

CHAIRMAN'S REPORT

CHRISTOPHER SEABROOKE CHAIRMAN

INTRODUCTION

The 2016 financial year was characterised by heightened concerns regarding South Africa's economic potential and socio-political stability, with the concomitant risk of a sovereign ratings downgrade a central theme of national discourse. Systemically, employment levels remain low with little or no real wage growth, with consumers and smaller businesses being most vulnerable to the effects of inflationary pressures and currency volatility.

In this environment, Transaction Capital's divisions again demonstrated the resilience afforded by their defensive positioning, with the group achieving headline earnings growth of 17% to R458 million. In anticipation of the potential deterioration in South Africa's credit rating, the group was successful in securing the funding required to drive growth and enhance the competitive position of its divisions, while at the same time continuing to diversify its funding base.

Transaction Capital has made strong progress in enhancing the organic growth potential of its divisions, within both existing and adjacent market segments, and announced three strategic acquisitions that will augment its capabilities and give effect to the group's ambition to expand internationally.



These initiatives are discussed in the divisional reviews (pages 42 to 57), the strategy section on page 24 and in the CEO's report on page 30.

GOVERNANCE AND ORGANISATIONAL CHANGES

On 1 August 2016, Mark Herskovits assumed the role of capital management executive for Transaction Capital, having served as group chief financial officer since January 2014. Mark will be exclusively responsible for Transaction Capital's funding and capital markets engagements, with a predominant focus on SA Taxi. Mark will remain an executive director of Transaction Capital and a member of the group's asset and liability committee (ALCO). With effect from 1 August 2016, Ronen Goldstein was appointed as financial director of Transaction Capital.

The board welcomed two new independent non-executive directors in the year. Moses Kgosana, appointed to the board on 14 March 2016, brings over 34 years of accounting, audit and advisory experience to the board, and chairs the group's audit, risk and compliance committee. On 1 August 2016, Kuben Pillay was appointed to the board, bringing a wealth of business experience. Kuben has served as chief executive officer and non-executive chairman of the Primedia Group, and was a founding executive of the Mineworkers Investment Company Proprietary limited. The board looks forward to the contributions of its new directors.

David Woollam, who has served on the board since February 2012, and Dumisani Tabata, who has served on the board since February 2010, have indicated that they will not be available for re-election at the next annual general meeting. The board thanks them both for their valuable contribution to the board, and wish them well in their future endeavours.

On 1 April 2016, Transaction Capital's ALCO was constituted as a formal committee of the Transaction Capital board. The ALCO, elevated from its previous status as a management committee, will continue to oversee and monitor the activities and risks arising from the management of Transaction Capital's assets and liabilities.

The annual performance evaluation of the board, conducted in November 2016, reaffirmed the effectiveness of the board in its direction of the group.



The governance report starting on page 76 provides more information on the findings of the evaluation and the activities of the board in the year.

The King IV Report on Corporate Governance, released in November 2016, further advances South Africa's leadership in corporate governance and places the spotlight firmly on ethical and effective leadership. Transaction Capital is in the process of performing a gap analysis against King IV, and will aim to adopt King IV in the next financial year, to the extent possible.

SHAREHOLDING

The restructure of shareholding was approved by shareholders at the general meeting on 20 October 2016, resulting in JMR Holdings Proprietary limited, a company controlled by Transaction Capital's founding shareholders, now owning approximately 43.5% of the company. This increased investment and commitment of the founding shareholders will facilitate continued confidence in Transaction Capital, thus enhancing its debt and equity capital market activities and ability to attract and retain management talent and skills.

The implementation of the Transaction Capital limited Conditional Share Plan (CSP) was also approved by shareholders at the same meeting on 20 October 2016. The CSP strengthens Transaction Capital's ability to attract and retain key employees while providing them with the opportunity to share in the success of the relevant division in which they are employed, and creates alignment between their interests and that of shareholders.



CONCLUSION

Transaction Capital's intentional positioning in market segments perceived to be of higher risk, and its ability to apply its specialist capabilities to mitigate this risk and to create an avenue for providers of capital to invest in niche asset classes, are defining features that will continue to serve the group well even as challenging economic conditions persist.

The management team of Transaction Capital have the depth of skill, entrepreneurial flair and sense of strategic clarity to conduct the business of the group in a manner that will continue to create value for its stakeholders. I extend my appreciation to the group's leadership, and thank the board for their ongoing guidance and commitment. I also thank our bankers, funders and advisers for their continued support.