ratio to 47.6% (2017: 48.6%). This supported 21% growth in headline earnings to R368 million for the year.

COMMENTARY *continued*

TRANSACTION CAPITAL RISK SERVICES

For the year ended 30 September		2018	2017	Movement
FINANCIAL PERFORMANCE				
Core headline earnings attributable to the group	Rm	**273**	233	17%
Non-interest revenue	Rm	**1 837**	1 485	24%
PURCHASED BOOK DEBTS				
Price of purchased book debts acquired	Rm	**662**	356	86%
Purchased book debts	Rm	**1 374**	891	54%
Estimated remaining collections (120 months)	Rm	**2 989**	1 867	60%

Market positioning and operating context

TCRS is a technology-led, data-driven provider of customer management solutions in South Africa and Australia. The division's scalable and bespoke fintech platform, combined with its technology and propriety data, enables it to mitigate risk and maximise value for clients throughout the customer engagement lifecycle.

TCRS' diversified business model reduces concentration risk and supports performance in different market conditions. TCRS is diversified by business activity across collection, transactional and value-added services. Within its most significant business activity, collection services, TCRS acts as both a principal in acquiring and then collecting on non-performing loan portfolios, and as an agent on an outsourced contingency or fee-for-service (FFS) basis. With its business activities diversified further across various consumer related sectors, clients and geographies, TCRS' business model is defensive.

As noted previously, the trading environment in South Africa has deteriorated and the pressure on consumers intensified throughout 2018. With the increase in the cost of household essentials exceeding wage growth, little indication of job growth, a weakening exchange rate, increased pressure on household spending and higher fuel prices, South African consumers are expected to struggle as they aim to reduce debt slowly over the medium term.

The consumer outlook remains subdued and highly indebted consumers remain vulnerable. Consumer confidence is expected to remain low in the short to medium term unless government implements growth-boosting structural reforms that effectively address unemployment and, importantly, the youth unemployment rate of 53%, which is the highest in sub-Saharan Africa.

Of the 24.6 million credit-active South African consumers at June 2018, almost 40% of these (9.6 million) had impaired credit records. TCRS maintains proprietary data on almost all of these distressed consumers. According to Transaction Capital's Consumer Credit Rehabilitation Index (CCRI), the overall national rehabilitation prospects of delinquent South African consumers improved marginally by 0.7% in the third quarter of 2018 compared to the third quarter of 2017. The quarterly rehabilitation outlook showed a slight deterioration of 0.2% from the second quarter to the third quarter of 2018. This quarter-on-quarter deterioration came after the local economy entered a technical recession in the second quarter of 2018. Any prospect of a meaningful recovery trend in the near future is unlikely.

In this challenging environment, TCRS facilitates consumer credit rehabilitation, which in turn supports consumers' ability to re-access conventional finance. At the same time, TCRS assists lenders to maintain stronger balance sheets and continue extending credit at affordable interest rates. Increased consumer spending is a significant component of South Africa's gross domestic product.

Australia's credit active consumer remains highly leveraged with household debt to income levels exceeding 190% and monthly debt servicing costs, excluding home loan repayments, at 51%. However, low levels of unemployment (5.3% at August 2018), strong levels of credit extension, a stable and evenly balanced regulatory environment, and higher success in contacting and transacting with consumers through both voice and digital channels, enhances debt recovery. This provides a favourable trading environment in the Australian debt collections market.

Collection services

Acquisition of non-performing loan portfolios as principal

In South Africa, the economic climate and TCRS' data, scale and capital position favour the acquisition of non-performing loan portfolios from risk averse clients who prefer an immediate recovery against their non-performing loans. Activity in this sector was higher than in the 2017 financial year, with opportunities to purchase loan portfolios emanating from traditional lenders, credit retailers, municipalities and State-owned Enterprises.

Whereas TCRS historically focused on acquiring portfolios of written-off unsecured retail debt, it has extended its focus to non-performing consumer portfolios in alternative asset classes such as secured loans, debt review portfolios and consumer debt prior to write-off, with the latter typically sold on a private bilateral basis.

In South Africa, TCRS acquired 33 portfolios with a face value of R13.4 billion for R639 million during the 2018 financial year and Recoveries Corporation in Australia invested a further R23 million in portfolios during the period, contributing to 22% growth in revenue from principal collections. At 30 September 2018, TCRS owned 239 principal portfolios with a face value of R22.4 billion, valued at R1.4 billion, up 54% from R891 million a year ago. Estimated remaining collections grew to R3.0 billion, up 60% from R1.9 billion a year ago, which will underpin future performance.

TCRS continues to be cautious as it seeks to apply its analytics, pricing expertise and capital raising capabilities to the selective purchase of non-performing loan portfolios in Australia. Although the debt collection market is highly fragmented, it is estimated that non-performing loan portfolios are acquired annually for an aggregated purchase consideration of AUD600 million, many times larger than the South African market, giving some indication of the growth opportunity for TCRS in this market.

TCRS grew revenues in this sector organically by 22%.

Contingency and fee-for-service revenue

The difficult consumer credit environment since 2016 has resulted in lower levels of consumer credit extension and a consequent contraction in the volumes of contingency matters handed over for collection in South Africa by banks, credit retailers and specialist lenders.

Encouragingly, TCRS' strategy to diversify geographically, deepen its penetration in its traditional market segments (banks, retailers and specialist lenders) and grow revenue from adjacent sectors (insurance, telecommunication and public sectors) supported its organic earnings growth, with TCRS' contingency and FFS revenue growing 19% during the year.

In South Africa, adjacent insurance, telecommunication and public sectors contributed 38% of TCRS' local contingency and FFS revenue, compared to 27% in the prior period. In addition to these strategies, TCRS is continually assessing opportunities for bolt-on acquisitions to enter adjacent sectors and penetrate new product types.

Recoveries Corporation in Australia made excellent progress in achieving its strategic imperative of driving operational efficiencies by deepening management competence and overlaying TCRS' technology and business information capabilities. With the operational integration substantially complete, the business is expected to yield an enhanced return on future revenues. On a like-for-like basis, Recoveries Corporation's revenue was in line with expectations, supported by a broad client base in the insurance (23%), telecommunication and utility (12%), banking and commercial (32%), and public (33%) sectors.

Although Recoveries Corporation is still a small component of TCRS, it continues to diversify the division's contingency and FFS revenue. For a relatively small initial investment, the opportunity to gain a deep understanding of the Australian collections industry and participate in emerging opportunities, is proving meaningful. In addition to achieving operational leverage, growth opportunities include bolt-on acquisitions of specialist collectors and the selective purchase of non-performing loan portfolios.

TCRS grew revenues in this sector by 19%.

COMMENTARY *continued*

Transactional services

The transactional services business includes Transaction Capital Payment Solutions and Transaction Capital Business Solutions (TCBS). Management is exploring progressive fintech and payment technologies to create future opportunities, including the creation of a payment services platform, an online client portal and technology-based originations. Cognisant of higher risk in the SME lending environment, TCBS remains disciplined, intentionally curbing book growth to maintain risk tolerance and ensure high-quality earnings from its SME lending activities.

Value-added services

Acquired in December 2016, Road Cover has been fully integrated and performed to expectation. The growth prospects of this business, including the application of data and analytical skills to augment the Road Cover offering, are encouraging.

Data and technology

Technological and operational enhancements initiated in 2016 and implemented throughout 2017 and 2018, including the optimisation of the dialer and workforce management, have resulted in higher productivity and lower operating costs. On a like-for-like basis, excluding recently acquired businesses, TCRS' cost-to-income ratio improved to 76.8%, compared to 77.3% in the prior year.

TCRS continues to explore the implementation of new technologies, including artificial intelligence technologies. Changing demographics, increased smart phone penetration and increased access to and reducing cost of data are driving changes in consumers' preferred method of communication to non-voice channels.

In addition, TCRS is expanding and enriching its database of South African consumers, which now includes both performing and non-performing credit active consumers.

Conclusion

Strong growth in revenues from both principal collections of acquired non-performing consumer portfolios, and contingency and FFS revenue supported core headline earnings growth of 17% to R273 million for the year. Future performance is well underpinned with the fair value of purchased book debts and estimated remaining collections both growing by more than 50%.

GROUP EXECUTIVE OFFICE

The executive office added R41 million to the group's headline earnings for the year, from efficient management of the R650 million of excess capital. Post the ownership transaction with SANTACO, Transaction Capital's balance sheet will be completely free of debt, now with approximately R1 billion of excess cash and poised for growth.

DIRECTOR APPOINTMENTS AND RESIGNATIONS

As previously reported on SENS, Diane Radley was appointed to the Transaction Capital board as an independent non-executive director with effect from 15 July 2018, and serves as a member of the audit, risk and compliance (ARC) committee and the asset and liability committee.

Olufunke Ighodaro will be resigning as an independent non-executive director and chairman of the ARC committee with effect from 30 November 2018 due to her other executive responsibilities. The board wishes to thank Ms Ighodaro for her valued contribution to the company and wishes her well with her future endeavours. Diane Radley will be appointed as chairman of the ARC committee on this date.

STRATEGY

Despite the adverse environment of the past few years, Transaction Capital's entrepreneurial management teams continue to invest unrelentingly into innovative strategies, creating a diverse and expanded earnings base.

At SA Taxi, these initiatives include the broadening of its insurance client and product base; and reducing the cost of insurance claims and credit losses via technology, data management and predictive analytics, together with procurement and operational efficiencies in its enhanced autobody and mechanical refurbishment facility. SA Taxi's ownership transaction with SANTACO is expected to support growth in the finance, insurance and retail businesses, and unlock further opportunities to provide allied services within the broader taxi community, enabling a deeper penetration of the total addressable market. These benefits, together with the financial benefits of reduced gearing, are expected to be accretive to Transaction Capital's earnings over the medium term.

The main driver of organic growth at TCRS is the bespoke or bilateral acquisition of non-performing loan portfolios. Activity in this sector remains buoyant with future performance underpinned by more than 50% growth this year in the fair value of purchased book debts and estimated remaining collections. Expanding and enriching its database, and investment in the new technologies detailed previously should continue to enhance yields via higher productivity and lower operating costs.

Transaction Capital continues to benefit from deep vertical integration within focused sectors. Underpinned by a deeper understanding of their social relevance, this enables the divisions to continue innovating opportunities which create greater value for all stakeholders.

Although both SA Taxi and TCRS are strong performers in this low/no growth environment, a sustained economic recovery will support their potential to outperform current performance expectations.

PROSPECTS

Precise implementation of the above strategy enables the group to continue achieving robust organic earnings and dividend growth over the medium term at least in line with past periods and current performance.

Our growth expectations assume that the group's excess capital is not deployed accretively, so there may well be further upside potential over the medium term.

Any forecast financial information has not been reviewed or reported on by the company's auditors.

DIVIDEND DECLARATION

Following the interim dividend of 21 cents per share (2017 interim: 15 cents per share), and in line with the stated dividend policy of 2 to 2.5 times, the board has declared a final gross cash dividend of 29 cents per share (2017: 25 cents per share) for the six months ended 30 September 2018 to those members on the record date below. The dividend is declared out of income reserves. A dividend withholding tax of 20% will be applicable to the dividend for all shareholders that are not exempt from the dividend withholding tax, resulting in a net dividend of 23.2 cents per share. The salient features applicable to the final dividend are as follows:

Issued shares as at declaration date	610 212 448
Declaration date	Tuesday 20 November 2018
Last day to trade cum dividend	Tuesday 4 December 2018
Ex-dividend	Wednesday 5 December 2018
Record date	Friday 7 December 2018
Payment date	Monday 10 December 2018

Tax reference number: 9466/298/15/6

Share certificates may not be dematerialised or rematerialised between Wednesday 5 December 2018 and Friday 7 December 2018, both dates inclusive.

On Monday 10 December the cash dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic fund transfer is not available or desired, cheques dated 10 December 2018 will be posted on that date. Shareholders who have dematerialised their share certificates will have their accounts at their CSDP or broker credited on Monday 10 December 2018.

COMMENTARY *continued*

BASIS FOR PREPARATION

The auditors, Deloitte & Touche, have issued their opinions on the consolidated financial statements and the summarised consolidated financial statements for the year ended 30 September 2018. The audit was conducted in accordance with International Standards on Auditing. They have issued unmodified audit opinions.

The consolidated financial statements and summarised consolidated financial statements have been prepared under the supervision of Ronen Goldstein (CA)SA. These results represent a summary of the complete set of audited consolidated financial statements of Transaction Capital approved on 20 November 2018. The directors take full responsibility and confirm that this information has been correctly extracted from the consolidated financial statements. The complete set of consolidated financial statements is available for inspection at Transaction Capital's registered office.

The summarised consolidated financial statements have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, and the requirements on the Companies Act of South Africa, 71 of 2008, applicable to summary financial statements. The JSE Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS, IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides (as issued by the Accounting Practices Committee) and Financial Pronouncements (as issued by the Financial Reporting Standards Council).

The accounting policies applied in the preparation of these summarised consolidated financial statements are in terms of IFRS and are consistent, in all material respects, with those details in Transaction Capital's prior year annual consolidated financial statements.

The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that to obtain a full understanding of the nature of the auditor's engagement, they should read the unmodified (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements* audit report included in these summarised consolidated financial statements.

APPROVAL BY THE BOARD OF DIRECTORS

Signed on behalf of the board of directors:

David Hurwitz
Chief executive officer

Ronen Goldstein
Financial director

Dunkeld West
20 November 2018

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Sponsor: RAND MERCHANT BANK (A division of FirstRand Bank Limited)

INDEPENDENT AUDITOR'S REPORT ON SUMMARY FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF TRANSACTION CAPITAL LIMITED

OPINION

The summary consolidated financial statements of Transaction Capital Limited contained in the accompanying provisional report, which comprise the summary consolidated statement of financial position as at 30 September 2018, the summary consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Transaction Capital Limited for the year ended 30 September 2018.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Transaction Capital Limited, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in the basis for preparation paragraph to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The summary consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Transaction Capital Limited and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 20 November 2018. That report also includes:

> The communication of key audit matters as reported in the auditor's report of the audited financial statements.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in basis for preparation paragraph to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), 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*.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Deloitte & Touche
Registered Auditors
Per: Paul Stedall

Partner
20 November 2018
Deloitte Place
20 Woodlands Drive
Woodmead Sandton

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER

	2018 Audited Rm	2017 Audited Restated* Rm
ASSETS		
Cash and cash equivalents	**900**	944
Tax receivables	**17**	22
Trade and other receivables	**1 126**	687
Inventories	**478**	212
Loans and advances	**9 592**	8 456
Purchased book debts	**1 374**	891
Other loans receivable	**39**	41
Intangible assets	**283**	247
Property and equipment	**167**	150
Goodwill	**1 142**	1 135
Deferred tax assets	**224**	259
TOTAL ASSETS	**15 342**	13 044
LIABILITIES		
Bank overdrafts	**116**	136
Tax payables	**5**	19
Trade and other payables	**737**	554
Provisions	**148**	147
Interest-bearing liabilities	**9 817**	8 191
Senior debt	**8 753**	7 228
Subordinated debt	**1 060**	963
Finance leases	**4**	–
Deferred tax liabilities	**326**	225
TOTAL LIABILITIES	**11 149**	9 272
EQUITY		
Ordinary share capital	**1 056**	1 056
Reserves	**52**	34
Retained earnings	**3 026**	2 628
EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	**4 134**	3 718
Non-controlling interests	**59**	54
TOTAL EQUITY	**4 193**	3 772
TOTAL EQUITY AND LIABILITIES	**15 342**	13 044

* *In terms of IFRS 3: Business Combinations, the provisional accounting applied to the acquisition of Recoveries Corporation was finalised in December 2017. As a result, trade and other payables were reduced by R30 million, with a corresponding reduction in goodwill. The impact on the statement of comprehensive income is negligible.*

SUMMARISED CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER

	2018 Audited Rm	2017 Audited Rm
Interest and other similar income	**2 154**	1 971
Interest and other similar expense	**(1 054)**	(964)
NET INTEREST INCOME	**1 100**	1 007
Impairment of loans and advances	**(314)**	(260)
RISK-ADJUSTED NET INTEREST INCOME	**786**	747
Non-interest revenue	**2 377**	1 937
Operating costs	**(2 244)**	(1 910)
Non-operating loss	**(3)**	(3)
PROFIT BEFORE TAX	**916**	771
Income tax expense	**(218)**	(203)
PROFIT FOR THE YEAR	**698**	568
PROFIT FOR THE YEAR ATTRIBUTABLE TO:		
Ordinary equity holders of the parent	**682**	555
Non-controlling interests	**16**	13
EARNINGS PER SHARE (CENTS)		
Basic earnings per share	**111.7**	92.8
Diluted basic earnings per share	**110.6**	92.2

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER

	2018 Audited Rm	2017 Audited Rm
PROFIT FOR THE YEAR	**698**	568
OTHER COMPREHENSIVE INCOME/(LOSS)		
Movement in cash flow hedging reserve	**2**	(8)
Fair value gain/(loss) arising during the year	**3**	(12)
Deferred tax	**(1)**	4
Movement in equity instruments held at fair value	**–**	(72)
Exchange (loss)/gain on translation of foreign operations	**(14)**	15
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**686**	503
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Ordinary equity holders of the parent	**670**	490
Non-controlling interests	**16**	13

SUMMARISED CONSOLIDATED HEADLINE EARNINGS RECONCILIATION

FOR THE YEAR ENDED 30 SEPTEMBER

Headline earnings is equal to profit after tax for the year as there are no headline earnings adjustments required.

	2018 Audited Rm	2017 Audited Rm
Headline earnings	**682**	555
Transaction and other acquisition-related costs	**–**	22
CORE HEADLINE EARNINGS	**682**	577

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER

	Share capital Audited Rm	Reserves Audited Rm	Retained earnings Audited Rm	Ordinary equity holders Audited Rm	Non-controlling interests Audited Rm	Total equity Audited Rm
BALANCE AT 30 SEPTEMBER 2016	510	149	2 285	2 944	34	2 978
Total comprehensive (loss)/income	–	(65)	555	490	13	503
Profit for the year	–	–	555	555	13	568
Other comprehensive loss	–	(65)	–	(65)	–	(65)
Grant of share appreciation rights and conditional share plans	–	18	–	18	–	18
Settlement of share appreciation rights	–	(20)	(64)	(84)	–	(84)
Transfer to retained earnings	–	(48)	48	–	–	–
Dividends paid	–	–	(196)	(196)	(3)	(199)
Issue of shares	557	–	–	557	–	557
Repurchase of shares	(11)	–	–	(11)	–	(11)
Non-controlling interests arising on business combinations	–	–	–	–	10	10
BALANCE AT 30 SEPTEMBER 2017	**1 056**	**34**	**2 628**	**3 718**	**54**	**3 772**
Total comprehensive (loss)/income	**–**	**(12)**	**682**	**670**	**16**	**686**
Profit for the year	**–**	**–**	**682**	**682**	**16**	**698**
Other comprehensive loss	**–**	**(12)**	**–**	**(12)**	**–**	**(12)**
Grant of share appreciation rights and conditional share plans	**–**	**31**	**–**	**31**	**–**	**31**
Settlement of share appreciation rights and conditional share plans	**–**	**(1)**	**(4)**	**(5)**	**–**	**(5)**
Dividends paid	**–**	**–**	**(280)**	**(280)**	**(11)**	**(291)**
Issue of shares	**9**	**–**	**–**	**9**	**–**	**9**
Repurchase of shares	**(9)**	**–**	**–**	**(9)**	**–**	**(9)**
BALANCE AT 30 SEPTEMBER 2018	**1 056**	**52**	**3 026**	**4 134**	**59**	**4 193**

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

	2018 Audited Rm	2017 Audited Rm
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated by operations	**1 464**	1 134
Income taxes paid	**(87)**	(51)
Dividends received from insurance activities	**–**	115
Dividends paid	**(291)**	(199)
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	**1 086**	999
INCREASE IN OPERATING ASSETS AND LIABILITIES	**(2 057)**	(1 852)
Loans and advances	**(1 457)**	(1 572)
Purchased book debts	**(600)**	(280)
CHANGES IN WORKING CAPITAL	**(520)**	(244)
Increase in inventories	**(265)**	(127)
Increase in trade and other receivables	**(430)**	(223)
Decrease/(increase) in other loans receivable	**2**	(6)
Increase in trade and other payables	**173**	112
NET CASH UTILISED BY OPERATING ACTIVITIES	**(1 491)**	(1 097)
CASH FLOW FROM INVESTING ACTIVITIES		
Business combinations	**(35)**	(226)
Acquisition of property and equipment	**(59)**	(66)
Proceeds on disposal of property and equipment	**5**	–
Acquisition of intangible assets	**(60)**	(70)
NET CASH UTILISED BY INVESTING ACTIVITIES	**(149)**	(362)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from interest-bearing liabilities	**5 946**	4 164
Settlement of interest-bearing liabilities	**(4 320)**	(3 438)
Repurchase of shares	**(9)**	(11)
Issue of shares	**–**	449
NET CASH GENERATED FROM FINANCING ACTIVITIES	**1 617**	1 164
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(23)**	(295)
Cash and cash equivalents at the beginning of the year*	**808**	1 103
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(1)**	–
CASH AND CASH EQUIVALENTS AT THE END OF YEAR*	**784**	808

** Cash and cash equivalents are presented net of bank overdrafts.*

SUMMARISED CONSOLIDATED SEGMENT REPORT

	SA Taxi	
	2018 Audited Rm	2017 Audited Rm
SUMMARISED INCOME STATEMENT		
FOR THE YEAR ENDED 30 SEPTEMBER		
Net interest income	**979**	885
Impairment of loans and advances	**(299)**	(253)
Non-interest revenue	**540**	427
Operating costs	**(723)**	(638)
Non-operating loss	**–**	–
PROFIT BEFORE TAX	**497**	421
Headline earnings attributable to equity holders of the parent	**368**	303
Once-off transaction and other acquisition-related costs	**–**	–
CORE HEADLINE EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**368**	303
SUMMARISED STATEMENT OF FINANCIAL POSITION		
AT 30 SEPTEMBER		
ASSETS		
Cash and cash equivalents	**677**	608
Loans and advances	**9 026**	7 872
Purchased book debts	**–**	–
Other assets	**2 036**	1 438
TOTAL ASSETS	**11 739**	9 918
LIABILITIES		
Bank overdrafts	**116**	136
Interest-bearing liabilities	**8 333**	6 879
Group loans**	**1 170**	1 164
Other liabilities	**482**	408
TOTAL LIABILITIES	**10 101**	8 587
TOTAL EQUITY	**1 638**	1 331

* *Group executive office numbers are presented net of group consolidation entries.*

** *Of SA Taxi's group loans of R1 170 million at 30 September 2018 (2017: R1 164 million), R479 million (2017: R400 million) are not permanent facilities. The remaining R691 million (2017: R764 million) group loans are subordinated debt facilities with fixed repayment terms. TCRS' total group loans of R238 million (2017: R107 million) are not permanent facilities.*

Transaction Capital Risk Services		Group executive office*		Group	
2018 Audited Rm	2017 Audited Rm	**2018 Audited Rm**	2017 Audited Rm	**2018 Audited Rm**	2017 Audited Rm
51	77	**70**	45	**1 100**	1 007
(15)	(7)	**–**	–	**(314)**	(260)
1 837	1 485	**–**	25	**2 377**	1 937
(1 510)	(1 260)	**(11)**	(12)	**(2 244)**	(1 910)
(3)	(3)	**–**	–	**(3)**	(3)
360	292	**59**	58	**916**	771
273	211	**41**	41	**682**	555
–	22	**–**	–	**–**	22
273	233	**41**	41	**682**	577
168	161	**55**	175	**900**	944
566	584	**–**	–	**9 592**	8 456
1 374	891	**–**	–	**1 374**	891
1 426	1 297	**14**	18	**3 476**	2 753
3 534	2 933	**69**	193	**15 342**	13 044
–	–	**–**	–	**116**	136
1 107	968	**377**	344	**9 817**	8 191
238	107	**(1 408)**	(1 271)	**–**	–
698	501	**36**	36	**1 216**	945
2 043	1 576	**(995)**	(891)	**11 149**	9 272
1 491	1 357	**1 064**	1 084	**4 193**	3 772

BUSINESS COMBINATIONS

FOR THE YEAR ENDED 30 SEPTEMBER 2018 (AUDITED)

SUBSIDIARIES ACQUIRED

	Acquirer	Principal activity	Date of acquisition	Proportion of voting equity interests acquired %	Consideration transferred Rm
Accsys Proprietary Limited (Accsys)	Transaction Capital Risk Services (TCRS)	People management solutions	01/12/2017	**100**	**44**

TCRS acquired 100% of the voting equity in Accsys in the current year. Accsys is a South African software company specialising in people management solutions. Accsys has the potential to unlock value through synergies with TCRS, including Transaction Capital Payment Solutions (TCPS) gaining access to approximately one million disbursements via the Accsys system each month to employees of clients.

CONSIDERATION FOR IFRS 3 PURPOSES

	Total Rm
Cash	**44**
TOTAL	**44**

ASSETS ACQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF ACQUISITION

	Total Rm
Current assets	
Cash and cash equivalents	**9**
Trade and other receivables	**10**
Inventories	**1**
Non-current assets	
Deferred tax assets	**5**
Current liabilities	
Trade and other payables	**(18)**
NET ASSETS ACQUIRED AND LIABILITIES RECOGNISED	**7**

The initial accounting for the acquisition of Accsys has been provisionally determined at the end of the reporting period. For tax purposes, the tax values of certain Accsys assets are required to be reset based on market values of the assets at the date of the acquisition. At the date of finalisation of the year-end results, the necessary market valuations and other calculations from a tax perspective had not been finalised and have therefore only been provisionally determined based on the directors' best estimate of the likely tax values.

The receivables acquired in this transaction have a fair value of R10 million. The receivables acquired compromise principally of trade receivables with a gross contractual amount of R11 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected is R2 million.

GOODWILL ARISING ON ACQUISITION

	Total Rm
Consideration for IFRS 3 purposes	**44**
Less: intangible assets identified from business combination	**(19)**
Plus: deferred tax on intangible assets identified from business combination	**5**
Less: fair value of identifiable net assets acquired	**(7)**
GOODWILL ARISING ON ACQUISITION	**23**

The consideration paid for the business combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Accsys. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARY

	Total Rm
Consideration paid in cash	**44**
Less: cash and cash equivalents balance acquired	**(9)**
NET CASH OUTFLOW	**35**

IMPACT OF ACQUISITION ON THE RESULTS OF THE GROUP

Included in profit attributable to ordinary equity holders of the group for the year is R5 million attributable to Accsys. Revenue for the year includes R45 million in respect of Accsys.

Had the business combination been effected at 1 October 2017, revenue for the group would have been R4 552 million, and the profit for the year attributable to ordinary equity holders of the group would have been R683 million. The directors consider these pro forma numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

FAIR VALUE DISCLOSURE

FOR THE YEAR ENDED 30 SEPTEMBER

The fair values of financial assets and financial liabilities are disclosed below:

	Carrying value 2018 Audited Rm	Fair value 2018 Audited Rm	Carrying value 2017 Audited Rm	Fair value 2017 Audited Rm
ASSETS				
Loans and advances	**9 592**	**9 587**	8 456	8 454
Purchased book debts	**1 374**	**1 374**	891	891
Other loans receivable	**39**	**39**	41	41
Trade and other receivables*	**860**	**860**	546	546
Cash and cash equivalents	**900**	**900**	944	944
TOTAL	**12 765**	**12 760**	10 878	10 876
LIABILITIES				
Interest-bearing liabilities	**9 817**	**9 870**	8 191	8 571
Fixed rate liabilities	**240**	**247**	25	25
Floating rate liabilities	**9 577**	**9 623**	8 166	8 546
Trade and other payables**	**544**	**544**	361	361
Bank overdrafts	**116**	**116**	136	136
TOTAL	**10 477**	**10 530**	8 688	9 068
NET EXPOSURE	**2 288**	**2 230**	2 190	1 808

* *Prepayments and VAT receivables are not financial assets and therefore have been excluded from trade and other receivables.*

** *Revenue received in advance, deferred lease liabilities, VAT payables and bonus accruals are not financial liabilities and therefore have been excluded from trade and other payables.*

LEVEL DISCLOSURES

FOR THE YEAR ENDED 30 SEPTEMBER

	2018 Audited			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Loans and advances: entry-level vehicles	**–**	**–**	**23**	**23**
Other financial assets	**–**	**–**	**49**	**49**
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Derivatives	**–**	**124**	**–**	**124**
TOTAL FINANCIAL ASSETS	**–**	**124**	**72**	**196**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
Derivatives	**–**	**4**	**–**	**4**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Derivatives	**–**	**1**	**–**	**1**
TOTAL FINANCIAL LIABILITIES	**–**	**5**	**–**	**5**

	2017 Audited			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Loans and advances: entry-level vehicles	–	–	26	26
Other financial assets	–	–	62	62
Derivatives	–	7	–	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Derivatives	–	46	–	46
TOTAL FINANCIAL ASSETS	–	53	88	141
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
Trade and other payables*	–	–	70	70
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Derivatives	–	4	–	4
TOTAL FINANCIAL LIABILITIES	–	4	70	74

* *In terms of IFRS 3: Business Combinations, the provisional accounting applied to the acquisition of Recoveries Corporation was finalised in December 2017. As a result, trade and other payables were reduced by R30 million, with a corresponding reduction in goodwill. The impact on the statement of comprehensive income is negligible.*

FAIR VALUE DISCLOSURE *continued*

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS

	2018 Audited		
	Fair value through profit or loss Rm	**Fair value through other comprehensive income Rm**	**Total Rm**
Opening balance	**88**	**–**	**88**
Total gains or losses			
In profit or loss	**(3)**	**–**	**(3)**
Other movements*	**(13)**	**–**	**(13)**
CLOSING BALANCE OF FAIR VALUE MEASUREMENT	**72**	**–**	**72**

	2017 Audited		
	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
Opening balance	220	477	697
Total gains or losses			
In profit or loss	(19)	–	(19)
In other comprehensive income	–	(72)	(72)
Capital deployed to cell	–	92	92
Business combination	–	(497)	(497)
Other movements*	(113)	–	(113)
CLOSING BALANCE OF FAIR VALUE MEASUREMENT	88	–	88

* *Other movements include charges on accounts less collections received and write-off's on loans for entry-level vehicles as well as movements in other financial assets.*

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL LIABILITIES

	2018 Audited		
	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
Opening balance	**70**	**–**	**70**
Total gains or losses			
Other movements	**(70)**	**–**	**(70)**
CLOSING BALANCE OF FAIR VALUE MEASUREMENT	**–**	**–**	**–**

	2017 Audited		
	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
Opening balance	–	–	–
Total gains or losses			
Business combination*	70	–	70
CLOSING BALANCE OF FAIR VALUE MEASUREMENT	70	–	70

* *In terms of IFRS 3: Business Combinations, the provisional accounting applied to the acquisition of Recoveries Corporation was finalised in December 2017. As a result, trade and other payables were reduced by R30 million, with a corresponding reduction in goodwill. The impact on the statement of comprehensive income is negligible.*

FAIR VALUE DISCLOSURE *continued*

SENSITIVITY ANALYSIS OF VALUATIONS USING UNOBSERVABLE INPUTS

As part of the group's risk management processes, stress tests are applied on the significant unobservable parameters to generate a range of potentially possible alternative valuations. The financial instruments that are most impacted by this sensitivity analysis are those with the more illiquid and/or structured portfolios. The stresses are applied independently and do not take account of any cross correlation between separate asset classes that would reduce the overall effect on the valuations. A significant parameter has been deemed to be one which may result in a change in the fair value of the asset or liability of more than 10%. This is demonstrated by the following sensitivity analysis, which includes a reasonable range of possible outcomes.

MOVEMENT IN FAIR VALUE GIVEN THE 10% CHANGE IN SIGNIFICANT ASSUMPTIONS

	2018		2017	
Loans and advances: entry-level vehicles	10% Favourable Audited Rm	10% Unfavourable Audited Rm	10% Favourable Audited Rm	10% Unfavourable Audited Rm
SIGNIFICANT UNOBSERVABLE INPUT AND DESCRIPTION OF ASSUMPTION				
Average collateral value	**1**	**(1)**	1	(1)
Discount rate: the rate used to discount projected future cash flows to present value	**1**	**(1)**	1	(1)
TOTAL	**2**	**(2)**	2	(2)

	2018		2017	
Other financial assets	10% Favourable Audited Rm	10% Unfavourable Audited Rm	10% Favourable Audited Rm	10% Unfavourable Audited Rm
SIGNIFICANT UNOBSERVABLE INPUT AND DESCRIPTION OF ASSUMPTION				
Cash flows: change in the expected revenue	**1**	**(1)**	–	–
Cash flows: change in expected costs	**<1**	**<(1)**	–	–
Discount rate: the rate used to discount projected future cash flows to present value	**1**	**(1)**	<1	<(1)
TOTAL	**2**	**(2)**	<1	<(1)

	2018		2017	
Trade and other payables	10% Favourable Audited Rm	10% Unfavourable Audited Rm	10% Favourable Audited Rm	10% Unfavourable Audited Rm
SIGNIFICANT UNOBSERVABLE INPUT AND DESCRIPTION OF ASSUMPTION				
Recoveries Corporation: profit after tax (for the year ended 30 September 2017)	**–**	**–**	18	–
Recoveries Corporation: profit after tax (for the year ended 30 September 2018)	**–**	**–**	25	–
TOTAL	**–**	**–**	43	–

Transaction Capital

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