Transaction Capital

Integrated Annual Report

2012

SCOPE AND BOUNDARY

Transaction Capital listed on the JSE Limited on 7 June 2012 and is pleased to present its first integrated annual report. This report contains the financial results and the economic, social and governance performance of the group for the year ended 30 September 2012.

The content included in this integrated annual report is considered to be useful and relevant to stakeholders' perceptions and/or decision-making, enabling them to accurately evaluate Transaction Capital's ability to create and sustain value over the short, medium and long term.

The scope of this integrated report covers the group holding company and its underlying divisions – asset-backed lending, unsecured lending, credit services and payment services for the period 1 October 2011 to 30 September 2012. The group operates primarily in South Africa with small operations in Namibia and Dubai.

This integrated annual report is prepared in accordance with International Financial Reporting Standards (IFRS), the JSE Limited Listings Requirements and the Companies Act. Transaction Capital has further applied the majority of the principles contained in the King Code on Governance Principles for South Africa 2009 (King III), as encapsulated in the applicable regulations. The company has also considered and applied many of the recommendations contained in the Discussion Paper on the Framework for Integrated Reporting and the Integrated Report issued by the Integrated Reporting Committee of South Africa in January 2011.

As this is our first year-end as a public company, we have included the full annual financial statements in this integrated annual report (see pages 121 to 191). In the year ahead we will consider incorporating abbreviated annual financial statements into the integrated report with the full, unabridged report available on our group website.

David Hurwitz (chief financial officer) | Mark Lamberti (chief executive officer)

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- Unsecured lending
- Credit services
- Payment services

Strategic thrusts

- Returns
- Growth opportunities
- Accretive acquisitions
- Mitigate risk
- Long-term funding

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Further reading in this integrated report:

Website:

www.transactioncapital.co.za

Approval of the report

External

The annual financial statements have been audited by the group's external auditors, Deloitte & Touche. The scope of the audit is limited to the information set out in the annual financial statements and does not extend to: Who we are; How we have performed; Our material issues; How we are managed; How we are remunerated; Shareholder information; Administration; and Formulas and Definitions. The segmental report included in the 'How we have performed' section has been audited.

At this early stage of integrated reporting, the group has not sought external verification of the non-financial content of the integrated report, for instance applying the Global Reporting Initiative (GRI) and the relevant sector supplement (collectively the GRI G3.1 Guidelines). However, it is Transaction Capital's intention to do so in subsequent reports. We are further committed to adopting an assurance process, which will start with seeking the assurance of the group's internal audit department. The intention is to then move toward an independent verification of specific elements of the integrated report before progressing to external assurance.

Internal

The audit committee acknowledges its responsibility on behalf of the board to ensure the integrity of this integrated report. The committee has accordingly applied its mind to the report and believes that it appropriately and sufficiently addresses all material issues, and fairly presents the integrated performance of Transaction Capital and its subsidiaries for the year within the scope and boundary above. The audit committee recommended this integrated report to the board for approval.

Mark J. Lamberti
Chief executive officer
18 January 2013

David M. Hurwitz
Chief financial officer
18 January 2013

Forward-looking statements

This integrated report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations at 30 September 2012. Actual results may differ materially from the company's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate. The company cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on any forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, other than as required by the JSE Limited Listings Requirements.

INTRODUCING TRANSACTION CAPITAL

Transaction Capital is a non-deposit taking financial services group active in asset-backed lending, unsecured lending, credit services and payment services. The group operates in selected mass, emerging and under-served segments of the southern African consumer and small-medium enterprises (SME) market, and provides specialist credit and payment services to credit retailers, banks and other dominant credit providers.

The group is intentionally positioned to take advantage of South Africa's demographic and socio-economic trends, in particular an expanding credit and payments industry which services the growing living standards measure (LSM) 5 to 9 consumer markets and the SME market. Transaction Capital strives to develop and deliver financial products and services that address the burgeoning requirements of historically under-served segments of the South African population. This approach is supportive of the South African Government's drive for greater levels of financial inclusion, thereby contributing to the development of South Africa and the empowerment of its people.

Transaction Capital has established a sound record of acquiring or founding and then developing businesses beyond their entrepreneurial origins to achieve scale and meaningful market positions; the most important objectives being the expansion of a competitive presence and the reduction of costs to enhance pricing and the value proposition to clients.

Transaction Capital is led by a group executive office which directs, co-ordinates, controls and governs its operating entities, firstly to enhance their competitive position and secondly to extract additional value arising from the composition and capabilities of the asset portfolio. This is achieved through: strategic insight; organisational and leadership developments; ability to assess and manage credit and operational risk; the efficient allocation of capital; the raising of high quality, competitive funding; the management of liquidity, funding and interest rate risk; and the maintenance of a strong culture of governance, accountability, ethics and transparency.

In crafting its vision, Transaction Capital has carefully defined the manner in which it strives to be perceived by each of its identified stakeholder constituencies. This report provides information on progress in this regard over the past year.

CHRONOLOGY AND GROWTH

TRANSACTION CAPITAL

2012

7 June, Transaction Capital lists on the JSE Limited

2010 Transaction Capital acquires 82.7% of Bayport

2009 In compliance with good governance practice, Mark Lamberti becomes chief executive officer, relinquishing the role of chairperson in favour of independent non-executive director Christopher Seabrooke

2008 Mark Lamberti invests in Transaction Capital and is appointed executive chairperson. Transaction Capital acquires 90% of Rand Trust

2007 MBD CS, CMS, SA Taxi and PIC Solutions merge with the Kanderlane Group to form Transaction Capital

FOUNDING DEVELOPMENTS

2006 Ethos invests in the Kanderlane Group. Michael Mendelowitz, Jonathan Jawno and Roberto Rossi acquire a controlling stake in CMS and SA Taxi

2005 Michael Mendelowitz, Jonathan Jawno and Roberto Rossi acquire a controlling stake in PIC Solutions (recently renamed Principa Decisions)

2004 Bayport is founded by Stuart Stone and Grant Kurland in partnership with Michael Mendelowitz, Jonathan Jawno and Roberto Rossi

2003 Core assets of Nisela are integrated into African Bank. MBD CS is acquired from African Bank by Michael Mendelowitz, Jonathan Jawno and Roberto Rossi.

1999 Kanderlane Group (Paycorp Holdings) is co-founded by Steven Kark

1998 Nisela acquires 50% of MCG

1997 African Bank acquires 50% of Stratvest to form Nisela Growth Investments (Nisela)

1995 Stratvest is founded by Michael Mendelowitz and Jonathan Jawno

1991 Miners Credit Guarantee (MCG) is founded by Roberto Rossi

2012 PERFORMANCE HIGHLIGHTS

Financial highlights

INCREASED BY 20.6%
TOTAL INCOME
R4 350m
2011: R3 606m

INCREASED BY 16.7%
NON-INTEREST REVENUE
R2 126m
2011: R1 821m

INCREASED BY 31.3%
NORMALISED HEADLINE EARNINGS
R424m
2011: R323m

INCREASED BY 18.1%
EBITDA (SERVICES BUSINESSES ONLY)
R254m
2011: R215m

INCREASED BY 33.9%
GROSS LOANS AND ADVANCES
R9 758m
2011: R7 289m

INCREASED BY 19.9%
CAPITAL ADEQUACY
33.8%
2011: 28.2%

INCREASED BY 114.1%
CAPITAL ADEQUACY – EQUITY
19.7%
2011: 9.2%

DECREASED BY 25.8%
CAPITAL ADEQUACY – SUBORDINATED DEBT
14.1%
2011: 19.0%

Share highlights

INCREASED BY 17.1%
NORMALISED HEADLINE EARNINGS PER SHARE
81.6 cents
2011: 69.7 cents

INCREASED BY 100%
MAIDEN DIVIDEND PER SHARE AS A PUBLIC COMPANY
9.0 cents
2011: –

INCREASED BY 42.9%
NET ASSET VALUE PER SHARE
496.5 cents
2011: 347.4 cents

INCREASED BY 134.7%
TANGIBLE NET ASSET VALUE PER SHARE
331.7 cents
2011: 141.3 cents

Non-financial highlights

INCREASED BY 266.2%
NUMBER OF JOBS CREATED
476
2011: 130

STABLE
BEE SCORE
Level 4
2011: Level 4

INCREASED BY 4.2%
BLACK MANAGEMENT
50%
2011: 48%

GROUP PROFILE

Transaction

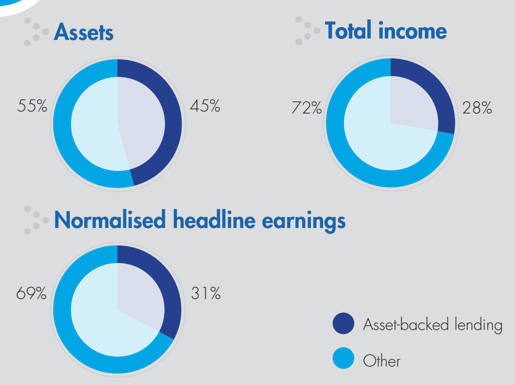
TOTAL INCOME **R4 350 million**

Lending

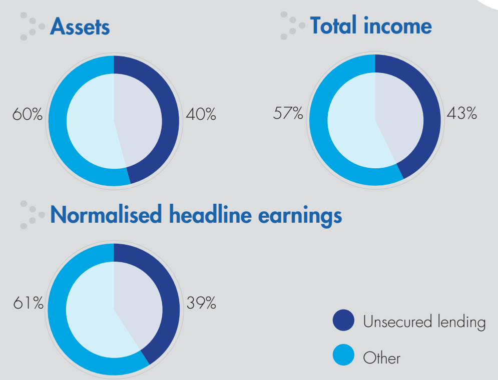
TOTAL INCOME **R3 094 million**

NORMALISED HEADLINE EARNINGS **R299 million**

Asset-backed lending



Unsecured lending



SA Taxi
driving our nation forward

CEO	Terry Kier (46) BA (Hons) Group/subsidiary tenure – 5 years
Business type	Financier of independent small-medium enterprises (SME) in the minibus taxi industry.
Business overview	Leading specialised lender to SME minibus taxi operators in South Africa, providing loans through finance leases together with insurance and other related products, utilising a combination of credit assessment methodologies including minibus taxi route profitability analysis, vehicle quality assessment and traditional credit scoring.
Societal relevance	SA Taxi finances SMEs that may not otherwise have access to credit from traditional banks, contributing towards job creation and enabling the key public transport provider in South Africa.
Employees	477

Bayport
loans for you

CEO	Stuart Stone (43) BCom (Hons), Postgraduate Diploma Accounting, CA (SA) Group/subsidiary tenure – 8 years
Business type	Provider of unsecured personal loans to lower income clients.
Business overview	Provider of unsecured credit and related products to emerging middle-income consumer segment in South Africa. The mobile sales distribution model consists of a mobile agency force backed up by a branch network and sophisticated call centres to make contact with new clients. Bayport uses superior IT systems and has considerable risk and credit assessment capability.
Societal relevance	Bayport finances individuals who may not otherwise have access to credit from traditional banks, contributing to the improvement of living standards and education.
Employees	1 179

Rand Trust
business, on your terms

CEO	Deon Pienaar (40) BCom (Hons), CA (SA), CISA Group/subsidiary tenure – 5 years
Business type	Provider of working capital to SMEs through invoice discounting and commercial debtors' management.
Employees	78

Capital

NORMALISED HEADLINE EARNINGS R424 million[1]

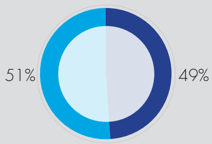
Services

TOTAL INCOME **R1 256 million**

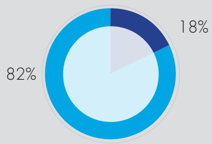
NORMALISED HEADLINE EARNINGS **R131 million**

Credit services

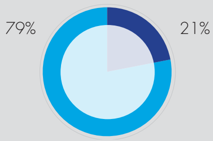
Services EBITDA



Total income



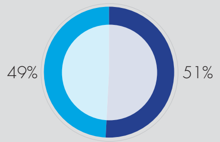
Normalised headline earnings



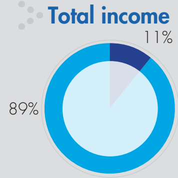
Credit services
Other

Payment services

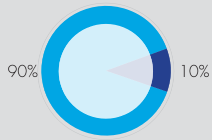
Services EBITDA



Total income



Normalised headline earnings



Payment services
Other

MBD Credit Solutions
asset intelligence

CEO	Charl van der Walt (47) BAcc (Hons), CA (SA) Group/subsidiary tenure – 12 years
Business type	Collector on an agency basis, or acquirer and collector as a principal, of distressed accounts receivable.
Business overview	Externally service rated, South African leader in receivables management comprising the collection of pre-charged off accounts, charge off accounts and distressed debt. It operates on an outsourced contingency basis on behalf of its clients and as principal for its acquired portfolios. MBD CS is call centre driven from nine locations throughout South Africa and employs 1 983 call centre agents.
Societal relevance	MBD CS provides credit scores, financial planning and debt rehabilitation to individuals through Credit Health, one of its subsidiary companies.
Employees	2 444

Principa
profitable decisions

CEO	David McAlpin (51) BCom, MBA, ACMA Group/subsidiary tenure – 4 years
Business type	Provider of credit risk, consulting analysis, predictive modelling and reseller of related software.
Employees	74

Paycorp Holdings
payment services

CEO	Steven Kark (39) BCom, Postgraduate Diploma of Business Administration Group/subsidiary tenure – 13 years
Business type	Owner and operator of off-site ATMs, pre-paid debit cards and EFT terminals.
Business overview	Paycorp is one of South Africa's largest payment groups, owning its own third party transaction switch and owning, deploying and operating 4 381 off-site ATMs, with a 16% market share. It is also a Visa-certified provider of stored value pre-paid card solutions and a deployer of debit and credit card terminals. Paycorp operates nationally and is an authorised South African Reserve Bank system operator.
Societal relevance	Paycorp drives financial inclusion through access to ATMs in the under-served markets.
Employees	389

[1] *The total group normalised headline earnings includes the group executive office segment which incurred a loss of R6 million*

VISION

Clients will regard Transaction Capital's subsidiaries as their first choice when utilising the cost-effective, innovative, differentiated services they provide, while acknowledging the expertise, value and cachet that accrues from their being part of the Transaction Capital group.

Executives and **managers** will regard Transaction Capital's strategy of collaborative value creation through and between focused subsidiaries as intellectually stimulating and intrinsically rewarding, while demanding high quality leadership.

Employees will regard Transaction Capital as a prestigious and preferred employer in financial services, providing personal development, intra-company advancement and highly competitive compensation in exchange for commitment, thought leadership and performance.

Funders and **counterparties** will regard Transaction Capital as an innovative group that exemplifies the highest standards of risk management, transparency, disclosure, prudence, compliance, governance and ethics.

Suppliers will regard Transaction Capital and its subsidiaries as demanding but fair clients whose expertise, interpersonal skills, efficient administration, financial stability and long-term orientation make them desirable business partners.

Shareholders will regard Transaction Capital as a well understood, respected, niched financial services investment that renders a consistent growth of high quality returns through innovative entrepreneurship.

Law makers and **regulators** will regard Transaction Capital as an approachable group that complies fully with the letter and spirit of all laws, regulations and codes.

The community will regard Transaction Capital and its subsidiaries as a responsible caring southern African group, deeply committed to investing in the education and upliftment of the underprivileged.

MISSION

Transaction Capital provides financial services in selected mass, emerging and under-served markets in southern Africa **(market)** through a unique managed portfolio of non-deposit taking, specialised lending, credit and payment services businesses, which:

- practice value accretive collaboration **(portfolio)**;
- have transitioned beyond their entrepreneurial roots over the past decade to achieve scale and market-leading positions **(life cycle)**;
- use leading and proprietary technologies in credit, risk, collections, payments, information management and human capital **(technology)**;
- mitigate risk by management focus, proven operational capabilities, strong corporate governance and strict compliance within a developed market regulatory framework **(risk)**;
- are sustained by robust liquidity and debt capital positions achieved through diversified funding structures that attract debt capital from a broad range of local and international investors and capital pools who have an in-depth understanding of the underlying businesses and asset classes **(funding)**; and
- operate under the active direction and intervention of an experienced team whose strategic insight, financial acumen, credit risk expertise, entrepreneurial creativity and deep market knowledge has established a proven record of value creation and growth in alternative assets **(leadership)**.

VALUES

We value **integrity** before all else.

Integrity goes beyond complying with the law and company policy, to having strong moral principles.

Strong moral principles demand that we are firstly true to ourselves and totally honest and consistent in our dealings with our families, friends, business colleagues, clients, customers and the company.

We value **competence** as the foundation of personal and corporate progress.

Competence is more than just knowing how to do the task we are employed for; it comes from knowing that we have taken the time to prepare ourselves for the next challenge in our careers.

We value **respect** for all who come into our lives.

Respect means that we treat everyone we meet in the same way that we would like to be treated.

Our South African history of discrimination means that we are particularly sensitive to give the utmost respect to people of different races, language, gender, disability and sexual orientation.

We know that respect is earned and those of us who are privileged to be in positions of leadership strive to earn respect through service, rather than through authority and arrogance.

We regularly make the effort to understand and appreciate people who have a different history to ours.

We value **innovation** as the solution to every challenge or problem we face.

Innovation helps us to compete, overcome challenges, deal with new and difficult situations and discover new ways to solve problems for our group, our clients and ourselves.

In a world of constant improvement and rising expectations, innovation is the only way to remain ahead of our competitors and to ensure that growth and progress provide exciting opportunities for all our stakeholders.

STRATEGIC THRUSTS

Transaction Capital places the strategic positioning of the group among its highest priorities. This task entails the pursuit of two objectives, both utilising a judicious combination of the finest elements of formal theory and entrepreneurial creativity.

The first objective is the competitive positioning of each business unit within its chosen market segment. This requires the definition and delivery of a value proposition to clients, counterparties and employees which is unique relative to competitors. The second objective is the creation of value arising from the composition and capabilities of the group, in excess of the tangible and intangible costs thereof. This requires the agglomeration of a portfolio of complementary businesses and assets through financially accretive acquisitions and disposals, and the subsequent creation of intra-group value through directive leadership and intervention, restructuring, transferring skills or sharing activities.

The successful achievement of these two objectives results in the creation of value for shareholders in a manner they cannot.

Strategic thrust 1

Enhance returns through operational excellence, intra-group collaboration, the sharing of best practices and governance

While each operating and functional entity has made great progress in recent years, not all are operating at the requisite level of efficiency. Continued investment in people and technology will result in higher productivity, cost reduction and risk mitigation.

As the group's various operating divisions all serve the growing middle classes, Transaction Capital believes that value can be created beyond the sum of the parts through judicious collaboration. Such collaboration is additionally one of the main ways in which Transaction Capital gains a deeper understanding of its markets and manages credit risk.

Transaction Capital shares expertise and skills through committees and forums in which the group's executive and senior managers participate, and aims to generate economies of scale through the sharing of internal services that can be rendered at lower cost than otherwise.

Financial services in South Africa are subject to a wide range of laws, regulation, compliance and disclosure. Transaction Capital has embraced and institutionalised the governance surrounding these requirements through the composition of the committees of the board and the levels of fiduciary and managerial oversight and authority formally imposed on the operating and functional entities.

Strategic thrust 2

Leverage existing capabilities and infrastructure to drive organic growth

Transaction Capital's entrepreneurial record and understanding of credit and payments in emerging market segments can be leveraged across a broader range of niche markets and products than the group currently serves.

We therefore aim to expand the group and each business organically within viable niches of the South African financial services sector through the continued growth of the group's client base and distribution outlets, through cross-selling to existing clients, through new product development and through the identification of potential adjacent niches within the financial services sector.

Transaction Capital will continually target and segment new clients and ensure that existing clients have greater economic value to the group over time. This will be achieved by expanding the distribution network and by enhancing the value proposition to clients, and innovating and cross-selling complementary products and services to those who have established a relationship trajectory of acceptable risk.

In addition, Transaction Capital businesses have strong partner relationships with leading South African financial institutions, banks, retailers and other credit providers, from which they can develop additional business opportunities.

Strategic thrust 3

Target and integrate accretive acquisitions

The leaders of Transaction Capital have a proven record of accreting value by identifying, pricing, acquiring and integrating new businesses. While significant acquisitive growth opportunities exist to exploit this expertise, a conservative approach in their selection will persist with a narrow focus on the acquisition of compatible assets, the competitiveness and value of which can be enhanced by active management within the group.

Although there are sufficient opportunities organically to drive short to medium-term growth within existing operations, Transaction Capital will consider acquisitive growth within the ambit of its capabilities and experience in South Africa and the broader southern African region.

Improve data and skills to embrace, manage and mitigate risk

Strategic thrust 4

The volume and granularity of information required to service clients and control assets and people in Transaction Capital is significant. While the integrity of data is sound throughout the organisation, very few of the operating entities have utilised technology to the point where differentiation, speed, simplicity or low cost constitutes a competitive advantage. Investments in business process redefinition and information and processing technologies are expected to produce benefits in excess of their cost over the next three years.

Transaction Capital's executives are appropriately qualified and many have deep and lengthy experience within the group, while others are experienced appointments with relevant expertise from other financial institutions. This intellectual capital is applied typically over a much smaller asset base than in larger organisations with a concomitant expectation of higher performance.

The most senior management of the group have been recognised by their membership of the Top 50. The compensation, benefits and programmes attached to this membership facilitate the attraction, retention and development of key management and encourage collaboration between executives across the group. Transaction Capital's aim is to preserve sufficient flexibility to support management's entrepreneurial spirit and innovation while maintaining management accountability, robust risk processes and knowledge-sharing across the group's businesses.

Strategic thrust 5

Secure long-term funding to support the group's progress

Transaction Capital's ability to expand and improve the competitive positions of its businesses depend in part on the group's ability to raise sufficient capital. The group, via its capital markets team, aims to secure access to sufficient long-term funding from a variety of sources, including, without limitation, local and international institutional investors, banks, development finance institutions, specialised debt funds, conduits, traditional asset managers, fixed interest funds and insurance companies and through a range of funding structures, including securitisation, structured finance and syndicated loans.

Transaction Capital expects that a significant portion of the group's financing will continue to be sourced from ring-fenced, limited recourse asset-backed funding. This funding structure facilitates investor diversification and avoids cross-subsidies or risks across businesses, while the group retains residual exposure through equity or subordinated financing and servicing obligations.

DIRECTORATE AND EXECUTIVE COMMITTEE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Christopher Seabrooke (59)
Chairperson, BCom (University of KwaZulu-Natal), BAcc (University of KwaZulu-Natal), MBA (University of the Witwatersrand), FCMA (UK)
Appointed: June 2009

Chris is an international financier and investor who has been a director of more than 20 listed companies, both in South Africa and abroad. He is currently CEO of Sabvest Limited, chairperson of Metrofile Holdings Limited, deputy chairperson of Massmart Holdings Limited and a director of Brait SE, Net1 UEPS Technologies Inc, Datatec Limited and Chrometco Limited. Chris is also a director of a number of unlisted companies including Mineworkers Investment Company Proprietary Limited, a former chairperson of the South African State Theatre and former deputy chairperson of the founding boards of the National Arts Council and Business and Arts South Africa, and a current member of the Institute of Directors.

Phumzile Langeni (38)
BCom (University of KwaZulu-Natal), BCom (Hons) (Unisa)
Appointed: June 2009

A stockbroker by training, Phumzile is executive chairperson of Afropulse Group Proprietary Limited and executive chairperson of Astrapak Limited, a non-executive director of Massmart Holdings Limited, Imperial Holdings Limited, Peermont Global Proprietary Limited, Primedia Holdings Proprietary Limited, St Mary's Foundation Board, the Mineworkers Investment Company Proprietary Limited and the Port Regulator. She was previously the economic advisor to the former Minister of Minerals and Energy. Phumzile also previously worked as an executive director and vice-president of dual-listed junior platinum miner, Anooraq Resources.

Brenda Madumise (48)
BProc, LLB, Graduate Diploma in International Trade Law (University of the Witwatersrand), MBA (Bond University)
Appointed: May 2010

Brenda is an admitted but non-practicing advocate. She runs a female-led investment company and also consults on various business aspects. She has worked for Government and the private sectors in various fields including gender equality, telecommunications and broadcasting, mining and constitutional development. Brenda serves on the boards of Hospitality Fund, Randgold and Exploration Company Limited, Railway Safety Regulator, Gauteng Enterprise Propeller and the International Marketing Council and is vice-president of Business Unity South Africa (BUSA) and chairperson of the Iziko Museums. She previously chaired the Appeals Board for the Council for Medical Schemes for six years.

Cedric Ntumba (30)
BCom (Hons) (University of Johannesburg), CA (SA)
Appointed: June 2012

Cedric is CEO of ISF Global Partners, an emerging investment firm. He is chairperson of The South African Ballet Theatre and co-founded The Little Ashford Group. He is a UK Chevening Scholar, member of the University of Oxford Business Alumni Network and a Fellow of both the Swiss-based Crans Montana Forum and the Archbishop Tutu Leadership Fellowship. Cedric was a private equity deal executive at one of South Africa's leading investment firms and served in a non-executive capacity on the boards and committees of various public sector and private companies.

Dumisani Tabata (57)
BProc (University of Fort Hare), LLB (University of KwaZulu-Natal)
Appointed: February 2010

Dumisani was admitted as an attorney of the High Court of South Africa in 1984, and in 1996 was appointed as an acting Judge of the High Court, in which position he served for three terms. He was one of the founding partners of Smith Tabata & Van Heerden in King William's Town, where he is today a director. Dumisani has served as deputy chairperson of the Absa Bank regional board in the Eastern Cape. He is an executive director of Vuwa Investments Proprietary Limited and director of Smith Tabata Incorporated East London and Smith Tabata Buchanan Boyes in Cape Town and Johannesburg.

David Woollam (48)
BCom (Hons) (University of KwaZulu-Natal), BAccSc (Unisa), CA (SA)
Appointed: February 2012

David has over 20 years' experience in both South Africa and the United Kingdom in the financial services industry. After qualifying as a chartered accountant, David spent 10 years working in the investment banking and derivatives industry in London. In 1999, he returned to South Africa to join BoE Bank as CFO and in 2001 was appointed to the position of executive director of BoE Limited. In 2002 David joined African Bank as group finance director and in 2008 was appointed as CEO of African Bank Limited. He now operates as an independent consultant, director of companies and private equity investor.

NON-EXECUTIVE DIRECTOR

Shaun Zagnoev (46)
BSc (ElecEng), MSc (ElecEng), MBA (University of the Witwatersrand)
Appointed: June 2007

Shaun is a partner at Ethos Private Equity where he has been involved in investing in a wide array of businesses for 18 years. Prior to that he worked as a management consultant with Gemini Consulting. Shaun has sat on the boards of 20 companies.

EXECUTIVE DIRECTORS

From left: David Hurwitz, Steven Kark, Mark Lamberti, Jonathan Jawno, Michael Mendelowitz and Roberto Rossi

Mark James Lamberti (62)
Chief executive officer, BCom (Unisa), MBA (University of the Witwatersrand), PPL (Harvard)
Appointed: July 2008

For the past 30 years, Mark has served in an executive or non-executive capacity on the boards of various public companies in the retail, technology, media and telecommunications fields and as chairperson or a director of a number of industry associations and educational institutions.

On 1 July 2007, after serving for almost 19 years as the architect and leader of Massmart Holdings Limited, Mark retired as deputy chairperson and chief executive to become non-executive chairperson of the board. In 2011, Walmart purchased a 51% controlling share of Massmart and invited Mark to remain as chairperson of the reconstituted board.

Mark joined Transaction Capital in July 2008 as executive chairperson and, in keeping with good corporate practice, he relinquished the chairpersonship in September 2009. In addition to various directorships, Mark is an Honorary Adjunct Professor of Business Administration at Wits Business School. Mark's achievements have been widely acknowledged throughout his career, most notably as the 2001 winner of Ernst & Young South Africa's Best Entrepreneur Award and the 2004 winner of the Italian South African Businessman of the Year Award. In 2012 he received the prestigious Wits Business School Manex Award for demonstrating ethical leadership, managerial excellence and societal relevance throughout a distinguished career.

Jonathan Jawno (46)

Deputy chief executive officer, BCom (Hons), Graduate Diploma Accounting (University of Cape Town), CA (SA)

Appointed: March 2003

After completing his articles at Arthur Andersen, Jonathan co-founded Stratvest in 1995. In 1997 African Bank (then Theta Financial Services Limited) acquired 50% of Stratvest, leading to the formation of Nisela Growth Investments. He held the position of joint CEO of Nisela Growth Investments until 2002 and went on to acquire and grow the group of companies that was ultimately merged with Paycorp in 2007 to form Transaction Capital. Jonathan was appointed as an executive director in June 2010.

David Hurwitz (41)

Chief financial officer, BAcc (Hons), HDipTax (University of the Witwatersrand), CA (SA)

Appointed: April 2012

David served his articles at Grant Thornton in Johannesburg. He has been active in debt capital markets since 1997, and in 2005 joined Jonathan Jawno, Michael Mendelowitz and Roberto Rossi to acquire African Bank's Commercial Vehicle Finance division (now SA Taxi). Shortly thereafter David established the capital markets team at Transaction Capital, and served as the CFO of SA Taxi for 18 months from May 2010. David was appointed as an executive director in April 2012.

Michael Mendelowitz (47)

Chief investment officer, BCom (Hons), Graduate Diploma Accounting (University of Cape Town), CA (SA)

Appointed: March 2003

After completing his articles at Deloitte & Touche in 1990, Michael co-founded Stratvest in 1995. In 1997 African Bank (then Theta Financial Services Limited) acquired 50% of Stratvest, leading to the formation of Nisela Growth Investments. Michael held the position of joint CEO of Nisela Growth Investments until 2002 and went on to acquire and grow the group of companies that was ultimately merged with Paycorp Holdings in 2007 to form Transaction Capital. Michael was appointed as an executive director in December 2011.

Steven Kark (39)

Chief executive officer of Paycorp, BCom (University of the Witwatersrand), Postgraduate Diploma of Business Administration (Thames University)

Appointed: April 2007

Steven commenced his business career at Interbrand, a subsidiary of Brandcorp Proprietary Limited, where he became a director. In 1999 Steven co-founded the Kanderlane Group (subsequently renamed Paycorp Holdings). He is chairperson of the Association of Payment System Operators, a member of the Young Presidents Organisation and a founding board member of the ATM Industry Association Africa.

Roberto Rossi (50)

Executive director, BSc (MechEng) and Graduate Diploma (IndEng) (University of the Witwatersrand), BProc (Unisa)

Appointed: September 2003

Roberto founded Miners Credit Guarantee in 1991 to provide credit card-type facilities to mine workers. In 1998 Nisela Growth Investments acquired 50% of the shareholding in Miners Credit Guarantee. Roberto assumed an executive role at African Bank and was subsequently responsible for the establishment, acquisition and operation of several of the businesses owned by African Bank. After selling his remaining shares in Miners Credit Guarantee to African Bank in 2003, Roberto partnered with Jonathan Jawno and Michael Mendelowitz to acquire and grow the group of companies that ultimately merged with Paycorp Holdings in 2007 to form Transaction Capital. Roberto was appointed as an executive director in February 2012.

EXECUTIVE COMMITTEE

Mark James Lamberti (62)
Chief executive officer
See directorate.

Jonathan Jawno (46)
Deputy chief executive officer
See directorate.

David Hurwitz (41)
Chief financial officer
See directorate.

Michael Mendelowitz (47)
Chief investment officer
See directorate.

Steven Kark (39)
Chief executive officer of Paycorp
See directorate.

Stuart Stone (43)
Chief executive officer of Bayport
BCom (Hons) (UCT), Postgraduate Diploma Accounting (University of Cape Town), CA (SA)

Stuart served articles at Kessel Feinstein in Cape Town. He founded Grand Furnishers, a successful Cape-based independent furniture retailer, followed by Credit Direct, a joint venture with Theta Investments (a division of African Bank) in 1998. Two years later, Credit Direct was divisionalised into African Bank and went on to become a significant part of the bank's distribution channel, and Stuart became part of African Bank's executive team. In 2004 he co-founded Bayport. Transaction Capital acquired a controlling interest in Bayport Financial Services Proprietary Limited in February 2010. The Bayport acquisition did not include the purchase of any operations outside of South Africa.

Terry Kier (46)
Chief executive officer of SA Taxi
BA (Hons), PDM (University of the Witwatersrand)

Terry was part of the original team that drove the growth of Software Connection into a national chain. Thereafter, he co-founded SoftwareMart in partnership with JSE Limited-listed OfficeMart, before joining Softline in the early 90s. He filled a number of executive positions within the Softline group and was part of the team that saw Softline Holdings Limited list on the JSE Limited in 1996. He went on to become the CEO of Pastel Software and remained a Softline Holdings board member. In 2005 he left Softline to start a medical software company which was sold to the Bytes Technology Group in 2007. Terry joined Transaction Capital as a CEO of Mortgage Capital to build a property-focused business unit within the group. In August 2010 Terry was appointed CEO of SA Taxi.

Charl van der Walt (47)
Chief executive officer of MBD CS
BAcc (Hons) (University of Potchefstroom), CA (SA)

Charl served articles at Coopers Theron du Toit, now PwC, in Johannesburg. From 1993 to 2000 he practiced as a registered auditor and accountant at Kruger and Co where he was admitted as a partner. He joined the MBD CS group as CFO in May 2000 and in October 2005 was appointed CEO.

Mark Herskovits (37) (Permanent invitee to the executive committee)
Head of capital markets
BBus Sci Finance, Postgraduate Diploma Accounting (University of Cape Town), CA (SA), CFA

Mark served articles at Deloitte & Touche in Johannesburg. After remaining on as a manager until 2001, he joined Rand Merchant Bank as an investment analyst in the special projects international division. In 2007 Mark joined Transaction Capital as a private equity transactor. In June 2010, he was appointed head of capital markets.

COMPANY SECRETARY

Peter Katzenellenbogen (66)
BCom (University of Pretoria), CTA (University of the Witwatersrand), CA (SA)
Appointed: September 2009

Peter joined PKF (Jhb) Inc in 1968 and was admitted as a partner in 1974 and as managing director in November 1999. Peter also served as national chairperson of PKF in southern Africa and as the African representative to PKF International Limited. He is the chairperson of the Chartered Accountants Medical Aid Fund investment committee and a member of its disputes panel. He has served as trustee and treasurer of numerous trusts, body corporates and social organisations.

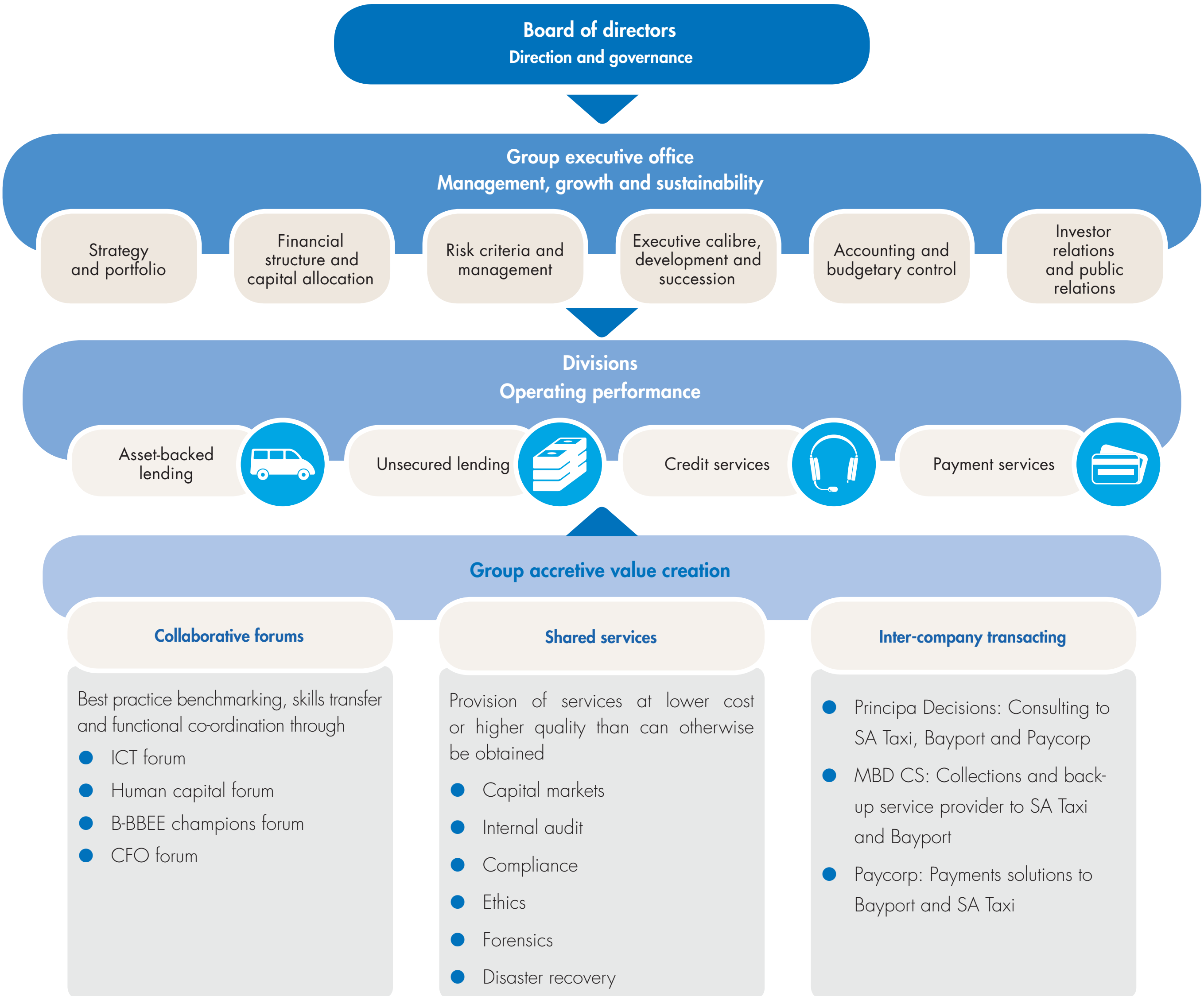
HOW WE CREATE VALUE IN THE GROUP

Transaction Capital identifies potentially high yielding under-served market opportunities or underperforming asset classes, carefully evaluating the actual and perceived risks associated with them.

Transaction Capital then mitigates risk, *inter alia*, by:

- formulating defensible competitive strategies;
- defining a viable business model;
- allocating appropriate capital (equity and external wholesale debt);
- appointing competent management;
- developing operational capabilities; and
- scaling the specific business to achieve an acceptable risk-adjusted return.

Concurrently, Transaction Capital seeks to create value beyond that of its individual business units through collaboration, sharing of services and inter-company transactions. The business model below provides the structure and processes for the provision of strategic direction, governance, operating performance and accretive value creation of the Transaction Capital group:



The elements of the business model are more fully described below:

Board of directors
Direction and governance

The board oversees the development and execution of the company's strategy, operating performance and financial results. It also monitors risk and helps design and implement corporate governance policies. Transaction Capital has a strong, diverse board, which effectively and continually tests management's strategy and practices. The board comprises executive and non-executive directors with a depth of relevant experience and expertise in banking, capital markets, credit risk, law and business leadership.

Group executive office
Management, growth and sustainability

- Strategy and portfolio
- Financial structure and capital allocation
- Risk criteria and management
- Executive calibre, development and succession
- Accounting and budgetary control
- Investor relations and public relations

The Transaction Capital group's executive office comprises the chief executive officer (CEO), the deputy chief executive officer, the chief financial officer (CFO), the chief investment officer and their support staff.

The group executive office has two primary objectives:

1. To add value to subsidiaries in excess of the tangible or intangible costs imposed on them by being part of a group; and
2. To add value to shareholders by diversifying in a manner that they cannot.

The first objective is achieved by:

- active intervention to enhance the strategic, human, operating and financial performance of each company; and
- the creation of intra-group value through collaboration, sharing of services and inter-company transactions.

The second objective is achieved by:

- the agglomeration of a portfolio of companies which benefit from the group's capabilities and assets; and
- finding, nurturing and integrating new ventures whose early stage risk is mitigated by the expertise, experience and capabilities in Transaction Capital.

To this end, the group executive office is staffed by executives whose education, experience and entrepreneurial record spans the full gamut of the group's requirements, specifically public company leadership, group and competitive strategy, corporate finance and accounting, credit risk, equity and debt capital management, organisational design and development, corporate governance and stakeholder management.

Authority, responsibility and accountability for the growth and sustainability of Transaction Capital are delegated by the board to the CEO, who is supported by and further delegates to line and functional managers throughout the group via a robust governance framework.

The key functions of the group executives are as follows:

Function	What we do	How we do it
Strategy and portfolio	Formulate and implement the group strategy Provide strategic leadership to all of the businesses	Group strategy is set by the CEO in consultation with the group executive committee for approval by the board. Subsidiary strategies are set by subsidiary CEOs and executive committees and approved by the group CEO.
Financial structure and capital allocation	Determine capital and financial structure; and arrange, raise and allocate debt and equity capital	Capital is monitored and allocated by the treasury function. The group applies its capital adequacy model, known financial covenant levels and credit rating guidance to determine current and future group equity and debt capital levels based on the group's objectives. The capital markets team raises debt and equity for the group to ensure that the group has access to sufficient capital to fund both organic and acquisitive growth. The capital markets team arranges access to various pools of debt, utilising different funding mechanisms which are adapted to meet debt market appetite and specific investor mandate requirements, and hence attract a broad range of investors. In addition, the capital markets team is responsible for: reporting at asset and liability committee (ALCO) meetings; implementing the ALCO's recommendations in monitoring and managing the funding risks; and managing the centralised debt capital reporting and management system which monitors compliance with financial and other covenants.
Risk criteria and management	Identify and manage risks	Risk tolerances and appetite are set by the risk and compliance committee and are approved by the board. Group executives identify opportunities and evaluate related risks (credit risk and capital risk in particular) within chosen market segments, while institutionalising operations and controls to mitigate such risks to acceptable levels. Group executives have extensive expertise and experience in the advancing of credit and the collection of debt, and are actively involved in the collection, product design and provisioning models within the divisions. The group executive office seeks to ensure that the group is operated to high standards of risk management and corporate governance by providing compliance, ethics, disaster recovery, internal audit and forensic services.

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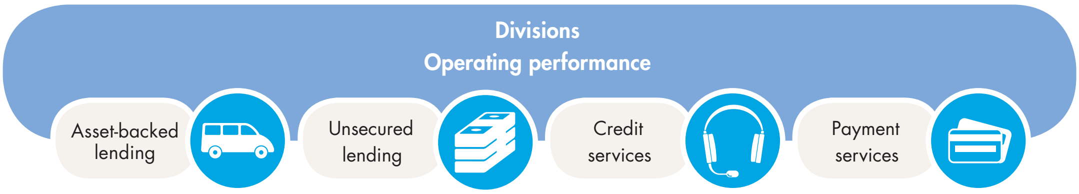
MATERIAL ISSUE 3 pg 70

MATERIAL ISSUE 5 pg 78

Function	What we do	How we do it
Executive calibre, development and succession	Recruit, assess, select, develop, manage performance, and ensure succession of senior management	The recognition of the most senior leaders of Transaction Capital, who are dispersed throughout various businesses, was given effect with the creation in 2009 of the Top 50. This group currently comprises 72 individuals who together hold 146 degrees, 34 postgraduate diplomas and whose average age is 41. The appointment, performance, development, succession and compensation of Top 50 members is overseen and directed by the CEO and his direct reports, more specifically the group human capital executive. Substantial resources are devoted to the selection and development of the Top 50 through assessment, feedback, performance, development, mentoring and succession programmes. Given the depth of functional and subject matter experts in the Top 50, most development initiatives are directed at enhancing leadership skills and addressing development needs identified through psychometric, 360 degree and subordinate assessments. These programmes frequently employ case studies that focus on achieving results through the effective leadership of others, using leadership best practice, modelling and theory. Proprietary techniques are used to achieve alignment between the unique circumstances, talents and ambitions of each Top 50 member and the leadership requirements of Transaction Capital.
Accounting and budgetary control	Provide financial oversight and take action to address variances from budgets and forecasts	Financial information is consolidated and reviewed at the level of the group executive office on a monthly basis. External reporting is performed on a bi-annual basis. Group-wide accounting policies, including credit accounting policies, are approved by the group executive office. Budgets are prepared and proposed to the board for approval by the group executive office. The group executive office ensures that accurate and complete financial information is produced by: • implementing appropriate controls with regard to the financial reporting and consolidation processes; • providing accounting and tax advice through skilled and experienced experts; • providing focused training to preparers of information; • having access to best practice through highly qualified and experienced executive and non-executive directors; and • applying appropriate governance measures and oversight of financial information. Key performance indicators are approved by the CEO and CFO. These performance indicators are included in the determination of executive and management incentives when appropriate.
Investor relations and public relations	Provide relevant, timeous information to all stakeholders	Any stakeholder interface which can significantly impact the value or reputation of Transaction Capital is managed by the CEO and the CFO, assisted as necessary by group executive office staff. Refer to page 21 for stakeholder engagement.



The divisions are responsible for the operating performance within the parameters of board-approved strategies and budgets. Detail on the strategic, operating and financial performance of the divisions is provided on pages 48 to 63.

OPERATIONAL REVIEWS pg 48 to 63

The group executive office determines, monitors and ensures the implementation of the group accretive value creation processes.

GROUP EXECUTIVE OFFICE REVIEW pg 62 to 63

The intentional similarity of and synergies between Transaction Capital's operating entities, infrastructure and capabilities, creates a platform for the creation of value beyond that generated by each division.

Collaborative forums

Functional experts from throughout the group meet regularly in focused forums to share best practice, transfer skills and co-ordinate initiatives to enhance the performance of ICT, human capital, finance and transformation. Collaboration is a key driver to operational efficiency and financial performance of the group.

The group has established four collaborative forums, namely:

Forum	Chairperson
ICT forum The ICT forum aims to continually improve the quality and standard of ICT systems and also fulfils the role of the ICT governance steering committee for the group, as recommended by King III. The forum aims to share policies and procedures as well as niched resources, where possible, and review best practice. As technology is a major cost for all the businesses, the forum also assists in obtaining preferential rates from external providers by pooling requirements. This goal is aligned to Transaction Capital's strategic thrust of improved data and skills to embrace, manage and mitigate risk.	**Len de Villiers, Chief information officer: Bayport** (chairpersonship rotates)
Human capital forum Transaction Capital believes that intellectual capital is the primary competitive advantage in financial services. As a result, the group is committed to invest in attracting, retaining and developing its 4 697 employees, with specific attention to deep functional and leadership skills through talent management initiatives. The forum is involved in assessing competitive compensation, talent development, culture and value initiatives, encouraging diversity, and devising group-wide employee health and wellness programmes. Each business has a dedicated human capital executive who is a member of the forum.	**Nischal Khandai, Human capital executive: MBD CS** (chairpersonship rotates)
B-BBEE champions forum Transaction Capital is committed to investing time, effort and capital into transforming the demographic profile of our workplace within the constraints of the talent pool. The group regards progress in each of the B-BBEE rating criterion as both a commercial and moral obligation. This approach guides the group in the way it recruits new talent, trains staff, selects business partners, contributes to communities and supports fledgling businesses. Our approach is to empower people and recognise that social and cultural differences are a source of strength. Each subsidiary has an appointed B-BBEE champion who sits on the forum which meets regularly to discuss practical, educational and strategic issues.	**Antony Seeff, Investor relations executive**
CFO forum The forum consists of the CFOs across the group and other key finance executives. Meetings are held quarterly to discuss best practice in respect of financial issues such as taxation, accounting and internal and external audits. Key collective issues are identified and ways to increase intra-group transacting are discussed.	**David Hurwitz, Chief financial officer**

Shared services

GROUP EXECUTIVE OFFICE REVIEW pg 62 to 63

Internal departments provide service to two or more companies at a higher quality or lower cost than can be obtained outside of the group. Services currently rendered include capital markets, internal audit, compliance, ethics, forensics and disaster recovery.

Function
Capital markets (CM) ensures that there is sufficient access to capital to fund the businesses' requirements. The CM team also administers the Transaction Capital ALCO reporting and manages the centralised debt capital administration system.
Internal audit (IA) ensures the group's risk, control and governance processes are effective and adequate. The audit committee has defined a charter that governs the IA team's roles and responsibilities. External auditors can place reliance on the IA team's work, reducing risk and group costs.
Compliance monitors regulatory compliance on a group-wide scale and is responsible for independent assessments and reporting. The dedicated compliance officers in each of the group's businesses report to the CEOs of each business on a regular basis.
Ethics determines the level of awareness of ethics within the group, initiates training, reporting and intra-group collaboration to ensure that industry and group best practice is applied; it stimulates ethical behaviour by the group's employees such that the group is considered to be acting as an ethical and good corporate citizen by all of its stakeholders.
Forensics formulates procedures to prevent and detect fraud in the following areas: • application; • supplier; and • employee fraud.
Disaster recovery provides businesses with access to a dedicated back-up facility.

Inter-company transacting

GROUP EXECUTIVE OFFICE REVIEW pg 62 to 63

One business provides a product or service to another on market-related terms and conditions, thus retaining the profit margin within the group.

STAKEHOLDER ENGAGEMENT

Developing and nurturing positive and stable relationships with our key stakeholders is recognised as a key driver of business success. The value we place on our stakeholders is articulated in our vision, which positions our stakeholders at the centre of the business universe and defines an objective that is informed by the response we hope to elicit from each of them.

VISION, MISSION VALUES pg 6

The table below sets out our key stakeholder groups, the nature of our engagement with them and the group's responsibilities in this regard. Transaction Capital recognises that stakeholder interests are dynamic and require ongoing management. A formal stakeholder engagement process and policy for the group will be codified in the year ahead.

Stakeholders	How we engage with our stakeholders
Shareholders	**Group-wide** • Transaction Capital's website is kept up to date and covers issues of interest to stakeholders • Regular one-on-one meetings and conference calls • SENS and other announcements posted on our group website, published in business press where relevant, and posted to shareholders where appropriate • Regular engagement with financial media • Regular local and international investor presentations/roadshows • Integrated report • Results presentations • Annual general meetings
Funders	**Group-wide** • Monthly covenant reports, semi-annual and annual management accounts and financial statements for listed debt structures • Voluntary semi-annual debt investor meetings at Transaction Capital • General discussions with funders • Roadshows to present funding opportunities to potential investors • Attend capital markets conferences
Employees	**Group-wide** • Top 50 development programme • New managers, management and senior management development programmes • Executive branch visits throughout the year • Events, e.g. team-building and celebrating achievements • ICAS wellness programme • Leadership surveys • Quarterly Transaction Capital talks hosted by the chief executive officer (CEO) • Quarterly '*Capital Ideas*' magazine • Regular performance appraisals • Annual CEO covenant discussions with executives

Asset-backed lending	Unsecured lending	Credit services	Payment services
• Daily SMS motivational and/or 'keeping in touch' messages for mobile units • Quarterly CEO talks • Micro-level engagement including an open-door policy with management and HR team	• Daily communication via internal communication system, including internal vacancies, promotional opportunities, new employees joining the organisation and employee wellness • Regular communication in respect of health and safety	• '*Let's Talk*' – weekly staff and management engagement at branches and call centre in addition to branch ambassadors who engage daily with staff • '*Ngage*' – monthly internal magazine • Monthly executive and staff meetings	• Monthly focus groups and surveys conducted by HR department • Daily email alerts • Quarterly newsletters which include information regarding performance of the business • Change management sessions held when changes are implemented

STAKEHOLDER ENGAGEMENT (CONTINUED)

Stakeholders	How we engage with our stakeholders			
Clients	**Group-wide** • Dedicated call centre • Branch network			
	Asset-backed lending	Unsecured lending	Credit services	Payment services
	• Customer service centre at branches in Johannesburg, Nelspruit, Polokwane, East London, Cape Town and Rustenburg • Mobile units daily interaction with clients • '*What else can I do for you?*' campaign aimed at extending service assistance to clients to ensure they understand the financial and insurance products • Client on-boarding • Platinum customer team • Extensive research into customer base to gain insight in respect of the drivers and barriers associated with customer acquisition and retention • Customer relationship managers interacting with clients on a regular basis	• Digital contact (email, fax and *Hello Peter*) • Agent network offering convenience of interaction at place of work or home • Surveys for walk-in and call centre clients and general customer experience survey • Client focus groups	• Dedicated client management division • Client managers meet monthly with clients • Relationship managers, consultants or project leaders interact directly with clients • Events to attract new clients • Sponsorship of Consumer Financial Vulnerability Index in conjunction with Unisa	• Sales force and client relationship managers meet regularly with clients • Various mediums used to enhance these relationships including: – Newsletters (print and electronic) – Information provided with invoices – Campaigns (electronic, print and SMS)
Suppliers	**Group-wide** • Key suppliers are selected through service reviews, quality checks, pricing comparisons and B-BBEE credentials			
	Asset-backed lending	Unsecured lending	Credit services	Payment services
	• Incentive programmes • Introductory pack explaining SA Taxi procedures • Monthly Quickview report outlining dealer's performance	• Survey performed during the year: '*Why I love Bayport?*' • Central procurement communicates with key suppliers monthly to confirm correct delivery and address any issues	• Weekly liaison with major suppliers including telecom providers and credit bureaux	• Monthly service level meetings to review key contractual deliverables and areas for redress/action • Quarterly meetings of the CEO, chief operations officer and ICT executive with their counterparties in the supplier organisations to discuss the health of the relationship and actions moving forward

Stakeholders	How we engage with our stakeholders			
Government, regulatory bodies and industry fora	**Group-wide** • Submission of workplace skills plans and reports to the relevant SETA • South Africa Securitisation Forum			
	Asset-backed lending	Unsecured lending	Credit services	Payment services
	• Engagement with the National Credit Regulator (NCR) • Workshops with SA Taxi operators and Government • Engagement with the Financial Services Board (FSB)	• Engagement with the NCR (including participation in research initiated by the NCR on the increase of unsecured loans in South Africa's credit market during March 2012, with a view to understanding the underlying drivers of the growth) • Engagement with the FSB • Members of various associations and bodies including: – Credit Providers Association – National Debt Mediation Association – The National Credit Industry Steering Committee – Direct Marketing Association – CIO Council of South Africa – MicroFinance South Africa – Non-bank Large Lender Forum	• Engagement with the NCR • Partnership with the Department of Trade and Industry in the creation of employment in economically depressed areas • Board member for the Association of Debt Recovery Agents • Members of various associations and bodies including: – American Collections Association – Association of Debt Recovery Agents – BPeSA business process outsourcing industry body – Bureau for Economic Research – Credit Providers Association – Direct Marketing Association – Electronic, Paper and Cash Stakeholder Forum – Institute of Credit Management	• Members of various associations and bodies including: – ATM Industry Association – Card Payment Stakeholder Forum – National Employers' Association of South Africa – National Payments System Advisory Body – Payments Association of South Africa – Prepaid Exchange of South Africa – South African Banking Risk Identification Centre – Engagement with Department of Labour in respect of job creation
Community	Asset-backed lending	Unsecured lending	Credit services	Payment services
	• Supporting the industry through campaigns such as '*Take a Taxi*' • Partnering with '*Arrive Alive*' and the South African National Taxi Council to promote safe driving • Partnering with the Transport Education and Training Authority to develop a training programme for taxi owners • Bursary programme for children of clients • Donation of repossessed buses to organisations promoting education • Job creation	• Staff volunteered to provide assistance with: – Filing and stock control at Witkoppen Clinic – Preparation of meals for patients at Hillbrow Clinic – Painting and cleaning various areas of Chris Hani Baragwanath Hospital • Donated furniture and computers to be used by students of the Maharishi Institute	• Nisela Trust – refer to page 86 for further discussion on the Nisela Trust • Julius Sebolayi Primary School with the '*Education is Key*' project • The Hope Factory - business development skills for entrepreneurs	• Discounted ATM fees for Mzansi account holders

CASE STUDY

STORIES FROM SA TAXI CUSTOMERS

"Two years later I owned eight taxis financed by SA Taxi and all these vehicles were paid off before the end of their contracts."

I first came to see SA Taxi around 2000 to apply for credit. I was very young and had no business experience. I arrived by taxi having no private transport. At first my application was declined, but another taxi owner helped me produce surety and my application was accepted that same day. Only two years later I owned eight taxis financed by SA Taxi and all these vehicles were paid off before the end of their contracts. From this I proceeded to build up a big fleet of vehicles. Although I could get finance with any financial institution, I stayed with SA Taxi because they helped me in the beginning when no bank would. I bought a 72-seater bus with a R500 000 deposit while still a young man and I worked and drove long distances in my pride and joy.

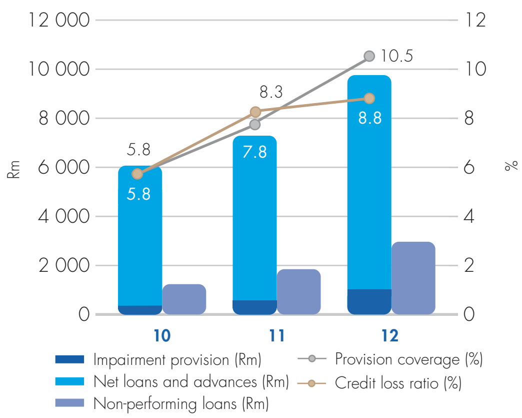
In 2000 when I first approached SA Taxi I had been in jail and had very little to my name. Since then I have financed over 20 vehicles. Now, I am a successful businessman owning a supermarket, bottle store, a few houses and a farm – all thanks to SA Taxi for giving me a chance 12 years ago. It is important to me to contribute to society and my community and I am also an active and respected member of the taxi family. I still get vehicle finance from SA Taxi and every time I visit SA Taxi I tell them, "It is because of this place (SA Taxi), that I am what I am today".


taxi mart

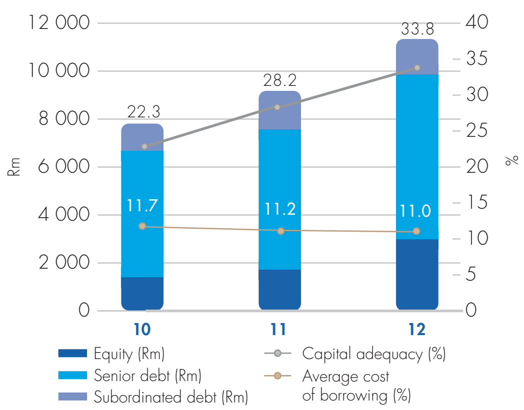
THREE-YEAR FINANCIAL REVIEW

		2012 Rm	Growth %	2011 Rm	Growth %	2010 Rm
Consolidated statements of financial position						
Loans and advances		8 780	30.7	6 720	17.6	5 716
Purchased book debts		347	12.7	308	25.7	245
Property and equipment		308	10.4	279	(3.8)	290
Inventories		203	30.1	156	(25.4)	209
Goodwill and intangible assets		963	(0.7)	970	(0.2)	972
Cash and cash equivalents		1 132	62.6	696	21.0	575
Other assets		796	(14.1)	927	43.5	646
Total assets		12 529	24.6	10 056	16.2	8 653
Interest-bearing liabilities		8 353	11.8	7 469	16.4	6 414
Senior debt		6 876	17.2	5 867	11.5	5 263
Subordinated debt		1 477	(7.8)	1 602	39.2	1 151
Bank overdrafts		158	(13.7)	183	(4.7)	192
Other liabilities		1 030	48.2	695	3.9	669
Total liabilities		9 541	14.3	8 347	14.7	7 275
Equity attributable to ordinary equity holders of the parent		2 901	77.3	1 636	22.6	1 334
Non-controlling interest		87	19.2	73	65.9	44
Total equity		2 988	74.8	1 709	24.0	1 378
Total equity and liabilities		12 529	24.6	10 056	16.2	8 653
Number of shares	million	584		471		455
Key performance indicators						
Capital adequacy ratio	%	33.8		28.2		22.3
Net asset value per share	cents	496.5		347.4		293.2
Tangible net asset value per share	cents	331.7		141.3		79.6

Loans and advances

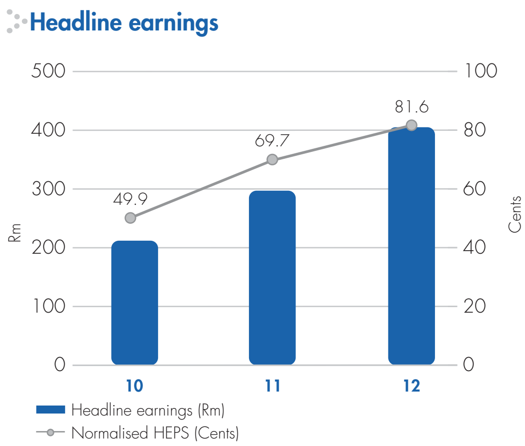


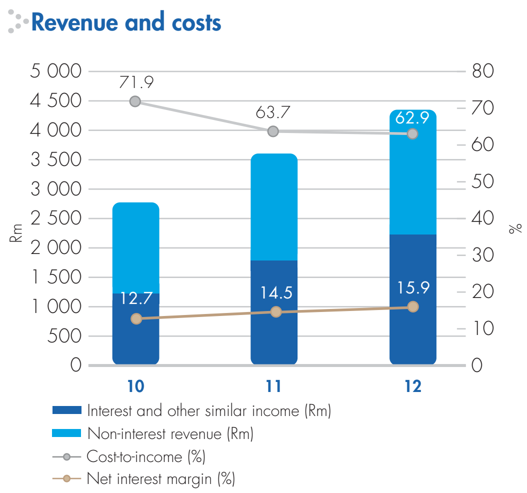
Capital



THREE-YEAR FINANCIAL REVIEW (CONTINUED)

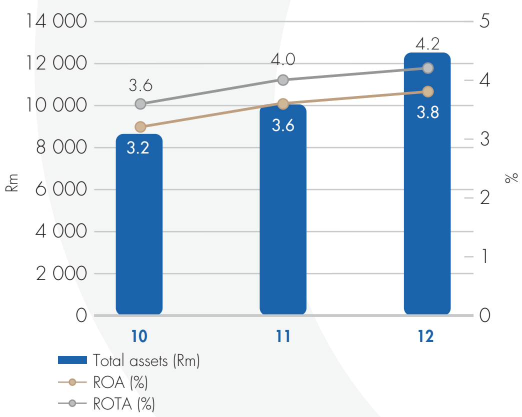
		2012 Rm	Growth %	2011 Rm	Growth %	2010 Rm
Consolidated income statements						
Interest and other similar income		2 224	24.6	1 785	46.7	1 217
Interest and other similar expense		(883)	10.7	(798)	31.3	(608)
Net interest income		1 341	35.9	987	62.1	609
Impairment of loans and advances		(740)	30.7	(566)	103.6	(278)
Risk adjusted net interest income		601	42.8	421	27.2	331
Non-interest revenue		2 126	16.7	1 821	17.2	1 553
Total operating costs		(2 181)	22.0	(1 788)	14.9	(1 555)
Operating income		546	20.3	454	38.0	329
Share of profits from associates		–		–	(100.0)	(5)
Profit before tax		546	20.3	454	40.1	324
Income tax expense		(112)	3.7	(108)	13.7	(95)
Profit from continuing operations		434	25.4	346	51.1	229
Loss from discontinued operations		–	(100.0)	(70)	1 650.0	(4)
Profit for the year		434	57.2	276	22.7	225
Profit for the year attributable to:						
Ordinary equity holders of the parent		401	60.4	250	24.4	201
Non-controlling equity holders		33	26.9	26	8.3	24
Headline earnings	Rm	405	36.4	297	40.1	212
Headline earnings from continuing operations	Rm	405	25.8	322	50.5	214
Normalised headline earnings	Rm	424	31.3	323	45.5	222
Weighted average number of shares in issue	million	519	12.3	462	3.8	445



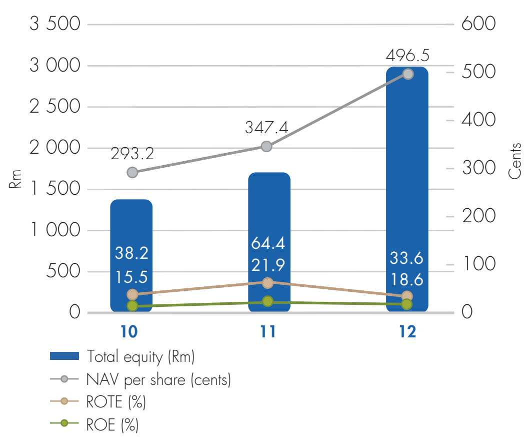


		2012 Rm	Growth %	2011 Rm	Growth %	2010 Rm
Key performance indicators						
Total income	Rm	4 350	20.6	3 606	30.2	2 770
EBITDA (services businesses only)	Rm	254	18.1	215	2.9	209
Non-interest revenue as a % of total income	%	48.9	(3.2)	50.5	(10.0)	56.1
Cost-to-income ratio	%	62.9	(1.3)	63.7	(11.4)	71.9
Effective tax rate	%	20.5	(13.9)	23.8	(18.8)	29.3
Headline earnings per share	cents	78.0	21.5	64.2	34.9	47.6
Headline earnings per share from continuing operations	cents	78.0	12.1	69.6	45.3	47.9
Normalised headline earnings per share	cents	81.6	17.1	69.7	39.7	49.9
Return on average assets	%	3.8	5.6	3.6	12.5	3.2
Return on average tangible assets	%	4.2	5.0	4.0	11.1	3.6
Return on average equity	%	18.6	(15.1)	21.9	41.3	15.5
Return on average tangible equity	%	33.6	(47.8)	64.4	68.6	38.2
Gross asset yield	%	38.6	1.8	37.9	(2.8)	39.0
Return on total income	%	10.0	4.2	9.6	15.7	8.3
Average cost of borrowings	%	11.0	(1.8)	11.2	(4.3)	11.7

Return on assets



Return on equity



STATEMENTS OF STAKEHOLDER VALUE CREATED

for the year ended 30 September 2012

The statements of value created represents the additional value created by Transaction Capital for its shareholders through its own efforts by the application of its labour force and resources.

Products and services provided to clients

Transaction Capital aligns the financial products and services offered by the group with the financial and social needs of developing and underprivileged segments of South African society. This contribution to the development of our nation and the empowerment of its people is supportive of the Government's drive for greater levels of financial inclusion. This was done in the current year through the following mechanisms:

	2012 Rm	2011 Rm
Value of disbursements to SME minibus taxi operators	1 533	1 415
Value of unsecured disbursements to historically underbanked customers (in LSM 5 – 9 categories)	2 719	1 850
Transactional value disbursed through ATMs	28 607	25 100
Value of agency collections	2 545	2 137
Price of distressed debtors books acquired	95	108
Average monthly working capital funded by Rand Trust	209	193
Value of profits generated through the acquisition of new accounts*	260	270
	35 968	31 073

** Principa Decisions, from its marketing services offering, assisted its clients in generating a total of R260 million in profit from the acquisition of new accounts over the period*

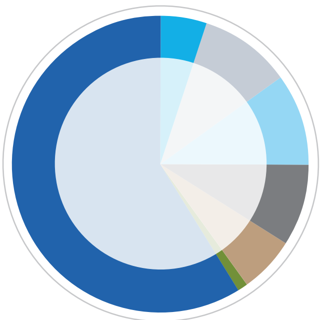
Value created from products and services

Value created by Transaction Capital:

	2012 Rm	2011 Rm
Interest and other similar income (net of impairment)	1 484	1 219
Non-interest revenue	2 126	1 821
	3 610	3 040

SHAREHOLDER ANALYSIS

Shareholder analysis – number of shares (%)*



Non-public	Number of shareholders	Number of shares	Number of shares (%)
Directors of Transaction Capital and its subsidiaries and their associates	34	344	59%
Transaction Capital General Share scheme and other employee funded share ownership	1	32	5%
Sub-total	35	376	64%
Public	**Number of shareholders**	**Number of shares**	**Number of shares (%)**
Old Mutual Investment Group South Africa Proprietary Limited	17	61	10%
Remaining institutional shareholders	65	59	10%
Ethos Private Equity	12	52	9%
Retail investors	686	36	6%
Rounding**			1%
Sub-total	780	208	36%
Total	**815**	**584**	**100%**

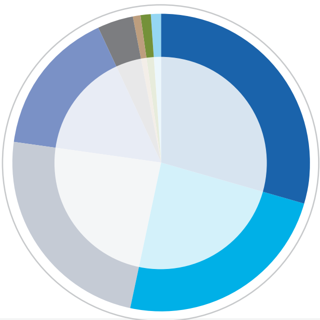
*The shareholder analysis has been changed relative to the integrated annual report issued on 31 January 2013 at the request of the JSE Limited

**Due to rounding to the nearest percentage

Value distributed to stakeholders

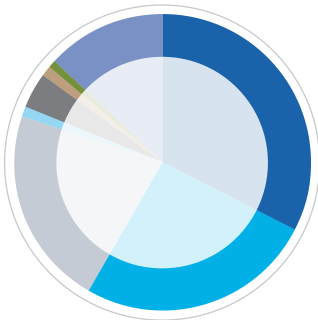
	2012 Rm	2011 Rm
Funders: Interest and other similar expenses	883	798
Employee remuneration	872	655
Executive remuneration	48	45
Government	145	120
Suppliers	1 078	990
To the community	13	12
Shareholders: Dividends paid	4	14
Value retained in the group	567	406
	3 610	3 040

Value distribution to stakeholders 2012



Suppliers	30%
Funders: Interest and other similar expense	24%
Employee remuneration	24%
Shareholders: Dividends paid	<1%
Government	4%
Executive remuneration	1%
To the community	<1%
Value retained in the group	16%

Value distribution to stakeholders 2011



Suppliers	33%
Funders: Interest and other similar expenses	26%
Employee remuneration	22%
Shareholders: Dividends paid	<1%
Government	4%
Executive remuneration	1%
To the community	<1%
Value retained in the group	13%

Performance on JSE (since listing on 7 June 2012 to 30 September 2012)

		2012
Traded share prices		
closing	R	7.59
high	R	8.48
low	R	7.02
volume weighted average (VWAP)	R	7.78
Closing price/net asset value per share		1.53
Price earnings ratio based on headline earnings for the year		9.73
Volume of shares traded since listing on 7 June 2012	units	22 495 700
Market capitalisation	R	4 435 131 955

CHAIRPERSON'S REPORT

Introduction

The past financial year marked a key event in the growth and history of the group with its listing on the JSE Limited in June 2012. At a listing price of 800 cents per share, the group achieved an opening market capitalisation of R4.4 billion.

The listing has given liquidity to existing shareholders, allowed new shareholders to invest in this exciting group and has diversified the sources of permanent capital and funding mechanisms available to the group going forward.

Shareholders

I am pleased to welcome all new shareholders who have invested in the group during the year. The group now has 815 registered shareholders.

CORPORATE GOVERNANCE REPORT pg 91

Strategy and performance

Transaction Capital's financial performance in the 2012 financial year again reflected the soundness of its strategies, the excellence of its management and the benefits of its diversified earnings streams through its asset-backed lending, unsecured lending, credit services and payment services divisions.

Normalised headline earnings per share for the year increased by 17.1% to 81.6 cents per share, while normalised headline earnings increased by 31.3% to R424 million. These very satisfactory results were achieved in the context of a growth in total equity of 75% to R2 988 million. The group's capital adequacy ratio improved accordingly to a strong 33.8%.

I refer stakeholders to the detailed reviews of the chief executive officer (CEO) and the chief financial officer (CFO).

Governance and directorate

The board of Transaction Capital comprises 13 directors of whom seven are non-executive with six of those being independent.

I am pleased to report that the board and all of its committees functioned well during the year. The non-executive directors have an appropriate mix of business, financial, governance and human capital skills as well as specific expertise in the group's areas of business.

The board regards its key functions as:

- keepers of strategy;
- monitors of risk;
- custodians of management excellence; and
- overseers of performance of the company.

I refer stakeholders to the detailed corporate governance report contained in this integrated annual report.

Outlook

The comprehensive strategies developed and documented by the CEO and the management team and approved by the board represent a sound basis for continued growth and enhancement of shareholder value in the period ahead.

Appreciation

I record my personal appreciation to my colleagues on the board, to our executive team and to our chief executive officer and CFO in particular for the quality of their performances and for their unfailing support. My thanks go also to the group's professional advisors, bankers and debt investors for their support of and services to the group, particularly with regard to the listing of Transaction Capital on the JSE Limited.

Christopher S. Seabrooke

29 November 2012

CHIEF EXECUTIVE OFFICER'S REPORT TO STAKEHOLDERS

Introduction

As the 2012 financial year drew to a close, our group was precisely where we expected it to be.

Under the leadership of an augmented group executive office, each operating entity entrenched its competitive position; improved its organisational effectiveness; institutionalised sound governance, regulatory and risk management practices; and embarked on intra-group initiatives directed at the creation of additional value.

The group's capital structure was strengthened by two equity investments in the second quarter, a conversion of debt to equity and the listing of Transaction Capital on the JSE Limited on 7 June 2012. The latter, achieved in difficult market conditions, has created the opportunity for Transaction Capital to be publicly accountable to all stakeholders in the years ahead.

It is thus with some satisfaction that we present Transaction Capital's maiden results as a public company and its first integrated annual report.

This report provides stakeholders with an overview of Transaction Capital's progress in 2012 together with insight into the way we think about our environment, businesses, risks and prospects. Reference to greater detail available elsewhere in the integrated annual report is made throughout.

Financial highlights

The year saw substantial progress towards the group's strategic, structural, organisational and operating objectives, culminating in a financial performance in line with expectations.

- Loans and advances grew 30.7% to R8 780 million
- Total income grew 20.6% to R4 350 million
- Non-interest revenue grew 16.7% to R2 126 million
- Headline earnings grew 36.4% to R405 million, while normalised headline earnings grew 31.3% to R424 million
- Normalised headline earnings per share grew 17.1% to 81.6 cents
- ROE declined from 21.9% to 18.6% arising from the raising of R870 million of new equity
- Capital adequacy at year-end was 33.8%
- NAV per share increased 42.9% from 347.4 cents to 496.5 cents

Commentary by the chief financial officer (from page 38) and extensive detail on the financial state and performance of Transaction Capital are provided elsewhere in this report.

CFOs REPORT pg 38 to 45

Environment

South Africa experienced a decline in economic growth through 2012 in concert with the global economic slowdown and in particular that of Europe, still a major trading partner. Growth of South Africa's gross domestic product over the reporting period was 3.3%. As the financial year drew to a close, the country's heightened socio-economic risk was reflected in downgrades of South Africa's sovereign credit ratings by Moody's and Standard & Poor's.

Notwithstanding slowing economic growth, the consumer economy, reflected in solid retail and motor vehicle sales, was buoyed by real wage growth, the lowest interest rates in over 30 years, and a growth in credit extension to households.

The latter, particularly the rapid rate of unsecured lending growth, gave rise to commentary by the Reserve Bank, the Ministry of Finance and the National Credit Regulator voicing concerns about over-indebtedness. This culminated in the Minister of Finance and the Banking Council of South Africa issuing a joint statement on 19 October

In a society of generally low financial literacy, Transaction Capital is unequivocally committed to responsible market conduct within the letter and spirit of all laws and regulations.

2012 regarding responsible conduct for bank lending and the provision of associated products and services. Transaction Capital has formally communicated its concurrence with the tenor and direction of this statement, which is entirely consistent with your group's commitment to responsible market conduct within the letter and spirit of all laws and regulations.

Competition between the major banks increased significantly during the year as evidenced by the surge in high profile advertising promoting new products or packages. Much of the promotional activity was targeted at gaining market share with the emphasis on unsecured loans to the mass market and on a tech savvy demographic, emphasising the use of smartphones, internet and social media. The substitution of asset-backed consumer finance with unsecured loans to middle income consumers was significant, with competitive aggression manifest in consolidation of competitors' clients, using term and limit extensions to remain within affordability limits. This activity declined in recent months as credit providers, including retailers, curtailed their rate of origination, expressing caution about the deterioration of consumer credit health and the rise in impairments.

STRATEGIC THRUST pg 8 to 9

In concert with their worldwide counterparts, but in a society of generally low financial literacy, South African regulators were active in pursuit of compliance and responsible behaviour by providers of financial services. During the year the National Credit Regulator and the Financial Services Board engaged actively with providers of credit and associated insurance products, giving notice of their intention to review certain laws, practices and processes. The Consumer Protection Act and the Protection of Personal Information Bill introduced new compliance requirements which Transaction Capital has fully embraced. With interchange charges having last been reviewed in the late 90s, the outcome of the pending review will be of significance to our payments services division.

As the year progressed, the socio-political environment became more fractious. South Africa's daily discourse was dominated by two toxic themes: corruption and political manoeuvring within the ANC and the Government in anticipation of the next presidential term. A sub text was an anti-business leftist ideology which purports to represent the disadvantaged, while promulgating laws that stifle enterprise and employment. The lack of service delivery in low income townships led to numerous protests by residents, while the rapid rise in administered prices weighed heavily on users at all levels. These factors culminated too often in aggressive confrontation in violation of some of the core tenets of our fine constitution, epitomised by the massacre at Marikana on 16 August and the subsequent labour unrest in mining, transport and agriculture.

Notwithstanding this dynamic and challenging economic, competitive, regulatory and socio-political environment, the demand for the specialised financial products and services offered by Transaction Capital remained strong.

Corporate strategy

The genesis of Transaction Capital was the identification of market and product opportunities by several entrepreneurial founders who overcame the rigours of start-up to create small but viable businesses in financial services. These independent companies were brought together to form Transaction Capital in 2007, with a view to leveraging capabilities, scale and expertise across the portfolio and enhancing the relationship with key counterparties, the most important being banks, providers of debt capital and employees.

The period since then has been devoted to the pursuit of two strategic objectives, given direction and specificity as described in Transaction Capital's five strategic thrusts (pages 8 to 9).

The first, the competitive positioning of each business unit within its chosen market segment, requires the definition and delivery of a value proposition to clients, counterparties and employees which is unique relative to competitors.

Progress with this objective over the past year is reflected in the operational highlights below and in more detail in the 'Operational reviews' (page 50).

The second is the creation of value arising from the composition and capabilities of the group in excess of the tangible and intangible costs thereof. This requires the agglomeration of a portfolio of complementary businesses and assets through financially accretive acquisitions and disposals, and the subsequent creation of intra-group value through directive leadership and intervention, restructuring, transferring of skills or sharing activities. Progress with this objective is described in the 'Group executive office review' on page 64.

As a relatively small financial services company new to the public markets, we are acutely aware that shareholders will assess our strategic competence both as managers of today's business and as creators of the defensible, differentiated business of tomorrow. Our energies will be directed accordingly with particular diligence and caution applied to analysing the strategic and financial efficacy of acquisitions.

Operational highlights

Asset-backed lending – SA Taxi and Rand Trust

Dominated by SA Taxi, the division increased headline earnings by 22.0% to R133 million from a 19.9% growth in gross loans and advances to R5.0 billion.

SA Taxi is a specialist financier of minibus taxis to small-medium enterprises (SME). Credit quality continues to improve with the bias towards the financing of premium vehicles. The company has invested heavily in the improved efficiency of TaxiMart, a full service refurbishment facility established to curb credit losses by enhancing the value realised on the resale of repossessed vehicles.

Rand Trust is a niched provider of receivables discounting and commercial debtor management to SMEs. The company produced a solid growth of loans and advances and net interest income, with headline earnings growing at a much lower rate off a modest base as a result of investment for growth.

Unsecured lending – Bayport

Bayport is a provider of unsecured personal loans to middle market consumers. The division invested heavily in people and infrastructure, increasing headline earnings 21.2% to R166 million from a 54.6% growth in gross loans and advances to R4.7 billion.

OPERATIONAL REVIEWS pg 48 to 63

Bayport continues to grow cautiously, using its unique agent distribution model to target client and employer segments, while actively monitoring credit quality, loan size and term.

Credit services – MBD CS and Principa Decisions (previously PIC Solutions)

The division increased headline earnings by 44.3% to R88 million, achieving significant growth in revenues from the collection of purchased book debts and efficient collection strategies. Earnings were enhanced by sound cost and productivity management.

GROUP EXECUTIVE OFFICE REVIEW pg 62 to 63

MBD CS collects non-performing consumer and commercial debt on behalf of South Africa's leading credit providers and as principal. The company grew via the acquisition of and revenue generated from the collection of purchased book debts, resulting in the opening of a ninth call centre located in central Johannesburg. Its capabilities were further enhanced by the acquisition of two small businesses from within the group pursuant to the simplification of structures.

Principa Decisions produced an excellent result enhanced by the turnaround of the Middle East operation and the conclusion of a joint venture with Simah, the leading Saudi credit bureau.

Payment services – Paycorp

Paycorp comprises ATM Solutions which owns, installs, operates and maintains a fleet of off-site ATMs in South Africa and Namibia, and DrawCard, an early stage prepaid debit card issuing business. The division grew headline earnings by 16.2% to R43 million.

The active ATM fleet grew moderately by 7.6% to 4 381 machines which represents a 16% market share of the total number of ATMs in South Africa. The uptime of the network continued to perform at the highest levels, while the relocation of ATMs from underperforming sites to better locations resulted in increased transaction volumes and values. Various successful initiatives undertaken by management to improve efficiencies and contain cost included measures to address ATM bombings and cash in transit costs.

The earnings of the credit services and payment services divisions remain of a high quality, as evidenced by the strong EBITDA generation which increased by 18.1% to R254 million.

Human capital

MATERIAL ISSUE 5 pg 78

Transaction Capital holds the view that the best strategies, business models and structures will fail without the highest available calibre of staff at all levels. This principle is reflected in Transaction Capital's strategic thrust 4 (page 76), which emphasises the group's commitment to invest in human and intellectual capital. This investment is not random. It is informed firstly by the view that in every field of endeavour there is a normal distribution of talent and secondly that the performance and sustainability of Transaction Capital will correlate highly with where its employees rank within that distribution. Put simply: the better our people, the better the performance and sustainability of our group.

MATERIAL ISSUE 6 pg 81

While every Transaction Capital employee plays a part in its progress and success, there are individuals appointed at a senior level throughout the group to provide line, functional and ethical leadership. These leadership appointments recognise a superior capability arising from intellectual acuity, tertiary education, relevant experience and industry-specific knowledge as well as integrity and character.

These individuals are given the responsibility to lead others and to take significant decisions about customers, assets, providers of capital, authorities and regulators, and importantly the well-being and progress of other Transaction Capital people. Their tasks require specific expertise and skills and they are held to a much higher standard of accountability.

MATERIAL ISSUE 3 pg 70

Although these most senior leaders are dispersed throughout various subsidiaries and departments, Transaction Capital regards their individual and collective capabilities as a group asset and a source of competitive advantage. Reciprocally, when considering their career and succession horizons, these leaders look beyond their current company or department to the greater Transaction Capital group.

CORPORATE GOVERNANCE REPORT pg 91

The recognition of this senior leadership was given effect with the creation in 2009 of the Top 50. This group currently comprises 72 individuals who together hold 146 degrees, 34 postgraduate diplomas and whose average age is 41.

HOW WE CREATE VALUE IN THE GROUP pg 15

During the year substantial resources were devoted to the selection, development and compensation of Top 50 members, with leading edge techniques employed to continually upgrade the calibre and performance of these leaders. Given the depth of functional and subject matter expertise in the Top 50, most development initiatives are directed at enhancing leadership skills and addressing development needs identified through psychometric tests and 360 degree and subordinate feedback. Proprietary techniques are used to achieve alignment between the unique circumstances, talents and ambitions of each Top 50 member and the leadership requirements of Transaction Capital.

Additional information on the Top 50 is provided in 'How we create value in the group' (page 18) 'Our material issues' (page 66), and 'How we are remunerated' (page 104).

Technology

Transaction Capital is dedicated to employing cost-effective information technologies to manage and exchange data, and to differentiate our value propositions to clients. This principle is reflected in Transaction Capital's strategic thrust 4 (page 9).

At this stage of the group's development, a decentralised approach to technology has been necessitated by differences in the business models and organisational maturity of the various subsidiaries. The information technology leaders of each subsidiary meet regularly to explore opportunities for idea exchange, benchmarking and leveraging procurement. Over the past year substantial progress was made with the implementation and stabilisation of systems required for operational efficiency and compliance. SA Taxi, Bayport, MBD CS, Principa and Paycorp all utilise proprietary technologies to differentiate their interface with counterparties and clients.

Uncontrollable risks

The assessment and management of risk is central to the success of Transaction Capital and is elaborated on in 'Our material issues' (page 66) and in the 'Corporate governance report' (page 91). In addition to the diligence applied to the management of controllable risks, the leadership of Transaction Capital monitors closely the following major uncontrollable risks which stakeholders should be aware of:

- Rising inflation and unemployment – in recent years social benefits and real wage increases have softened the negative effects of unemployment on society as benefit recipients and employed citizens supported the unemployed. Substantially higher inflation and unemployment will reduce their capacity to do so and therefore constitute a threat to the middle and lower income market segments in which Transaction Capital operates. Endemic labour unrest and lower public servant wage increases would have a similar impact.

- Excessive credit extension to households – as at June 2012, 47% of the reported 20 million credit active consumers have missed three or more instalments on their debt or have adverse listings or judgement orders. Nine million people are therefore in financial difficulty, are not servicing their debts and are excluded from any further borrowing activity. Historical trends suggest that once a person reaches three missed instalments the probability of delinquency is very high and the period to resolve the loan is very long and expensive to both lender and borrower. The 47% ratio has increased from 36% in 2007 to the level that it is today. While it is clear that borrowers have obligations to honour their debts, bad faith on the side of borrowers cannot adequately explain this result. Transaction Capital believes that excessive credit extension could be curtailed by industry-wide standards on affordability and we would encourage regulators to consider such standards.
- Legal and regulatory non-compliance – South Africa has developed sound laws and regulations for the disbursement, administration and collection of SME and consumer debt, the National Credit Act being among the most comprehensive and far-reaching of these. The manner in which these laws and regulations have been abused or circumvented ranges from outright fraud on the part of a minority of consumers, debt counsellors and credit providers, through overzealous lending and uninformed borrowing, to poor administrative implementation by lenders, debt counsellors and the courts. More rigorous enforcement of existing laws and regulations is necessary to protect consumers, many of whom have little experience of financial planning and budgeting and whose financial literacy levels are low. Transaction Capital is supportive of all initiatives in this regard.

Prospects

Transaction Capital is pleased with the strategic and operating progress of recent years and particularly pleased with the step change in organisational maturity pursuant to the listing of the group. Improved governance, risk management and predictability are the consequence.

The external environment is, however, far from benign. Global economic growth is tepid and local economic growth too low to reduce the high unemployment rate. In addition, South Africa faces a unique set of socio-economic challenges which were accurately analysed in the National Development Plan and will only be solved by its successful implementation. Finally South African providers of financial services face a unique set of circumstances in serving a society of extreme inequality.

To date the competitive strategies, business models, organisation design and human capabilities of Transaction Capital are proving to be resilient and relevant in the carefully selected segments in which the group operates. We will continue to invest wherever necessary in pursuit of sustainable quality earnings. Your group's early 2013 performance is in line with expectations and absent a deterioration of the environment a sound performance is expected in the current year.

Mark J. Lamberti

29 November 2012

Financial performance

Overview

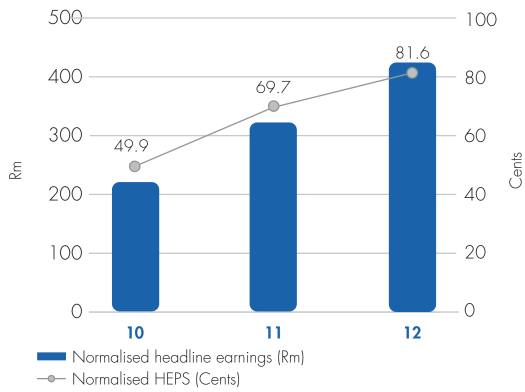
Normalised headline earnings increased by 31.3% to R424 million for the year, as a result of strong growth in loans and advances within the lending divisions, and revenue growth combined with cost containment from all operating divisions. Transaction Capital believes that normalised headline earnings, which exclude the impact of discontinued operations and the cost of raising listed capital, best reflects the operating performance of the group.

Both the services and lending divisions have contributed relatively consistently towards earnings over the past two years.

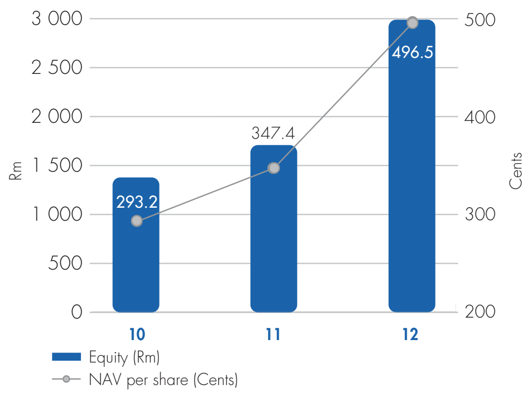
Normalised headline earnings per segment

Segment	2012 Rm	2011 Rm	Growth %	2012 %	2011 %
Asset-backed lending	133	109	22.0	31	34
Unsecured lending	166	138	20.3	39	43
Credit services	88	61	44.3	21	19
Payment services	43	37	16.2	10	11
Corporate support	(6)	(22)	72.7	(1)	(7)
Normalised headline earnings	424	323	31.3	100	100

Normalised headline earnings



Equity/NAV per share



Lending

Asset-backed lending – SA Taxi and Rand Trust

Dominated by SA Taxi, the division increased normalised headline earnings by 22.0% to R133 million from a 19.9% growth in gross loans and advances to R5.0 billion. Credit quality continues to improve with the bias towards the financing of premium vehicles. The division's non-performing loan ratio increased from 26.6% to 30.7%, while the provision coverage was strengthened from 4.1% to 4.7% and the credit loss ratio declined from 5.8% to 5.4%. SA Taxi has invested heavily in the improved efficiency of TaxiMart, a full service refurbishment facility established to curb credit losses by enhancing the value realised on the resale of repossessed vehicles.

Rand Trust produced solid growth in loans and advances and net interest income, with headline earnings growing at a much lower rate off a modest base as a result of investment for growth.

Unsecured lending – Bayport

The largest contribution to growth in profit came from unsecured lending, which increased normalised headline earnings by 20.3% to R166 million on the back of 54.6% growth of its gross loans and advances portfolio. Despite the increase in the non-performing loans ratio from 24.3% to 30.6%, Bayport's credit loss ratio remained constant at 13.0%. The levels of both provision coverage and non-performing loan coverage were strengthened to 16.6% and 54.3%, respectively.

Services

The earnings of the credit services and payment services divisions remain of a high quality, as evidenced by the strong EBITDA which grew by 18.1% to R254 million.

Credit services – MBD CS and Principa Decisions (previously PIC Solutions)

Credit services normalised headline earnings grew 44.3% to R88 million, achieving significant growth in revenues from the collection of purchased book debts and a debit order collection strategy that continues to yield benefits, while containing costs and managing its workforce efficiently.

MBD CS grew via the acquisition of, and revenue generated from, the collection of purchased book debts, resulting in the opening of a ninth call centre located in central Johannesburg. Principa Decisions' better than expected performance, enhanced by the turnaround of the Middle East operation and the conclusion of a joint venture with Simah, the leading Saudi credit bureau.

Payment services – Paycorp

Normalised headline earnings from payment services grew by 16.2% to R43 million. The active ATM fleet grew moderately by 7.6% to 4 381 machines, which represents an estimated 16% market share of the total number of ATMs in South Africa. The business improved its gross product margin, as the uptime of the network continued to perform well, while the relocation of ATMs from underperforming sites to better locations resulted in increased transaction volumes and values. In addition, various successful initiatives undertaken by management to improve efficiencies and contain costs included measures to address ATM vandalism and cash in transit costs.

Group executive office

The loss in the group executive office decreased significantly due to the conversion of R232 million of convertible debt to equity, the efficient investment of capital raised into gross loans and advances, and a centralised treasury function which yielded improved returns on funds. Operational costs were also well contained.

Capital management

Equity management

The highlight of the year was undoubtedly Transaction Capital's listing in the 'Financial Services' sector of the Main Board of the JSE Limited on Thursday, 7 June 2012.

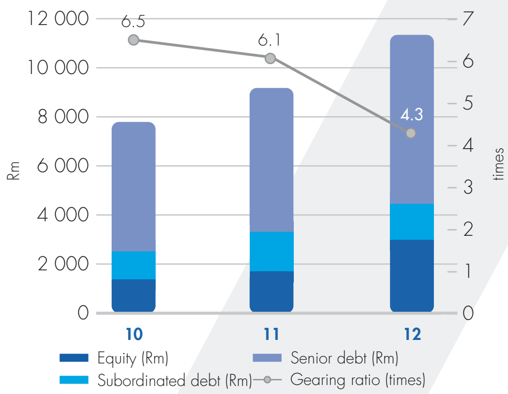
MATERIAL ISSUE 4 pg 74

As a group, Transaction Capital historically used subordinated debt effectively to fund asset growth, as subordinated debt and equity were geared appropriately with senior debt. One of the stated objectives for the 2012 financial year was to optimise Transaction Capital's capital structure. Accordingly, in line with international trends, the weighting of Transaction Capital's capital structure was shifted away from subordinated debt capital towards equity.

To achieve this objective, Transaction Capital successfully raised R884 million in equity capital during the year in a sequence of equity transactions. The R400 million of equity raised during the initial public offering was preceded by two capital-raising transactions totalling R238 million of equity, and the conversion of R232 million of debt to equity. The remainder of equity was raised via the group's share schemes.

At year-end, the group was favourably capitalised with a capital adequacy ratio of 33.8% and a gearing ratio of 4.3 times.

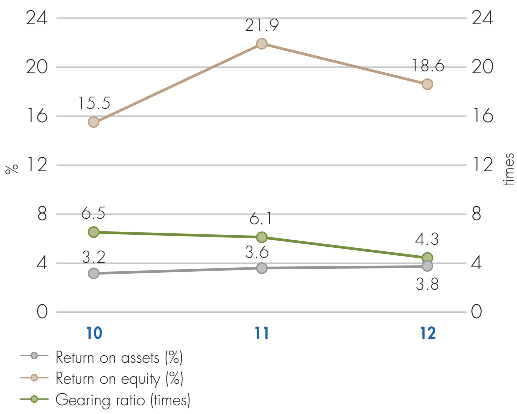
Capital structure



Capital adequacy calculation		2012	2011	2010
Equity	Rm	2 988	1 709	1 378
Subordinated debt	Rm	1 477	1 602	1 151
Total capital	Rm	4 465	3 311	2 529
Less goodwill	Rm	(927)	(930)	(932)
Total capital less goodwill	Rm	3 538	2 381	1 597
Total assets	Rm	12 529	10 056	8 653
Less cash and cash equivalents	Rm	(1 132)	(696)	(575)
Less goodwill	Rm	(927)	(930)	(932)
Total assets less cash less goodwill	Rm	10 470	8 430	7 146
Capital adequacy	%	33.8	28.2	22.3

Return on assets increased from 3.6% to 3.8% as a result of the weighting of the asset portfolio towards higher yielding unsecured personal loans and a higher proportion of earnings coming from the service divisions, whilst ROE declined from 21.9% to 18.6% as a result of the de-leveraging impact of the additional equity raised during the year. ROTE of 33.6% was achieved.

ROE/ROA



Dividend

Transaction Capital generated R381 million of retained income during the year, of which R53 million will be distributed to shareholders. The board declared Transaction Capital's maiden dividend as a public company of 9 cents per share on 29 November 2012. This dividend is calculated at a cover ratio of 4.64 times, based on headline earnings for the six months ended 30 September 2012. As Transaction Capital has Secondary Tax on Companies (STC) credits available to it, there will be no Dividend Withholding Tax (DWT) on this dividend. The company has a further R116 million of STC credits available post the declaration of the above dividend.

Debt management

The Transaction Capital group raised more than R3.9 billion in debt from 14 different local and international investors during the year. Four new debt investors invested into the group, while five existing debt investors diversified their exposure to the group by investing in additional debt programmes. Interest-bearing liabilities increased by 11.8% to R8 353 million. Transaction Capital continues to access the debt capital markets via a proven wholesale funding model incorporating the following conservative principles:

- Direct relationships between Transaction Capital and the debt capital markets allow debt investors to gain an in-depth understanding of the group's business.
- No exposure to overnight debt instruments exists.
- The exposure to 12-month rolling instruments is limited to 1.2% of total debt.
- The majority of debt is raised in ring-fenced funding structures with no cross-default clauses, allowing investor diversification, ensuring no co-mingling of risk, and leveraging capital optimally per individual asset class.
- Term instruments are generally issued on an amortising basis to reduce liquidity risk and match cash flow.
- A 'positive liquidity mismatch' is maintained, such that average debt duration exceeds average asset duration, and cash collections from assets are used to redeem amortising debt. Thus, debt is raised only to fund asset growth, and not to refinance mismatched debt.

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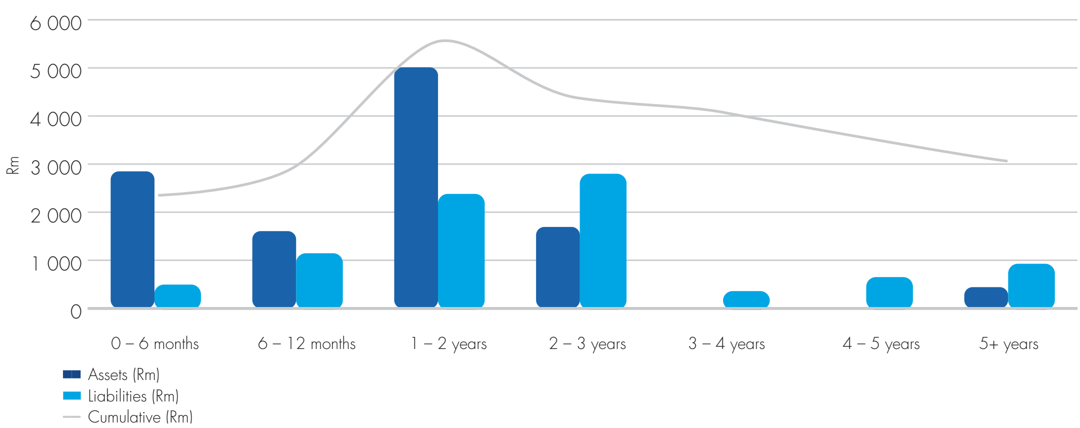
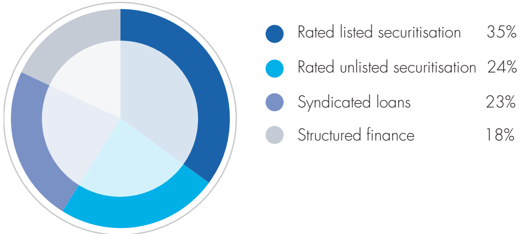
Positive liquidity mismatch



Debt outstanding by funding mechanism (2012)



Bayport's JSE Limited listed and credit rated debt instruments remain attractive to a broad range of debt investors. During the year five new asset managers invested into this debt programme and a new short-term (12-month) funding programme was established.

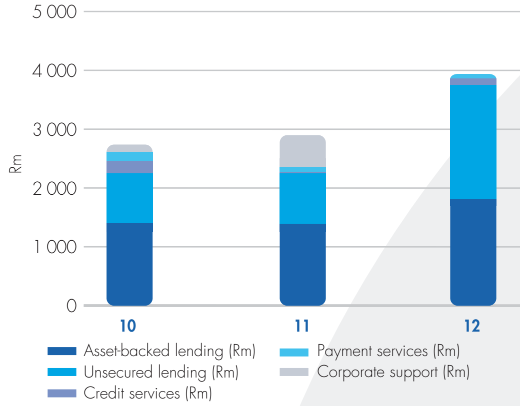
SA Taxi continues to attract debt capital via two distinct debt capital market entry points, the first being a syndicated loan programme designed to attract local investors as well as international development finance institutions, and the second being an unrated and unlisted structured finance programme with general local debt capital market appeal. Both of these programmes have allowed SA Taxi to fund its growth successfully this year.

In order to further simplify our capital structure, the Rand Trust and MBD CS securitisations were refinanced during the year and replaced with two simplified and flexible on-balance sheet facilities from a local bank.

Paycorp continues to fund a portion of the expansion of its ATM fleet via its debt programme, maintaining a conservative debt balance of less than 40% of the value of the ATM fleet, with a new debt investor investing into this debt programme recently.

The holding company's balance sheet remains relatively ungeared.

Debt issued by division

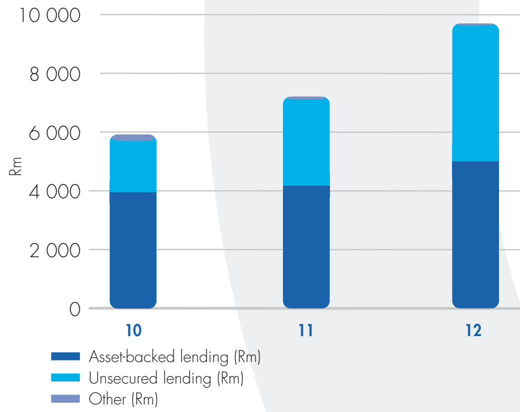


Financial position

Loans and advances

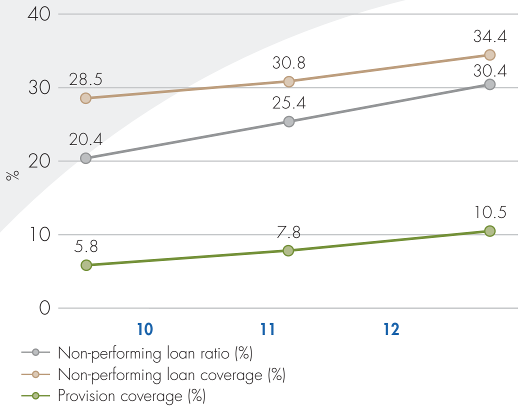
Growth of 33.9% in gross loans and advances to R9 758 million was driven by the 54.6% growth within unsecured lending and 19.9% growth in asset-backed lending, and has resulted in a more evenly balanced distribution of loans and advances between asset-backed and unsecured lending.

Gross loans and advances



The movement in the non-performing loan ratio from 25.4% to 30.4% arose as a result of deterioration in both SA Taxi (27.5% to 31.9%) and unsecured lending's (24.3% to 30.6%) non-performing loan ratios. Provision coverage moved in line with both the composition of the overall loans and advances portfolio and the increased non-performing loan ratio.

Asset quality

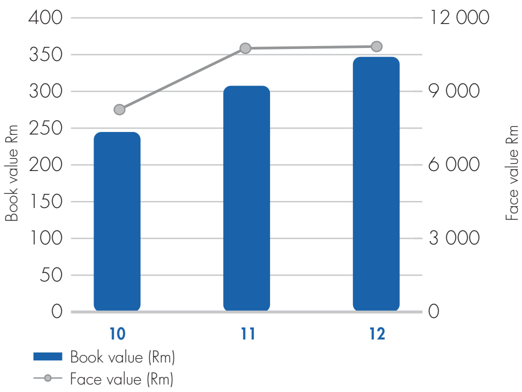


Provision coverage and non-performing loan coverage in the asset-backed lending division was strengthened to 4.7% (4.1% – 2011) and 15.5% (15.5% – 2011), respectively, while the credit loss ratio decreased from 5.8% to 5.4%. Similarly, provision coverage and non-performing loan coverage in the unsecured lending division was strengthened to 16.6% (12.9% – 2011) and 54.3% (53.1% – 2011), respectively, while the credit loss ratio remained relatively stable at about 13%.

Purchased book debts

The statement of financial position value of purchased book debts grew year-on-year by 12.7% to R347 million. During the year MBD CS acquired book debts with a face value of R1.07 billion at a cost of R95.0 million.

Purchased book debts



Cash and cash equivalents

Across most Transaction Capital group debt structures, interest-bearing liabilities are paid quarterly on 31 March, 30 June, 30 September and 31 December. As 30 September 2012 was a non-business day, the quarterly debt payment occurred on the subsequent business day, being 1 October 2012. Therefore interest-bearing liabilities, trade and other payables and cash and cash equivalents at 30 September 2012 were higher than usual with R620 million of cash held at 30 September 2012 to settle debt on 1 October 2012.

Property and equipment

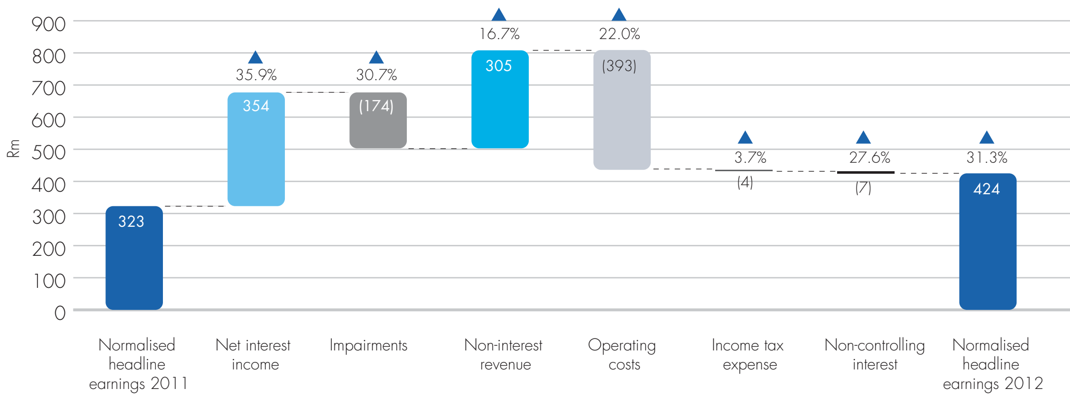
Paycorp's ATM fleet constitutes the majority of property and equipment. The active ATM fleet grew moderately by 7.6% to 4 381 machines, which represents an estimated 16% market share of the total number of ATMs in South Africa. The network uptime is actively monitored as it has a direct impact on income generation. The active relocation of ATMs from underperforming sites to better locations resulted in the network's continued uptime performing at consistently high levels, and increased transaction volumes and values.

Goodwill impairment

Goodwill is assessed for impairment annually. During the year, R3 million of goodwill relating to two insignificant legal entities within unsecured lending and credit services, was written off.

Income statement

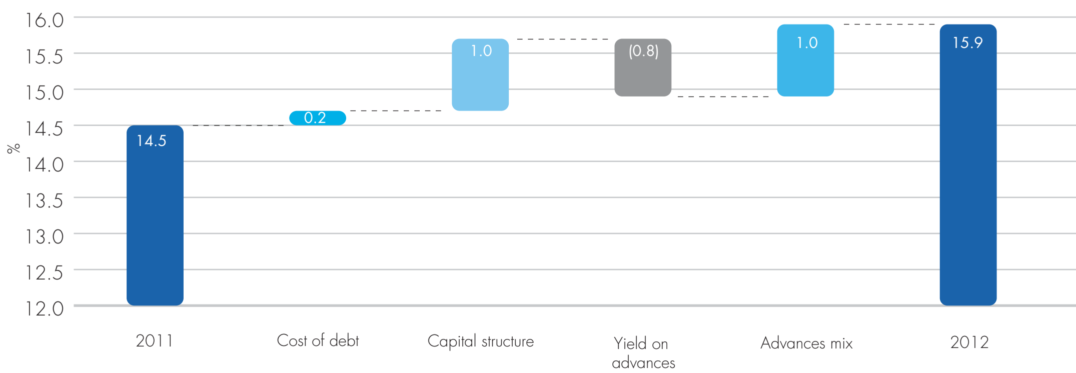
Normalised headline earnings



Net interest income

Net interest income grew by 35.9% to R1 341 million. Interest and other similar income increased by 24.6% to R2 224 million, while interest and other similar expenses increased only by 10.7% to R883 million. The group was able to improve its net interest margin from 14.5% to 15.9%. The following factors have contributed to the improvement:

Net interest margin



The reduction in cost of funding was the main contributor to the improvement of the group's net interest margin (1.4%). 0.2% of this benefit was achieved via a reduction in the actual cost of debt, while the shift in the capital structure towards equity capital and the deployment of the initial public offering (IPO) funds into the lending businesses contributed to a 1.0% improvement in the net interest margin.

The yield on gross advances improved by a net 0.2%. Unfortunately, a 1.0% improvement attributable to the change in the composition of loans and advances towards the higher yielding unsecured loans was eroded by 0.8% arising from downward pressure on the pricing of unsecured loans due to the lower interest rate environment.

Impairments

The increase in the credit loss ratio for the group, from 8.3% to 8.8%, is primarily as a result of the increased weighting to higher credit risk, unsecured loans in the composition of total loans and advances with unsecured lending having a higher credit loss ratio than asset-backed lending. The credit loss ratio in asset-backed lending improved from 5.8% to 5.4% for the 2012 year, while the credit loss ratio in unsecured lending remained constant at 13.0%.

Non-interest revenue

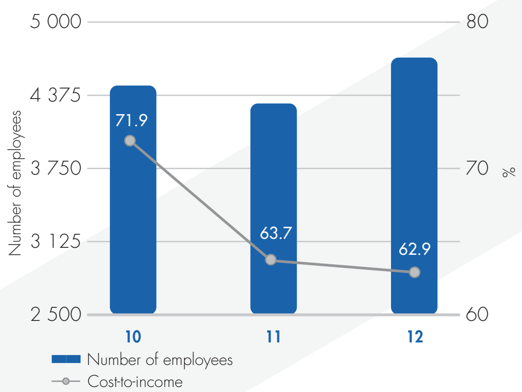
Non-interest income grew year-on-year by 16.7% to R2 126 million due to:

- growth in loans and advances of 30.7% which drives fee and commission income (15.5% growth) as well as growth in insurance income (52.8% growth); and
- growth in purchased book revenue within credit services of 23.9%, driven mainly by the growth in purchased book debts of 12.7% to R347 million, and the efficiency created via debit order and other collection strategies.

Total operating costs

Total operating costs grew by 22.0% to R2 181 million for the year as a result of an increase in assets in the lending divisions and revenue generating activities in the services divisions. The cost to income ratio improved to 62.9% from 63.7% a year ago. The improvement results from tight cost management and a further shift in the group's operations towards lending, which has a lower cost to income ratio than the cost intensive services divisions. There was no significant change in the composition of the group's costs although the group achieved cost efficiencies as a result of historical investment in systems and process upgrades.

Cost



The main cost driver for 2012 was the creation of 476 new employment positions within the group combined with annual salary increases. Staff costs increased 28.1% to R897 million. This growth was in line with expectations. The growth in staff numbers is mainly due to increasing operational capacity while a significant investment was also made in the improvement and deepening of executive and manager skills throughout the group. The creation of TaxiMart to manage the risks associated with the refurbishment of minibus taxis within SA Taxi was a significant area of job creation.

Income tax expenses

Investment income from the sale of insurance products in asset-backed and unsecured lending is fully taxed in the hands of our insurance partners and is received by the group as an after tax dividend, resulting in an effective tax rate for the group of 20.5% well below the statutory tax rate of 28%. The effective tax rate for the group has declined by 3.3% mainly as a result of an increase in this insurance dividend.

Accounting policies and estimates

There were no significant changes in accounting policies during the year.

Accounting estimates have also been assessed for appropriateness and validity.

- For the first time, during the 2012 financial year, the group recognised the value of previously written-off accounts in asset-backed and unsecured lending in order to align the businesses with market practice. The valuation of the written-off books is determined as the present value of the future cash flows discounted at the original effective rate at which these loans were written. The value recognised of the previously written-off loan book was R22 million for asset-backed lending and R21 million for unsecured lending at 30 September 2012. In line with IFRS, this value was added back to gross loans and advances while reducing impairment or credit loss expense by the same value.
- The expected life of the ATM fleet was extended by one year to seven years.

GROUP ACCOUNTING POLICIES pg 125

David M. Hurwitz

29 November 2012

SEGMENTAL REPORT

for the year ended 30 September	Asset-backed lending 2012 Rm	Asset-backed lending 2011 Rm	Asset-backed lending Movement %	Unsecured lending 2012 Rm	Unsecured lending 2011 Rm	Unsecured lending Movement %	Total lending 2012 Rm	Total lending 2011 Rm	Total lending Movement %	Credit services 2012 Rm	Credit services 2011 Rm	Credit services Movement %
Statements of comprehensive income												
Interest and other similar income	1 030	936	10.0	1 149	798	44.0	2 179	1 734	25.7	18	3	>100
Interest and other similar expense	(478)	(442)	8.1	(340)	(274)	24.1	(818)	(716)	14.2	(14)	(11)	27.3
Net interest income	552	494	11.7	809	524	54.4	1 361	1 018	33.7	4	(8)	>100
Impairment of loans and advances	(245)	(242)	1.2	(494)	(323)	52.9	(739)	(565)	30.8	(1)	–	–
Non-interest revenue	191	156	22.4	724	609	18.9	915	765	19.6	769	632	21.7
Total operating costs	(333)	(271)	22.9	(805)	(616)	30.7	(1 138)	(887)	28.3	(652)	(533)	22.3
Profit before tax	165	137	20.4	234	194	20.6	399	331	20.5	120	91	31.9
Total income	1 221	1 092	11.8	1 873	1 407	33.1	3 094	2 499	23.8	787	635	23.9
Headline earnings from continuing operations	133	109	22.0	166	137	21.2	299	246	21.5	88	61	44.3
Normalised headline earnings	133	109	22.0	166	138	20.3	299	247	21.1	88	61	44.3
EBITDA (services businesses only)										125	108	15.7
Effective tax rate %	19.5	19.9	(2.0)	15.3	18.7	(18.2)	17.0	19.0	(10.5)	26.7	29.2	(8.6)
Other information												
Depreciation	6	6	–	16	10	60.0	22	16	37.5	8	8	–
Amortisation of intangible assets	1	2	(50.0)	16	16	–	17	18	(5.6)	–	1	(100.0)
Statements of financial position												
Assets												
Cash and cash equivalents	528	182	>100	270	131	>100	798	313	>100	88	48	83.3
Inventories	–	–	–	173	132	31.1	173	132	31.1	2	–	–
Loans and advances	4 801	4 011	19.7	3 920	2 633	48.9	8 721	6 644	31.3	59	–	–
Gross loans and advances	5 017	4 184	19.9	4 676	3 025	54.6	9 693	7 209	34.5	65	–	–
Impairment provision	(238)	(173)	37.6	(777)	(392)	98.2	(1 015)	(565)	79.6	(6)	–	–
Carrying value of written off book	22	–	–	21	–	–	43	–	–	–	–	–
Purchased book debts	–	–	–	–	–	–	–	–	–	347	308	12.7
Property and equipment	16	15	6.7	42	30	40.0	58	45	28.9	15	14	7.1
Goodwill and intangibles	60	63	(4.8)	465	476	(2.3)	525	539	(2.6)	72	65	10.8
Goodwill	60	62	(3.2)	446	447	(0.2)	506	509	(0.6)	71	64	10.9
Intangibles	–	1	(100.0)	19	29	(34.5)	19	30	(36.7)	1	1	–
Other assets and receivables	310	412	(24.8)	129	121	6.6	439	533	(17.6)	166	105	58.1
Total assets	5 715	4 683	22.0	4 999	3 523	41.9	10 714	8 206	30.6	749	540	38.7
Liabilities												
Bank overdrafts	137	180	(23.9)	–	–	–	137	180	(23.9)	–	–	–
Interest-bearing liabilities	4 468	3 891	14.8	3 229	2 448	31.9	7 697	6 339	21.4	140	71	97.2
Senior debt	4 103	3 467	18.3	2 566	1 947	31.8	6 669	5 414	23.2	140	71	97.2
Subordinated debt	365	424	(13.9)	663	501	32.3	1 028	925	11.1	–	–	–
Group	410	197	>100	469	285	64.6	879	482	82.4	22	–	–
Other liabilities and payables	267	155	72.3	254	144	76.4	521	299	74.2	257	185	38.9
Total liabilities	5 282	4 423	19.4	3 952	2 877	37.4	9 234	7 300	26.5	419	256	63.7
Segment net assets	433	260	66.5	1 047	646	62.1	1 480	906	63.4	330	284	16.2

Payment services			Total services			Corporate support			Group		
2012 Rm	2011 Rm	Movement %	2012 Rm	2011 Rm	Movement %	2012 Rm	2011 Rm	Movement %	2012 Rm	2011 Rm	Movement %
2	9	(77.8)	20	12	66.7	25	39	(35.9)	2 224	1 785	24.6
(9)	(9)	–	(23)	(20)	15.0	(42)	(62)	(32.3)	(883)	(798)	10.7
(7)	–	–	(3)	(8)	(62.5)	(17)	(23)	(26.1)	1 341	987	35.9
–	–	–	(1)	–	–	–	(1)	(100.0)	(740)	(566)	30.7
467	428	9.1	1 236	1 060	16.6	(25)	(4)	< (100)	2 126	1 821	16.7
(397)	(378)	5.0	(1 049)	(911)	15.1	6	10	(40.0)	(2 181)	(1 788)	22.0
63	50	26.0	183	141	29.8	(36)	(18)	(100.0)	546	454	20.3
469	437	7.3	1 256	1 072	17.2	–	35	(100.0)	4 350	3 606	20.6
43	37	16.2	131	98	33.7	(25)	(22)	13.6	405	322	25.8
43	37	16.2	131	98	33.7	(6)	(22)	(72.7)	424	323	31.3
129	107	20.6	254	215	18.1						
26.1	27.0	(3.3)	26.2	28.4	(7.7)	11.0	(25.6)	>100	20.5	23.8	(13.9)
55	55	–	63	63	–	–	1	(100.0)	85	80	6.3
4	2	100.0	4	3	33.3	2	2	–	23	23	–
154	125	23.2	242	173	39.9	92	210	(56.2)	1 132	696	62.6
28	23	21.7	30	23	30.4	–	1	(100.0)	203	156	30.1
–	–	–	59	–	–	–	76	(100.0)	8 780	6 720	30.7
–	–	–	65	–	–	–	80	(100.0)	9 758	7 289	33.9
–	–	–	(6)	–	–	–	(4)	(100.0)	(1 021)	(569)	79.4
–	–	–	–	–	–	–	–	–	43	–	–
–	–	–	347	308	12.7	–	–	–	347	308	12.7
233	219	6.4	248	233	6.4	2	1	100.0	308	279	10.4
13	11	18.2	85	76	11.8	353	355	(0.6)	963	970	(0.7)
–	1	(100.0)	71	65	9.2	350	356	(1.7)	927	930	(0.3)
13	10	30.0	14	11	27.3	3	(1)	> (100)	36	40	(10.0)
28	23	21.7	194	128	51.6	163	266	(38.7)	796	927	(14.1)
456	401	13.7	1 205	941	28.1	610	909	(32.9)	12 529	10 056	24.6
21	3	>100	21	3	>100	–	–	–	158	183	(13.7)
67	91	(26.4)	207	162	27.8	449	968	(53.4)	8 353	7 469	11.8
67	91	(26.4)	207	162	27.8	–	291	(100.0)	6 876	5 867	17.2
–	–	–	–	–	–	449	677	(33.7)	1 477	1 602	(7.8)
–	–	–	22	–	–	(901)	(482)	86.9	–	–	–
205	168	22.0	462	353	30.9	47	43	9.3	1 030	695	48.2
293	262	11.8	712	518	37.5	(405)	529	< (100)	9 541	8 347	14.3
163	139	17.3	493	423	16.5	1 015	380	>100	2 988	1 709	74.8

ASSET-BACKED LENDING

CEOs REPORT pg 35

Asset-backed lending represents 28% (2011: 30%) of the group's income, 45% (2011: 47%) of total assets and comprises the businesses of SA Taxi and Rand Trust.

SA Taxi is a leading provider of finance to the minibus taxi industry, providing credit, insurance and other allied products. Over the last 10 years the business has financed more than 36 500 vehicles. SA Taxi is dedicated exclusively to providing small and medium enterprise (SME) minibus taxi operators with financial products and services that ensure their viability, productivity and financial survival.

Integral to the success of SA Taxi is TaxiMart, a full service refurbishment facility established to curb credit losses by enhancing the value realised on the resale of repossessed vehicles. SA Taxi had 477 (2011: 354) employees at year-end.

Rand Trust is a 54-year-old specialist finance business providing invoice discounting and commercial receivables management services, by way of a fully outsourced debtor administration function. Clients are typically SMEs that require working capital finance and who may not be viewed as viable clients by traditional banks. Rand Trust had 78 (2011: 57) employees at year-end.

Financial performance		2012	2011	Movement %
Financial measures				
Net interest margin	%	12.1	11.8	2.5
Average cost of borrowing	%	11.2	11.1	0.9
Cost to income	%	44.8	41.6	7.7
Return on average assets (ROA)	%	2.5	2.4	4.2
Status				
Number of loans	Units	22 649	21 673	4.5
Average gross loans and advances	Rm	4 387	4 030	8.9
% Leases/repossessions (loans and advances)	Value	94/6	96/4	
% Premium/entry level (gross loans and advances)	Value	79/21	78/22	
Originations				
Number of loans originated	Units	6 248	6 389	(2.2)
Value of loans originated	Rm	1 533	1 415	8.3
New/existing client	Value	81/19	77/23	–
New vehicle originations	Rm	1 134	1 058	7.2
% Premium/entry level (disbursements)	Value	92/8	79/21	–
Average origination value	R	245 378	222 030	10.5
Credit performance				
Impairment of loans and advances	Rm	(245)	(242)	(1.2)
Non-performing loans	Rm	1 538	1 114	38.1
Credit loss ratio	%	5.4	5.8	(6.9)
Provision coverage	%	4.7	4.1	14.6
Non-performing loan ratio	%	30.7	26.6	15.4
Non-performing loan coverage	%	15.5	15.5	–
Impairment provision % repossessions	%	32.8	29.7	10.4

The asset-backed lending division delivered solid performance for the year and is well positioned for continued growth in 2013, building on the investment made in the business and the earnings momentum created.

The division's headline earnings increased by 22.0% to R133 million. The major contributor was growth in gross loans and advances which increased by 19.9% to R5 billion driving increased non-interest revenue through insurance income, fee income and vehicle tracking income in addition to higher interest income. The growth was funded through an additional R1 365 million of term loans and debentures issued during the year.

Disbursements by SA Taxi grew 8.3%. The business' focus on higher value, lower risk premium vehicles and a continued conservative approach to funding new entry level vehicles resulted in an increased proportion of premium vehicles:

% Premium vehicles (by value)	2012	2011
New and refurbished vehicles at 30 September	79	78
New vehicle disbursements	92	79

Net interest income grew by 11.7% to R552 million and net interest margin improved by 2.5% to 12.1%. The movements were the result of improved gross yields on loans and advances from 22.4% to 22.6% and the shift in capital structure towards equity which was offset by a marginal increase in the cost of borrowings from 11.1% to 11.2%.

Repossessed vehicles grew to 5.7% of loans and advances from 3.9% as the TaxiMart refurbishment cycle was lengthened to improve the quality of vehicles for resale. This resulted in an increased non-performing loan ratio of 30.7% compared to 26.6% last year (as repossessed vehicles are classified as non-performing).

The provision coverage ratio improved in line with the increased non-performing loan ratio to 4.7% from 4.1% while non-performing loan coverage remained consistent at 15.5%. The improvement in the credit loss ratio from 5.8% to 5.4% reflects improved credit quality supported by the efficiencies created through TaxiMart. SA Taxi invested heavily in increasing the capacity of TaxiMart during the year.

Non-interest revenue comprising mainly insurance revenue, fee income and tracking income increased year-on-year by R35 million or 22.4% to R191 million.

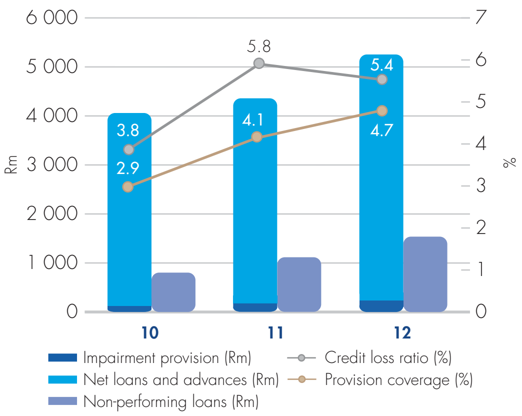
The cost-to-income ratio increased from 41.6% to 44.8% due mainly to the investment in TaxiMart, which contributed to SA Taxi's 35% increase in headcount.

Rand Trust increased loans and advances by 58.5% to R214 million and risk adjusted net interest income by 30.3%. This was a result of a continued focus on existing clients utilising available facilities, and growth in the number and value of new debtor books financed, particularly outside of the business' traditional Western Cape area.

Rand Trust successfully augmented its executive structure under the leadership of a new CEO who was promoted from within the group. This facilitated accelerated penetration in the Gauteng market via a strengthened sales team. This investment resulted in the cost base of the organisation increasing by 39.2% which limited the growth in profit for the year to 6.3%.

The capital adequacy of the division increased from 18.5% to 22.2%.

Key performance indicators



SA Taxi

SA Taxi views its clients as entrepreneurs and endeavours to keep the minibus taxi businesses it finances profitable, actively monitoring all vehicles with tracking technology and working with its clients to manage performance. If a vehicle is repossessed, SA Taxi seeks to preserve collateral value through refurbishment in its TaxiMart facilities, onward sale through an established network of dealers, and thereafter the provision of financing to approved purchasers.

The focus on an industry-specific financial product has facilitated the development of tailored origination models, credit underwriting and operational processes that facilitate the extension of finance to minibus taxi operators who are unable to obtain credit from traditional banks.

Effective management of loans and advances is the result of understanding the credit dynamics of the industry and the relationships SA Taxi has developed with motor dealers, minibus taxi associations and the minibus taxi owner community in general.

SA Taxi is a registered development finance credit provider under the National Credit Act (NCA) and a financial services provider under the Financial Services Board for ancillary short-term insurance services. Short-term vehicle insurance mitigates credit losses arising from accidents, and operators' subsequent inability to service debt.

Industry and operating environment

The minibus taxi industry dominates the South African public transport sector, competing with the heavily subsidised bus and rail industries. SA Taxi finances over 10% of the estimated 200 000 national fleet.

In 2006 the Government introduced the Taxi Recapitalisation Programme (TRP) which offered operators incentives to scrap ageing vehicles and provide safe and convenient public transport. Operators are issued operating permits requiring minibus taxis to be replaced every seven years. The TRP and the National Land Transport Act have also established minimum vehicle specifications and owner eligibility requirements for operating permits.

Of the existing nationwide minibus taxi fleet, SA Taxi estimates that 60 000 vehicles are currently financed. The emaining 140 000 vehicles are older than five years and/or are not financed. The under-capitalisation translates into financing opportunities for SA Taxi. Although the banks are significant lenders to the industry they participate to a much lesser extent in the primary higher risk market targeted by SA Taxi.

While manufacturers of minibus taxis have increased the supply of TRP-compliant vehicles in the South African market, the supply of quality vehicles remains insufficient to meet demand.

The minibus taxi industry has grown moderately over the last few years and it is anticipated that the absolute number of minibus taxis operating on South African roads will remain fairly static in the medium term. SA Taxi's growth is therefore expected to result from the renewal of the minibus taxi fleet, supported by the TRP as the unfinanced, ageing minibus fleet is replaced with newly financed TRP-compliant vehicles.

Value proposition

- SA Taxi seeks to be a preferred provider of finance to minibus taxi operators through a detailed understanding of:
  - industry needs;
  - customer requirements;
  - underlying assets financed;
  - applicant's credit capacity;
  - responsive and trustworthy relationships with industry stakeholders (including taxi operators, minibus taxi associations, regulators, motor dealers and manufacturers nationally and internationally); and
  - administrative speed and efficiency.
- SA Taxi is recognised as a key facilitator of economic activity which broadens financial inclusion to first-time borrowers. Clients have the opportunity to access finance without collateral in a home and/or savings, but rather by collateral or a vehicle enhanced by reliance on future cash flows.
- SA Taxi makes an effort to understand the needs of the minibus taxi business and to support the advancement of the industry as a whole.

Strategy

SA Taxi aims to sustain growth by improving its understanding and delivery of value to clients, enhancing internal operational efficiencies with improved information systems, structures, processes and controls, and by utilising its specialist risk assessment and management expertise developed over 10 years exclusively in the minibus taxi finance industry.

SA Taxi believes that its origination model, administrative efficiency and risk management (including insurance, vehicle tracking technologies and its focused management of vehicle collateral) will drive the steady expansion of its market position. The growth in origination levels will continue to be determined by emphasis on premium vehicles with a proven track record of robust usage and an established reputation within the industry. Value to the minibus taxi owner will be increased by introducing innovative insurance and ancillary products that have been configured to meet the unique requirements of minibus taxi owners, operators and users.

TaxiMart will continue to invest in human capital and the technical and physical infrastructure necessary to refurbish and refinance vehicles. This capability, unique among vehicle financiers, provides a competitive advantage by providing clients (particularly first-time operators) with a financially viable opportunity to enter the industry at a lower cost than is required for a new vehicle. SA Taxi utilises its capabilities to forge relationships and collect data throughout the client's life cycle, resulting in better informed origination, credit risk, collection and repossession decisions.

Minibus taxis are the dominant mode of transport for the South African mass market and SA Taxi is determined to contribute to the growth and maturation of the industry by working closely with minibus operators, taxi associations, Government and the public in the interests of commuter safety and client sustainability.

Prospects for 2013 and beyond

SA Taxi is committed to entrenching and expanding its business by:

- better understanding clients;
- refining and expanding the value proposition to clients;
- continually investing in marketing, innovation, technology and specialised technical and financial expertise;
- establishing sustainable competitive margins and a predictable growth rate;
- achieving operational efficiencies; and
- testing new SME vehicle finance opportunities.

Rand Trust

The South African commercial debtor finance market has traditionally been financed by factoring. This has created a niche in which Rand Trust operates by targeting its receivables discounting product at SMEs that have a small debtors' book and require working capital finance in order to facilitate growth. The company specialises in advancing working capital finance to eligible SMEs by purchasing receivables or invoices at a discount.

Industry and operating environment

According to the Banking Association of South Africa, approximately 1 750 businesses use debtor financing in South Africa and, as at 31 December 2011, the total invoices financed amounted to approximately R30 billion. Rand Trust estimates that the traditional banks hold roughly 90% of the South African debtor financing market with smaller financial institutions comprising the balance.

SMEs in South Africa have traditionally encountered difficulty in obtaining working capital to fund growth as a result of:

- prohibitive lending policies;
- the perception of high risk; and
- the requirement of a minimum book size generally greater than R5 million.

Rand Trust believes that the segment for invoice discounting for SMEs is large and under-served and that it has the experience, processes and managerial expertise to service this market. The business has experienced significant growth since becoming part of Transaction Capital through the refinement of its funding structures and its geographic expansion beyond the Western Cape. As Rand Trust does not advance credit to individual consumers in terms of a 'Credit Agreement' as defined in the NCA, the business is not required to be registered as a lender under the NCA.

Value proposition

Rand Trust competes in a narrow market segment, providing SME clients with capital to take advantage of growth opportunities. Rand Trust further offers its clients' debtor administration services.

Key differentiators include:

- the Rand Trust business model which enables a complete and in-depth review of clients' debtors' books;
- uncapped working capital to clients under flexible covenants and limits which enable the funding to grow as the debtors' book grows;
- customised and flexible collection strategies specific to client requirements;
- on-line technology that provides real-time information to clients on their debtors' books; and
- speed of decision-making with direct access to decision-makers.

Strategy

Growth is expected to be largely organic as existing clients grow, while targeting clients in new geographic areas and taking on larger books without compromising the business risk criteria will continue.

Prospects for 2013 and beyond

According to market research, a relatively small percentage of existing SMEs are aware of and use Rand Trust which leaves scope for growth in this market.

Enhancing and expanding the business' product mix will improve competitiveness and facilitate broader and deeper penetration of the target market. Profitability will be enhanced by strict expense control.

UNSECURED LENDING

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The unsecured lending division comprised Bayport and represents 43% (2011: 39%) of the group's income and 40% (2011: 35%) of the total assets.

Bayport provides unsecured credit and related products, including cellular subscription agreements, to historically under-served low to middle income individuals in South Africa. Bayport provides clients with personalised and direct access to credit, by originating retail loans through: a wide distribution network of 2 211 mobile, commission-earning independent agents; operating out of 56 branches; backed by three call centres; and 33 kiosks placed in the SA Post Office outlets. Bayport had 1 179 (2011: 964) employees at year-end.

Financial performance		2012	2011	Movement %
Financial measures				
Net interest margin	%	21.2	21.0	1.0
Average cost of borrowing	%	11.7	12.8	(8.6)
Cost to income	%	52.5	54.3	(3.3)
Return on average assets (ROA)	%	4.6	5.1	(9.8)
Status				
Number of loans	Units	335 339	257 879	30.0
% Retail loans/cellular (loans and advances)	Value	92/8	91/9	–
Average gross loans and advances	Rm	3 814	2 490	53.2
Originations				
Number of loans originated	Units	202 744	155 887	30.1
Value of loans originated	Rm	2 719	1 850	47.0
New/existing client	Value	39/61	52/48	–
Average disbursement	R	13 412	11 869	13.0
Average term	Months	44	35	25.7
Credit performance				
Impairment of loans and advances	Rm	(494)	(323)	(52.9)
Non-performing loans	Rm	1 429	734	94.7
Credit loss ratio	%	13.0	13.0	–
Provision coverage	%	16.6	12.9	28.7
Non-performing loan ratio	%	30.6	24.3	25.9
Non-performing loan coverage	%	54.3	53.1	2.3

The division produced good financial results while continuing its drive to invest in people and infrastructure. Headline earnings increased by 21.2% to R166 million.

Gross loans and advances grew by 54.6% to R4.7 billion driving increased non-interest revenue. The growth was funded through an additional R1 946 million of debt issued during the year.

Loans and advances as at 30 September 2012 grew by 48.9% to R3 920 million driven by an increase of 30.0% or 77 460 in the number of loans on book to 335 339. The mix of loans advanced (by value) shifted, as expected, from 48% to 61% towards existing clients. This was the result of an imperative to grow the book through a proven customer base with a solid payment history, thereby reducing the level of credit risk assumed. The shift to larger, longer term loans increased the average loan size at origination by 13% to R13 412; and the average term by 25.7% or nine months to 44 months.

Net interest income grew 54.4% to R809 million and the net interest margin improved by 1% from 21.0% last year, to 21.2%. These movements were driven by a decrease in the cost of borrowing from 12.8% to 11.7% and the shift in the capital structure towards equity capital. This was partially offset by the decline in the gross yield on loans and advances from 32.0% to 30.1%. The decline in the gross yield was due to the effect of historical loans originated in a higher interest rate environment (at times of higher repo rates) amortising or being settled.

The non-performing loans ratio increased year-on-year from 24.3% to 30.6% attributable to the growth in gross loans and advances and a change in the write-off policy (resulting in non-performing loans remaining longer on book).

Vintage performance, which looks at historical performance of all loans written and the ratio of non-payment on a specified period, remained within historical experience and expectations.

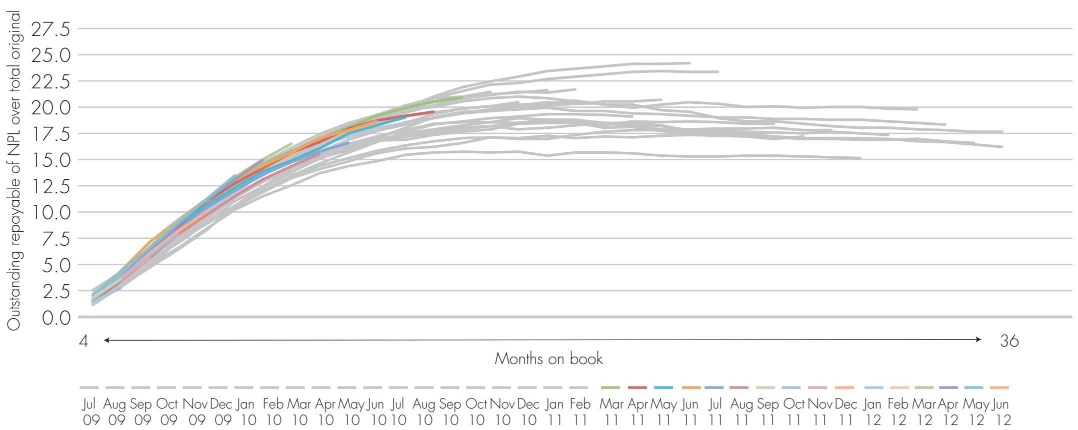
Non-interest revenue grew by 18.9% to R724 million which was partially attributable to the increase in gross loans and advances.

Expenses increased 30.7% to R805 million, while the cost-to-income ratio improved year-on-year from 54.3% to 52.5%. The costs comprised:

- 21% relating to origination;
- 49% relating to fixed account management costs; and
- 30% relating to variable account management costs.

The weighting towards fixed costs has been the result of significant investment in systems and human talent.

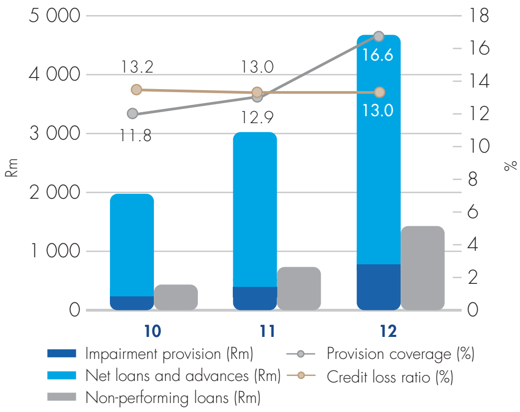
NPL cured vintage analysis (%)



The growth of 31.9% in interest-bearing liabilities to R3 229 million was lower than the growth in loans and advances mainly due to greater levels of capitalisation. Capital adequacy levels continued to increase, improving from 32% as at 30 September 2011 to 40.5% as at 30 September 2012.

Bayport continued to see strong demand for its JSE-listed asset-backed notes under the Bayport Securitisation Programme with R1 305 million of senior notes and R195 million of subordinated notes issued during the 2012 financial year.

Key performance indicators



Bayport

Bayport utilises a proprietary business process platform and has considerable risk management, credit assessment and debt collection capabilities. Credit granting, administration and collections are carried out from the central office in Johannesburg.

Cellular subscription agreements contributed to earnings through upfront retail margin on the sale of handsets and income from the sale of airtime. Bayport obtains its funding primarily from Bayport Securitisation ('BaySec') which offers a SARB-approved JSE-listed asset-backed note programme with an A (RSA) credit rating on the senior Class A notes from Global Credit Ratings (GCR).

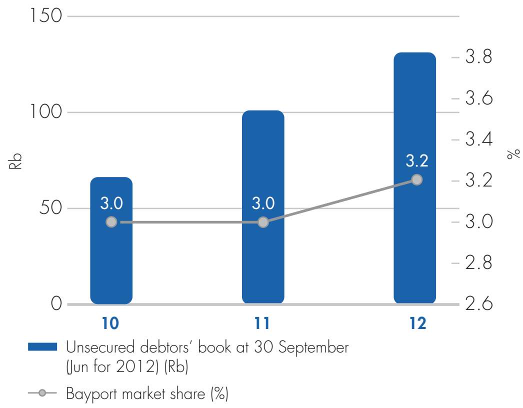
Industry and operating environment

Under the NCA, unsecured lending includes all credit transactions where the lender does not have any security (other than credit facilities or short-term credit). However, the unsecured lending market should not be viewed as a single segment. Bayport focuses on the lower LSMs where competition is less intense and loan sizes are smaller and therefore more risk attractive.

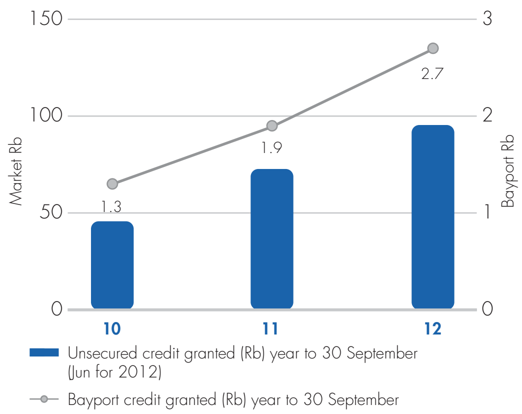
The big four banks, African Bank, Capitec and Old Mutual Finance are the main competitors in the lower income/mass unsecured lending market segment. Retailers, through their financial services divisions, are also providers of unsecured credit. Numerous other smaller unsecured lenders exist, but generally lack scale.

Based on the South African gross unsecured debtors of R131 billion, as reported by the NCR at June 2012, Bayport's market share was estimated to be 3.2%. Bayport's market share is higher based on the gross number of loans in South Africa. Bayport's market share is depicted by the graph below:

Market share



Share of gross national debtor's book



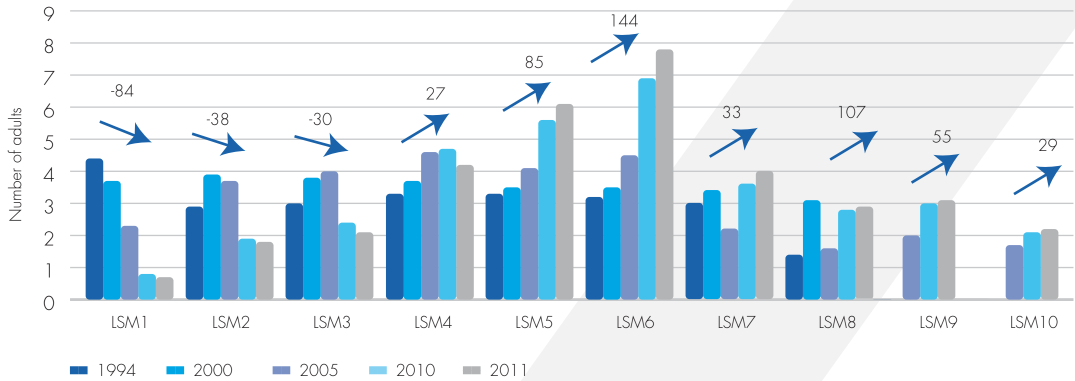
Source: NCR and company information

The unsecured lending market has shown significant growth with R202 billion worth of unsecured credit disbursed in the three years to June 2012, growing the gross debtors' book on a compound annual basis of 31%.

This growth has been driven by a number of factors, including:

- Increasing credit demand driven in part by the ongoing migration of the population through the LSMs, specifically in LSM 5 to 9, due to continuing urbanisation and underlying economic growth.

Bayport LSM charts (%)



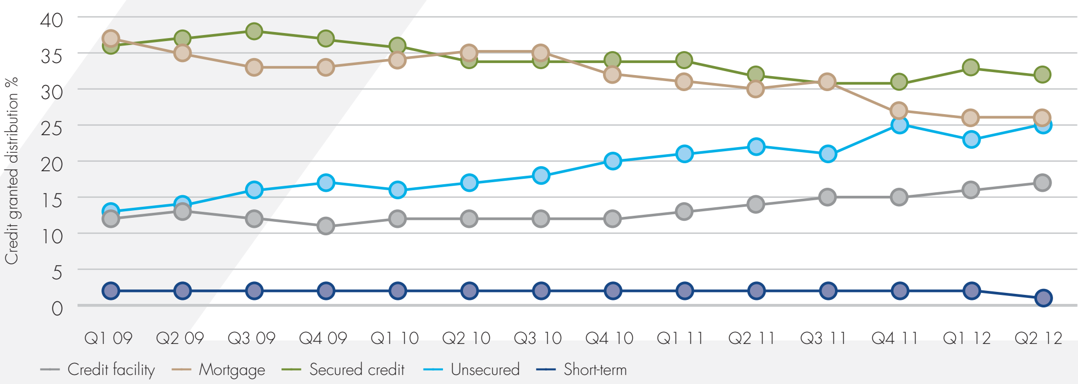
Source: South African Advertising Research Foundation

- The introduction of the NCA in June 2007, which has legalised higher maximum interest rates and fees, making returns on unsecured loans more attractive. The improved risk-reward profile of unsecured lending relative to secured lending has caused banks to reduce the extension of secured credit in favour of unsecured lending. Basel requirements to match longer dated assets with longer dated liabilities have encouraged banks to shift their respective asset mixes away from longer dated secured loans to shorter unsecured loans.
- Growth in the unsecured lending market has been further driven by greater availability of historical portfolio performance data, increased access to data from credit bureaus and improving credit analytic capabilities, which have all facilitated the provision of larger average loan sizes and longer terms.

These tangible factors accounting for the growth in unsecured lending have led the NCR (and SARB) to conclude that a 'credit bubble', a previous concern, does not exist.

Shift in focus to unsecured lending

Credit facility



Despite the significant growth in unsecured lending, household indebtedness indicators have reduced from 2008/2009 peaks.

Owing to concern at this rapid growth rate, the broader operating environment during the year was troubled. The competitive market was defined by larger institutional lenders offering debt consolidation. However, experience leads Bayport to believe that the growth rate is slowing and normalised industry growth is expected going forward, which should serve to ease the fears of stakeholders and commentators.

The year was also characterised by increased activity from both the NCR and Financial Services Board (FSB). The NCA is currently open for review following its first five years of enforcement, with industry engagement underway. The FSB has been active in understanding the credit life industry with the roll-out of '*Treating Customers Fairly*' planned for January 2014.

Notwithstanding the market and macro-economic conditions, Bayport has stayed true to its business model and risk appetite which leaves the business well poised to take advantage of the scale that is starting to be achieved and to leverage the significant investment made in human capital. Limited exposure (1% of the book) to the mining sector has meant that recent strikes have not impacted Bayport.

Value proposition

Bayport's key differentiators include:

- Mobile sales agents distribution model: Bayport has the largest direct marketing agent force in the industry with more than 2 200 agents. Capped commission rates on loans above a certain level prevent agents from being incentivised to sell higher value loans at the expense of a client's best interest.
- Exceptional quality and experience of the executive team relative to the size of the assets under management: The depth and quality of this team, together with the industry expertise of Transaction Capital executives, should over time result in superior portfolio performance and returns on average advances as well as the capacity to easily upscale to a significantly larger business.

Strategy

Bayport aims to sustain its growth of profits and returns off a relatively small market share. This unique position, vis-à-vis more established competitors, facilitates Bayport's ability to grow its business without compromising the quality of its loan book.

Given the competitive dynamics prevailing within the unsecured lending market in South Africa, Bayport's growth will depend on its ability to differentiate itself from other lenders. Unlike the traditional banks, Bayport does not rely on a branch model, but utilises its mobile agent force to originate loans. Bayport further differentiates itself from smaller lenders through its risk management, governance and compliance structures and the origination and collection expertise of a management team with deep experience in lending to its target market. Bayport's strategy includes continuing to strengthen its distribution model by increasing its number of branches and the effectiveness and size of its mobile agent force.

In addition to its differentiated business model, Bayport aims to introduce further products through its distribution channels. Currently 26% of clients with retail loans are also cellular clients and only 8% of loans and advances by value are attributable to cellular clients. Bayport also aims to leverage its existing client base by extending further loans of higher value and/or longer term, while increasing the net number of new clients via the offering of smaller shorter-term loans to new clients.

Although growth is a key focus, Bayport remains committed to ensuring that this is never at the expense of the credit quality of loans and advances. With Transaction Capital as the controlling shareholder, Bayport has access to expertise and services for all phases of the credit cycle, for example through the credit risk consulting from Principa Decisions and collections expertise from MBD CS. Since its consolidation within the group, Bayport has had access to larger funding lines to support growth, having listed its securitisation programme on the JSE Limited and from the additional equity and recognition offered by Transaction Capital's public status.

Prospects for 2013 and beyond

The outlook for 2013 and beyond is considered challenging from a regulatory perspective, but with exciting prospects. Bayport's strategy is to be cognisant of regulatory changes while ensuring that the business is distinguished by treating customers fairly and ethically and in their best interests. The business will diversify its suite of products in a way that is relevant and valuable to clients, including investment of capital and resources to remain ahead of the technology curve for ease and convenience of accessing financial services products.

CREDIT SERVICES

Credit services represent 18% (2011: 18%) of the group's income, 6% (2011: 5%) of the total assets and comprises the businesses of MBD CS and Principa Decisions (formerly PIC Solutions).

MBD CS is a leading provider of receivables management services in South Africa collecting pre-charged off accounts, charged off accounts and delinquent debt. Revenue is earned from collections on an outsourced contingency basis on behalf of its clients, which include most leading South African credit providers and credit retailers. Revenue is similarly earned as principal arising from the purchase and collection of charged off accounts receivable portfolios. MBD CS had 2 444 (2011: 2 451) employees and affiliate employees at year-end.

Principa Decisions, a much smaller contributor to the credit services division, provides leading edge credit risk management consulting and software services to clients including major national credit retailers and banks. Principa Decisions had 74 (2011: 67) employees at year-end.

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Financial performance		2012	2011	Movement %
Financial measures				
Services EBITDA	Rm	125	108	15.7
Average cost of borrowing	%	9.5	9.0	5.6
Cost to income	%	84.4	85.5	(1.3)
Principal revenue as % of average book value of purchased book debts	%	87.6	84.0	4.3
Assets under management	Rb	23.2	22.4	3.6
Agency	Rb	13.6	13.4	1.5
Principal	Rb	9.5	9.0	5.6
Average book value of purchased book debts	Rm	314	263	19.4
Agency/principal collections revenue split	Value	53/47	58/42	
Status				
Number of agency clients		52	45	15.6
Number of call centres		9	8	12.5
Number of collection agents		1 983	2 269	(12.6)
Employees		2 518	2 518	–

MBD CS delivered excellent results for the financial year. Headline earnings grew by 44.3% through significant growth in revenues from the collection of purchased book debts, a refined debit order collection strategy, containing costs and effective management of productivity.

Purchased book debts are stated at cost less amortisation. Amortisation is determined as the difference between the current carrying value of the purchased book debts and the latest recalculated amortised cost (expected cash flows are forecasted and discounted using the original effective interest rate on acquisition) at each period end. Books are valued up to a maximum of their cost.

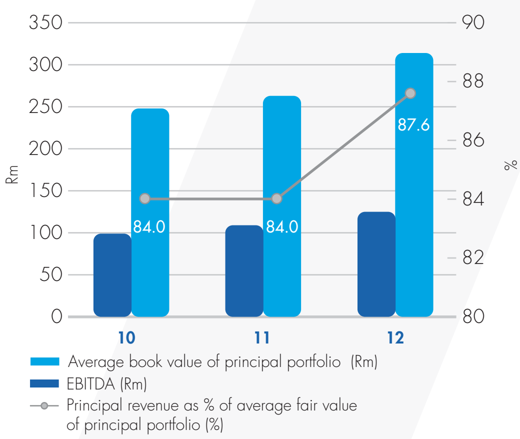
Purchased book debts increased by 12.7% to R347 million, made up of R95 million in acquisitions reduced by amortisation of R56 million. Book debts with a face value of approximately R1.07 billion were acquired for R95 million during the year.

The mix of revenue moved towards principal collections from 42% to 47% due to the strategic focus on growth in principal collections to create a well-balanced revenue generating portfolio.

The cost-to-income ratio improved from 85.5% to 84.4% reflecting the efficacy of cost management.

Principa Decisions produced excellent financial results driven by its newer client value propositions, enhanced by the turnaround of the Middle East operation and the conclusion of a joint venture with Simah, the leading Saudi credit bureau. Principa Decisions has been successful in adapting its client offering from a client-cost containment product to a full-on value creation product offering.

Key performance indicators



MBD CS

Founded in 1999, MBD CS is among South Africa's leading providers of collection management services. At year-end MBD CS had R23.2 billion of assets under management, of which owned principal debt comprised R9.5 billion. MBD CS collected in excess of R2.3 billion during the year.

MBD CS is a Global Credit Ratings Co. Special Servicer Quality SQ2+ rated standby service provider to listed and unlisted companies. The business has a largely variable cost base, with its primary collection method being nine call centres staffed by 1 983 collection agents.

Industry and operating environment

The receivables collection industry in South Africa is fragmented. Competitors range from sophisticated centralised collection hubs and decentralised branch collection agents to small law firms operating from a single location. According to the Council for Debt Collectors, there were approximately 2 000 registered debt collection agencies (excluding those operating as law firms) and over 14 500 registered debt collectors in South Africa. Banks and credit retailers are able to reduce fixed collection costs by outsourcing to collection agents such as MBD CS, who largely earn revenue on a full risk basis (no collection, no fee). MBD CS's strong competitive position is founded on a track record of consistent collections, regulatory compliance and scale.

The market saw large scale rationalisation of service providers by banks and credit retailers during the year, and MBD CS expects the trend to continue and extend to other sectors in the coming months. Difficult credit market conditions and the Basel requirement for banks to employ greater capital against non-performing loans will increase the outsourcing of collections by banks and credit providers in South Africa. In the near-term, these developments are expected to offer growth opportunities for high quality companies in the receivables collection industry in future. The adoption of the NCA has also reduced household debt levels, leaving borrowers better able to service debts and improving recovery rates by collection agents.

Insofar as principal collections are concerned, the number of disposals of portfolios by credit providers will increase over time as businesses raise cash, enhance earnings, improve credit statistics, and avoid costs associated with impaired receivables through the sale of impaired receivables. Some small-to-medium size businesses exposed to the economic downturn have also retrenched or closed, creating opportunities in commercial collections and debt restructuring.

Value proposition

MBD CS considers the company's key differentiators to be:

- Scale
  - with R23 billion of assets being collected through nine call centres, by 1 983 collection agents, MBD CS is able to collect debt effectively at

the lowest possible cost, within the bounds of regulation and compliance
  - investment in infrastructure (people, systems, process and procedures) provides the resources for MBD CS to be a credible counterparty for large credit providers
- Technology
  - substantial investment in proprietary data-driven collections technology provides predictive information on collectability and method of collection
- Sustainability
  - first-rate disaster recovery and business continuity process warrant against short-term disruption
  - a solid corporate governance framework, encompassing risk management, internal audit, regulatory compliance and ethics, underpins performance
  - MBD CS has maintained the highest credit and collection industry accreditations, including memberships of relevant regulatory and industry bodies

Strategy

MBD CS is committed to growing organically through consistent collections performance that entices existing and new clients to increase their use of its services. Acquisitive growth will entail the continued purchase of delinquent debt with pricing of principal positions informed by extensive experience, business scale and technological and operating efficiencies.

Collections performance will be enhanced by investment in infrastructure, communications technology and software, the development of human capital and the refinement of call centre driven and legal processes for the collection of pre-charged off accounts, charge off accounts and delinquent debt.

MBD CS believes that its servicer quality (evidenced by its SQ2+ Global Credit Rating), levels of compliance and back-up and disaster recovery processes mitigate risk for clients.

MBD CS will seek to further expand in sectors that have traditionally not been core to its client base, particularly in the public sector and the collection of commercial debt account receivables.

Prospects for 2013 and beyond

MBD CS will focus on providing clients with world class service, growing the business by securing new agency and principal business, driving process and efficiency improvements through technology, and otherwise generally innovating in its areas of speciality.

MBD CS is embarking on a process for accreditation of its human capital practices from the internationally recognised '*Investors in People*' agency as well as the ISO27001 data protection and security certification of the Cheetah Collections system.

The business will continue to align with regulatory changes, in particular the proposed Protection of Personal Information legislation.

Principa Decisions

Principa Decisions (previously known as PIC Solutions), founded in 1999 provides credit risk management services, analytical solutions and software services. Principa Decisions is a non-exclusive distributor of FICO (previously known as Fair Isaac) software in Africa and the Middle East.

In August 2011, Principa Decisions entered into a joint venture agreement with Simah, the leading credit bureau in Saudi Arabia, to provide value-added data services to third parties.

Industry and operating environment

Principa Decisions operates in the consumer credit consulting and services industry. Opportunities to provide credit consulting and analytical services are facilitated by industry growth and the increasing needs of large credit providers.

High activity in credit granting, management and collection has increased the demand for consulting and services.

Value proposition

Principa Decisions is a specialist consumer credit risk business which builds enduring relationships by providing innovative and turnkey solutions across the full credit lifecycle, to generate tangible benefits for its clients.

Strategy

Principa Decisions aims to improve its value proposition to clients by understanding their changing needs, recruiting and developing high quality leadership and consulting skills, remaining abreast of world best practice credit risk technologies and through a dedication to quality and innovation.

Early stage indications are that its Middle East branch will provide growth in revenue and profits. The strategy in the Middle East is to use South African resources to fulfil projects in these territories.

Prospects for 2013 and beyond

Principa Decisions believes that clients will continue to invest in niche, value-added consulting and analytical credit risk services and software to drive efficiencies and improvements in their credit portfolios.

PAYMENT SERVICES

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Payment services comprising Paycorp represents 11% (2011: 12%) of the group's income and 4% (2011: 4%) of the total assets.

Paycorp owns, deploys and operates ATMs not located on bank premises ('off-bank premises') in conjunction with eight southern African banks, holding an estimated 16% of the market in South Africa with 4 381 ATMs at 30 September 2012. Paycorp had 389 (2011: 369) employees at year-end.

Financial performance		2012	2011	Movement %
Financial measures				
Services EBITDA	Rm	129	107	20.6
Cost to income	%	86.3	88.3	(2.3)
Status				
ATM disbursements	Rb	29	25	16.0
ATM revenue	Rm	428	384	11.5
Number of active ATMs	Units	4 381	4 072	7.6
Vandalism losses	Rm	5	14	64.3

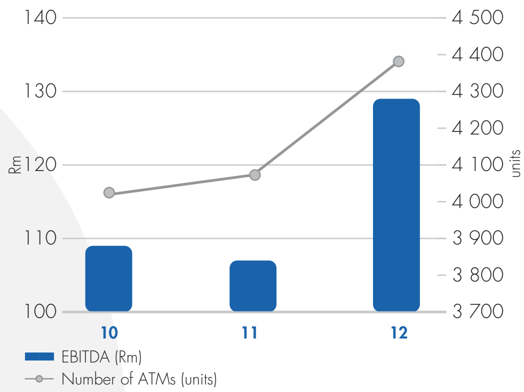
Paycorp's headline earnings grew by 16.2% to R43 million.

Non-interest revenue is derived from ATM and card fees and is driven indirectly by the absolute number, positioning and uptime of ATMs, and directly by transaction volumes, the value of individual transactions and transaction fees. The uptime of the ATM network continued to perform at a level which met customer expectations and bank service level agreements.

The strategy of relocating ATMs from underperforming sites, combined with a 7.6% or net 309 unit growth in the fleet of ATMs to 4 381, resulted in a 13.2% increase in transaction volumes and an 11.5% increase in income generated. The net growth understates the robustness of the sales and installation pipeline, with approximately 700 new installations and 360 upliftments for the year. A large proportion of successful new placements of ATMs is now in rural sites.

Various initiatives undertaken by management to improve efficiencies and contain costs enabled the business to improve its cost-to-income ratio from 88.3% to 86.3%. These initiatives included a combination of measures addressing: ATM vandalism; cash in transit costs; and current and historical investment in technology while the verification of the longevity of the ATM fleet resulted in the extension of the depreciation period.

Key performance indicators



Paycorp

Founded in 1999, ATM Solutions is a leading independent operator of ATMs in southern Africa, dispensing more than R29 billion cash in the past year. The payment services division also includes early-stage businesses engaged in the installation and operation of credit and debit card terminals and the issuance of proprietary and association-branded payment cards. Paycorp is a Visa-certified independent provider of stored value pre-paid card solutions and operates nationally. Its businesses are authorised South African Reserve Bank (SARB) system operators.

The Paycorp businesses have been recognised as Independent System Operators by the Payments Association of South Africa (PASA). This underpins the business' credibility with industry regulators and provides them with a platform to gain insight into the latest industry developments.

Industry and operating environment

Paycorp estimates that there are more than 27 000 ATMs in South Africa, with roughly 8 000 located in bank branches and the remainder situated in off-bank premises. Historically, South African retail banks have limited the location of their ATMs to in-bank premises or at high volume off-bank sites. This resulted in significant demand for ATMs in alternative locations, fuelled further by increasing demand for access to cash and financial services in these areas.

Profitability in the ATM industry is directly linked to the number of transactions per ATM, which is in turn impacted by the location of the ATM and revenue per transaction. Profitability is indirectly linked to general retail demand, cardholder penetration rates, and levels of disposable income.

Paycorp manages all aspects of its ATM network under sponsorship arrangement with a number of retail banks including Absa, Standard Bank and Nedbank. Revenue is derived in two ways: it receives a portion of the cash withdrawal fee paid by consumers to their banks, and collects a portion of the carriage fees paid by an issuing bank to Paycorp's sponsor bank for use of Paycorp's ATM.

The payments industry is highly regulated with respect to banking and payments systems, and regulation by card associations. Larger-scale service providers with robust compliance frameworks such as Paycorp are well-positioned to absorb regulatory costs and complex compliance requirements which create a barrier to entry.

Value proposition

Paycorp is South Africa's only independent provider of end-to-end payment solutions for all types of business (banks, retailers, telecommunications companies, etc.).

The business has its own ICT infrastructure underpinning its independence of the retail banks, owning and operating one of South Africa's largest third-party financial transaction switches. Paycorp is a fully authorised System Operator by SARB and a certified Visa third-party processor.

The difficult to replicate payments infrastructure, has been built over a decade, encompassing a network of ATMs, POS devices, and a scalable payments switch integrated into eight regional banks and card associations which entrenches a highly defensible market position.

In a heavily regulated environment, security and compliance have become major contributors to Paycorp's success in being a credible counterparty to retail banks.

Strategy

Paycorp's revenue growth will be spurred by its comprehensive understanding of the payments environment, its established client relationships and its partnerships with retailers, banks and card associations, while its profitability is reliant on a low fixed-cost base and highly efficient operations. Paycorp will continue to leverage this model to facilitate profitable penetration of selected under-served geographic and consumer market segments, while seeking to maximise the collaborative benefits between its businesses.

The cornerstone of Paycorp's growth strategy is the identification of profitable ATM sites in new and existing geographic markets. Growth is driven by responding to customer requirements and Paycorp consequently differentiates its offering by providing and customising a full range of ATM services, from the active management of cash and security risks, to the minimisation of costs related to fraud, theft and damage.

Paycorp seeks to continue to leverage the scale and infrastructure of the ATM business to become further entrenched in associated payment services. Although EFTPOS and DrawCard are currently in the early stages of their development. Paycorp expects these businesses to become more meaningful in the medium term.

Paycorp's strategy also includes considering acquisitions that may enhance or complement its operations or that may benefit from economies of scale.

Prospects for 2013 and beyond

In the year ahead Paycorp aims to expand its footprint into township, rural and under-served areas in South Africa, as well as expand into regional African markets with key banking partners. Continued working relationships with existing banking partners will remain a focus while it targets new collaborative partnerships with additional strategic banking partners.

The product suite will be enhanced across all channels, including the effective distribution of an instant issue debit card product via retail and corporate markets.

HOW WE CREATE VALUE IN THE GROUP pg 15 to 20

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GROUP EXECUTIVE OFFICE REVIEW

The group executive office made the following leadership and value accretive interventions during the year to enhance the performance of the underlying businesses and to create additional value for its stakeholders:

- Refined the group strategy;
- simplified the portfolio;
- augmented the finance, technical accounting, tax, treasury and project management capacity through the addition of appropriately skilled and experienced resources;
- created the risk and business knowledge function;
- refined risk tolerances for key risks such as credit risk and capital while other tolerances are in the process of being set for other risks;
- enhanced the executive capabilities of the group by improving the average calibre of the Top 50;
- established the 'TC Rotation Programme' to attract and develop exceptional previously disadvantaged individuals; and
- established an investor relations function.

Collaborative forums

ICT forum

- Enhanced and standardised ICT governance reporting; and
- identified strategic suppliers across the group.

Human capital forum

- Initiated the measurement of human capital performance indicators across the group to explore potential benefits of certain group-wide synergies; and
- identified strategic suppliers across the group.

B-BBEE champions forum

- Ensured that a Level 4 B-BBEE rating was obtained for the second consecutive year;
- initiated the company's first mid-year 'faux audit' which provided stakeholders with an insight into subsidiaries' prospective B-BBEE scores; and
- created shared database of preferred black-owned vendors.

CFO forum

- Finalised credit and risk accounting policies across the group;
- improved processes for resolving technical accounting and tax matters across the group;
- resolved issues and improved efficiencies relating to reporting, budgeting, management information, business knowledge, financial risk, accounting and tax; and
- defined key performance indicators and monitored the achievement and compliance within such indicators.

Shared services

Capital markets

- Issued R3.9 billion of debt capital across the group which included funding from four new investors and diversification of investments by five existing debt investors;
- a further R1.2 billion has been approved in terms of facilities and is currently in legal implementation;
- the following specific capital structuring and raising activities were performed across the group during the year:

  SA Taxi

  – R1.8 billion of debt was issued; and
  – the overall cost of funding was reduced.

  Rand Trust

  – Due to significant costs, unnecessary complexity and the limited flexibility of the covenants, Rand Trust Securitisation Proprietary Limited was unwound through an early settlement of the existing funders and replaced with a more flexible, less expensive and simpler corporate funding programme.

Bayport

- A total of R1.9 billion of debt was issued during the year; and
- the overall cost of funding was reduced.

MBD CS

- Due to significant costs, unnecessary complexity and the limited flexibility of the covenants, MBD Securitisation Proprietary Limited was unwound through an early settlement of the existing funders and replaced with a simpler on-balance sheet banking facility.

Transaction Capital

- R143 million of equity finance was raised from funds managed by Futuregrowth Asset Management and R95 million from funds managed by Ethos Private Equity;
- a pre-existing convertible loan of R194 million from Futuregrowth Asset Management was converted to equity;
- a pre-existing convertible loan of R38 million from Sanlam was converted to equity;
- an R80 million overdraft facility was raised at the holding company to augment its working capital funding sources; and
- Transaction Capital raised R400 million of equity finance by issuing 50 million shares at R8 per share during the initial public offering in June.

Internal audit

- Completed a total of 52 internal audit projects during the period compared to 37 in the previous financial year;
- subjected 90% of all business processes in the four large subsidiaries to end-to-end reviews in the past two financial years, spanning IT general controls, application controls and management controls;
- provided significant support to the business with regards to the appropriate resolution of audit findings as part of internal audit's mandated consulting role;
- increased the number of resources in internal audit from 21 to 23 with an increased allocation of staff to businesses; and
- implemented audit and data mining software with a resultant marked improvement in efficiencies and monitoring of consistent compliance with the Institute for Internal Auditors Standards.

Compliance monitoring and assurance

- Completed reviews of National Credit Act compliance in the group's registered credit providers;
- completed a review of Consumer Protection Act compliance;
- performed gap analyses with regards to the Protection of Personal Information Bill and provided formulated action plans to comply where necessary;
- standardised and enhanced compliance reporting to facilitate an improved understanding of compliance risk across the group;
- continually assessed the regulatory environment and issued compliance alerts when appropriate;
- reported the possible impact of forthcoming regulatory changes; and
- redesigned the function to provide assurance to the board in addition to monitoring compliance.

Disaster recovery

- Established a best practice disaster recovery site, which includes seating facilities; and
- this site is currently being used by MBD CS and SA Taxi as a disaster recovery solution. This is also being considered as an alternative to current arrangements by other companies in the group.

Inter-company transacting

- MBD CS collected debt on behalf of SA Taxi and Bayport;
- Principa Decisions (formerly PIC Solutions) consulted widely to group companies including SA Taxi, Bayport, Paycorp and MBD CS;
- Paycorp provided payment solutions to SA Taxi and Bayport; and
- MBD CS provided the centre for disaster recovery to the group.

CASE STUDY

STORY FROM BAYPORT CUSTOMER

"I am a nurse, but even with my job I needed money to pay for my grandchildren's school fees."

My grandchildren came to me when my daughter died two years ago. Her death was a terrible shock. The one child is seven and the other is 11. Their father's family has been no help and there was nobody else to take care of the children. I just have to do what I can.

It is very difficult to have small children in the house again but they are mine. Sometimes they are naughty; other times we laugh. As a single parent (my husband died a few years ago) I worry about them all the time. I pray, "Please Lord keep me until they have grown".

We live in a small two-room house at the moment. I have a nice, six-room house in Harrismith, but I don't want to interrupt the children by moving them now. I am a nurse but even with my job I needed money to pay for my grandchildren's school fees. It is a very good school and my own children started there – with the same principal and teachers.

The teachers tell me the younger child is a natural leader. He can speak in front of the other learners and on his own decided to check on the children who arrive late for school. He has also started helping the other learners with their homework.

All I want is for my grandchildren to grow up and learn while I am still alive.

The client took out a loan with Bayport to pay for her grandchildren's school fees.

INTRODUCTION

Transaction Capital's material issues (MI) were informed by the strategic thrusts as set by the chief executive officer (CEO) (see 'Strategic thrusts' on pages 8 to 9), and the material risks which are included in the group's risk register.

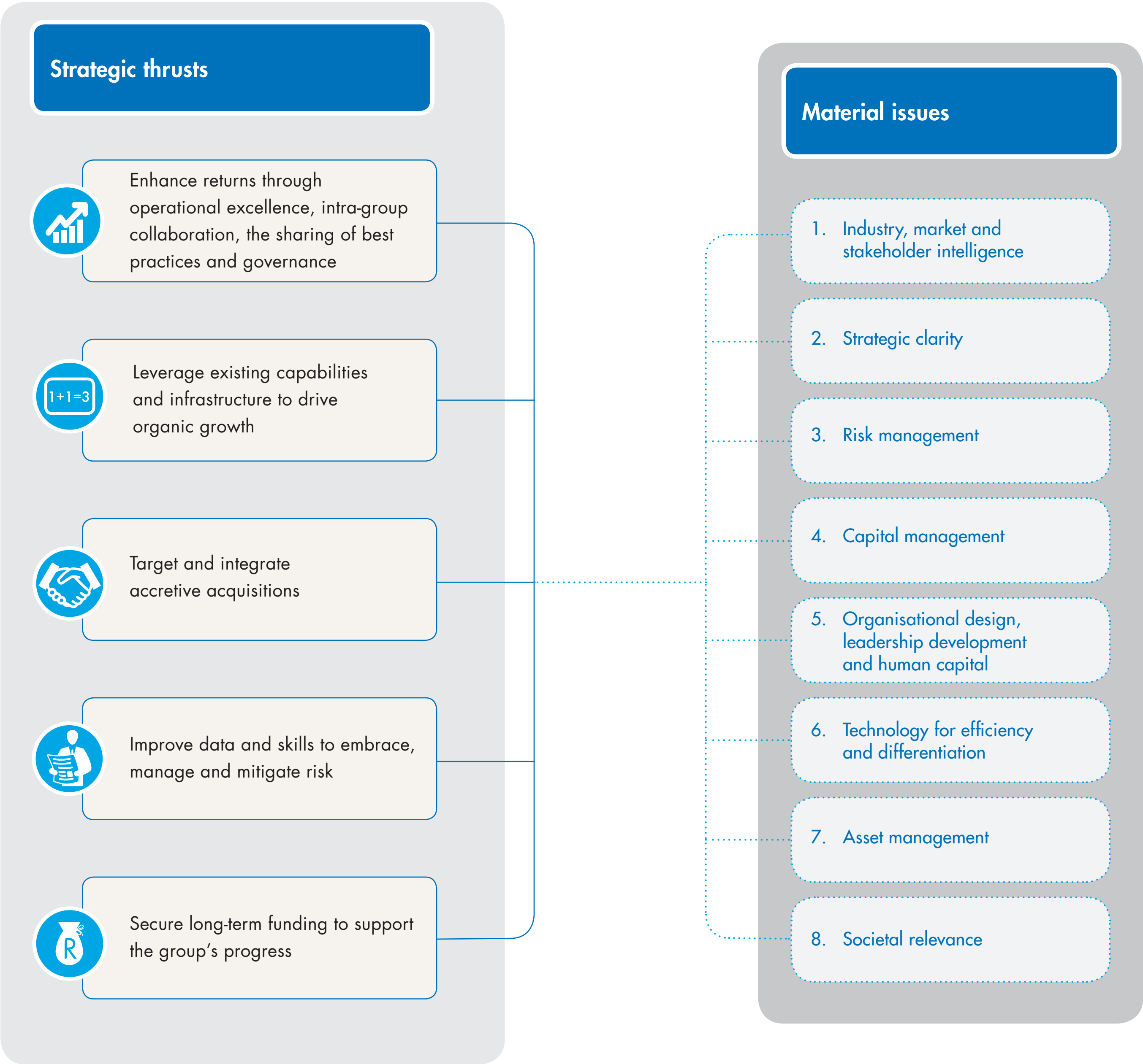
The group's MIs are dynamic and will continue to change and develop in line with an evolving corporate strategy and risk landscape. They are informed by ongoing industry and market research as well as an all-inclusive stakeholder engagement process.

The MIs described below do not include matters such as governance, compliance and ethics as we consider these to form the base from which all of our actions devolve. These have also been discussed in a large amount of detail in the 'Corporate governance report' on pages 91 to 101.

Determining materiality

Financial and non-financial materiality levels are considered at an underlying business level and at a group level. The process of setting materiality levels is based on a combination of the following:

- the expected financial results of the businesses and group are used as a base to calculate quantitative materiality levels;
- the reports submitted for board discussion and regular agenda items included for board discussion are used to determine subjective non-financial materiality levels; and
- the topics raised by stakeholders through informal consultation processes, further inform non-financial and financial materiality levels.



1. INDUSTRY, MARKET AND STAKEHOLDER INTELLIGENCE

Strategic thrusts	Stakeholders affected
Enhance returns through operational excellence, intra-group collaboration, the sharing of best practices and governance	Clients
Leverage existing capabilities and infrastructure to drive organic growth	Executives and managers
Target and integrate accretive acquisitions	Employees
Improve data and skills to embrace, manage and mitigate risk	Funders and counterparties
Secure long-term funding to support the group's progress	Shareholders
	Law makers and regulators

Transaction Capital regards appropriate information as an essential prerequisite for the crafting and continual refinement of group and subsidiary competitive strategies, and for the development and management of credible relationships with all stakeholders and counterparties.

The gathering of the necessary industry, market and stakeholder intelligence is complicated by the structure of the group and the variety and dynamism of its markets and stakeholders. A comprehensive approach is therefore required.

How we manage the material issue

The Transaction Capital group and its subsidiaries are reliant on numerous sources of formal information including:

- Media scanning
- Subscriptions
- Reports on environmental developments and trends
- Industry reports
- Competitor reports
- General market research
- Commissioned research of specific stakeholders
- Membership of industry organisations
- Multi-level relationships with regulators and counterparties

Some of this information is collected and disseminated by the group executive office while information applicable only to a specific subsidiary is collected and used at that level.

Concurrently any non-confidential information that is elicited informally through hearsay or interface with stakeholders is disseminated to the party for whom it is most relevant.

All of the above is captured as appropriate in strategy documents, quarterly group and subsidiary board reports, and the documentation prepared for meetings of main and subsidiary board sub-committee meetings. Directors and executives are highly attuned and respond rapidly to any and all external information and developments that might constitute threats or opportunities.

Objectives

- Understand and respond to the competitive forces prevailing in the markets in which the group operates.
- Monitor and respond to external or stakeholder developments and trends that constitute threats or opportunities.
- Benchmark the group and its subsidiaries against local and international peers to establish relevant metrics for the comparison and targeting of performance.

Performance

During the year the group executive office established a dedicated risk and business knowledge function overseen by the chief financial officer (CFO). The risk and business knowledge function has established a database to manage all internal and external data for analysis and reporting purposes and was integral in assisting with the preparation of the listing documentation.

SA Taxi and Bayport commissioned research into their specific client's perceptions and needs.

MBD CS sponsored the Unisa Bureau of Market Research's consumer financial vulnerability quarterly report.

Transaction Capital responded formally to the concerns expressed jointly by the Ministry of Finance and the Banking Association of South Africa regarding unsecured lending, endorsing the general principles around responsible conduct for lending and the provision of associated products and services.

The group executive office commissioned comprehensive research into executive compensation resulting in: relevant adjustments to the total guaranteed package of certain executives; the introduction of a new short-term incentive for 2013; and a basis for an improved long-term incentive in due course.

The group executive office utilised external assessors and feedback from direct reports to determine the leadership profiles and capabilities of the Top 50 executives and to use this information as a basis for their executive development.

Conclusion

Transaction Capital will continue to extend and institutionalise the gathering, dissemination and utilisation of all possible non-confidential external information, to enhance the competitive positioning and the stakeholder relationships and perceptions of the group and its subsidiaries.

2. STRATEGIC CLARITY

The clarity of the strategies of Transaction Capital and its subsidiaries will be reflected over the long term in performance superior to peers. Such superior performance will be a consequence only of the group's ability to configure its capabilities and resources more effectively than competitors in response to the forces that determine competition in its chosen markets.

Strategy thus defined, will be both deliberate (when strategic decisions and choices are a response to anticipated market structures, forces and trends) and emergent (when unforeseen developments require an unplanned response). Transaction Capital has the managerial and entrepreneurial capabilities to distinguish between these in pursuit of the strategic clarity essential to sustainable superior performance.

Strategic clarity will enable the group to:

- configure a portfolio of businesses and assets the value of which is greater than the sum of its parts;
- define the basis of each subsidiary's sustainable competitive advantage;
- invest appropriately in the capabilities essential to competitive success;
- obviate diversion or drift into areas that do not enhance competitive advantage; and
- approach merger and acquisitions decisions with the requisite objectivity.

Objectives

- Strategy to become the primary rationale and framework for decision-making, communication and alignment.
- Strategy to define the basis of competition and configure the organisation to deal with all but the most extreme variances in assumptions.
- Strategy to create a framework for vigilance in monitoring changes in key market assumptions affecting the group.

Performance

Starting in 2008, Transaction Capital embarked on a formal annual strategic planning process, drawing on the collective experience, market and stakeholder intelligence, and counterparty relationships of the executive committee and their teams.

Each annual strategic review since then, including that of the past year, has sought to achieve a deeper insight into the following core issues:

Strategic thrusts	Stakeholders affected
Enhance returns through operational excellence, intra-group collaboration, the sharing of best practices and governance	• Clients • Executives and managers • Employees • Funders and counterparties • Shareholders • Law makers and regulators
1+1=3 Leverage existing capabilities and infrastructure to drive organic growth	
Target and integrate accretive acquisitions	
Improve data and skills to embrace, manage and mitigate risk	
R Secure long-term funding to support the group's progress	

- the capabilities, resources, policies, processes, structures or investment necessary to strengthen the competitive position and performance of each subsidiary;
- the manner in which the group executive office and the subsidiaries can interact to create value additional to that of the subsidiaries as free-standing entities; and
- those products, services, sectors, niches or companies beyond our current operations that could enhance the value and performance of Transaction Capital.

Transaction Capital's strategic success will be determined by the pursuit of ever greater clarity and the resultant choices on each of these issues. Transaction Capital's strategic progress will reflect positively in its operating and financial performance, which will be detailed in the integrated report each year.

3. RISK MANAGEMENT

Strategic thrusts

- Enhance returns through operational excellence, intra-group collaboration, the sharing of best practices and governance
- Improve data and skills to embrace, manage and mitigate risk

Stakeholders affected

- Clients
- Executives and managers
- Employees
- Funders and counterparties
- Shareholders
- Law makers and regulators

CEOs REPORT pg 36 to 37

Transaction Capital defines risk as uncertain future events that could influence the achievement of the group's objectives. The group faces uncertainty in the ordinary course of business operations, and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity with the potential to erode or enhance value.

How we manage the material issue

Risk framework

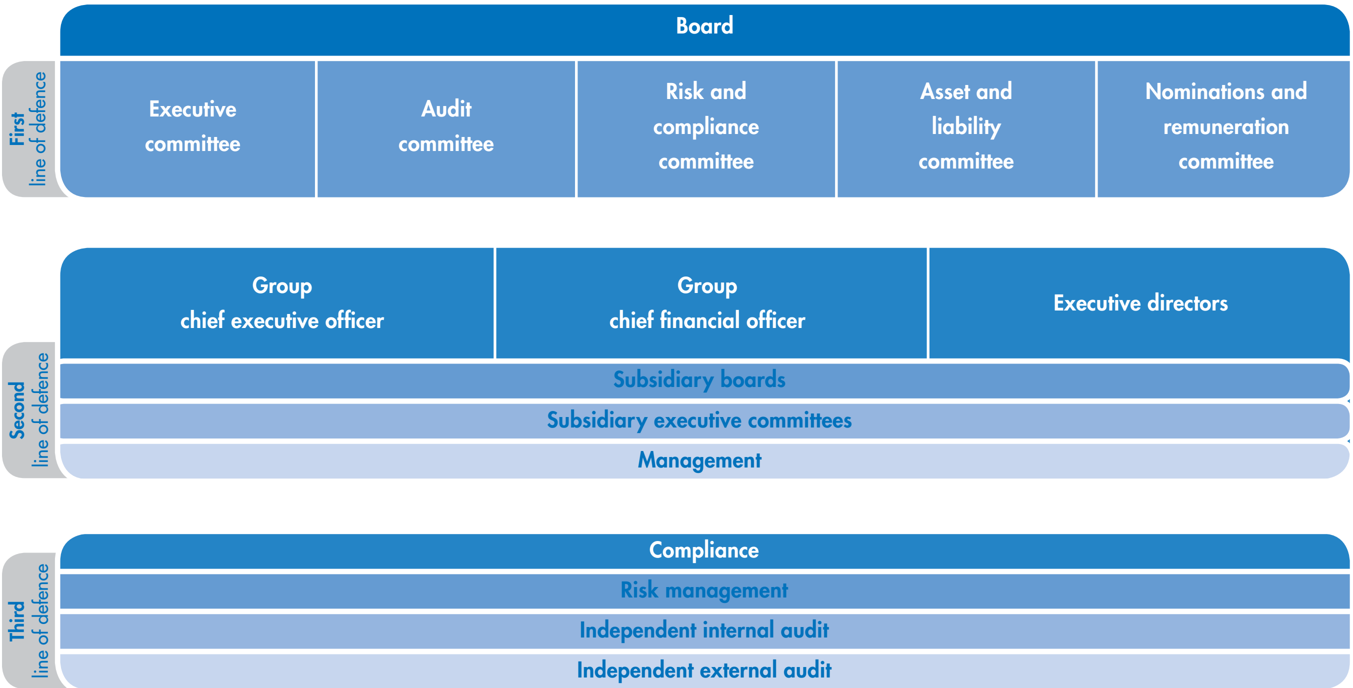
Group executives identify opportunities and evaluate related risks while institutionalising controls to mitigate these to acceptable levels through a formal enterprise risk management (ERM) framework.

The formal ERM framework is based on a four-step approach:

- Identify
- Measure
- Determine
- Manage

In terms of the ERM framework, the group applies a 'bottom-up' approach where risks are identified primarily at operational and/or asset class levels. The total group exposure is then determined as the aggregation of these and the potential the risk has to impact on achieving the group's strategic objectives.

Risk management takes place at three levels:



The ultimate responsibility for risk resides with the board. The board is mandated to set and monitor risk appetite and tolerance, and continually refines the ERM framework. It also communicates the ERM policy group-wide to guide the underlying businesses in risk assessment, decision-making and management.

The board delegates to the CEO the responsibility to implement and monitor the ERM policy (including the ERM framework).

This relies on executive management effectively implementing risk processes, systems and controls within the businesses in line with the group ERM policy and subject to oversight by the group executive office (through representation on the businesses' boards of directors, investment committees and credit committees).

Group executives have extensive expertise and experience in advancing credit and collecting debt and are actively involved in product design, collection processes and provisioning models within the lending division.

The assurance function comprising compliance, internal audit and external audit monitors adherence to and effectiveness of the ERM policy (including the framework and management processes). See Audit committee report for detail.

Transaction Capital's dedicated internal audit department is supported by a team of IT control specialists who together perform annual reviews at all six businesses. The internal audit executive reports to the chairperson of the audit committee, and internal audit work is in line with an audit committee-approved internal audit plan. Results of internal audit reviews are reported to each business' board and to the Transaction Capital audit committee and risk and compliance committee, all on a quarterly basis.

The following functions support ERM:

- a dedicated compliance assurance function with compliance officers at each division reporting to its CEO who in turn reports to the group CEO;
- the risk and compliance committee reports to the board on issues relating to ERM;
- forensic teams are established to focus on the prevention of application, supplier and employee fraud; and
- independent, anonymous fraud reporting hotline reports are scrutinised by the group assurance executive, CFO and CEO.

In addition, each of the lending businesses operates its own credit committee to manage credit risk, while MBD CS has an investment committee which oversees purchased book debt investment decisions.

Risk universe

The ERM framework identifies 14 risk categories which are recorded in risk registers. The risks are prioritised according to their impact, likelihood and compensating controls. The risk categories as set out below include the board and sub-committee responsible for their management.

Objectives

Maintain an effective ERM framework, policy and processes that are properly integrated into operating and decision-making processes:

- establish and monitor risk tolerance and risk appetite;
- enhance quantitative and qualitative processes for managing risk; and
- maintain data systems for effectively reporting performance and risk-related information.

Performance

The risk and business knowledge function has commenced formalising the ERM framework and implementing ERM systems and processes.

The group's values and ethics charter was certified by the Ethics Institute of South Africa as conforming to the highest best practice standards.

MATERIAL ISSUES (CONTINUED)

Risks managed by the board and its sub-committees

Board	Executive committee	Audit committee
Reputational and sustainability risk	Strategic, new business and acquisition risk	Accounting, tax and information technology risk

Category of risks managed by the board	Category of risks managed by the executive committee	Category of risks managed by the audit committee
1. *Reputational risk* – relates to possible damage to the group's image which may impair its ability to retain and generate business and may lead to a reduction in its value. Safeguarding the group's reputation is therefore of paramount importance to its continued success and is the responsibility of every member of staff. 2. *Sustainability risk* – relates to all potential events that may affect the group's ability to continue with its businesses in terms of the environment, society and the economy. Additional attention is given to the social aspects of sustainability. To this end, a social and ethics committee was formed with effect from 1 October 2011.	3. *Strategic risk* – relates to the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to industry changes. Strategic risk is a function of the compatibility of the group's strategic thrusts, the business strategies in place to achieve these, resources deployed against these goals, and the quality of implementation. Formal annual assessments are performed to ensure the group's business model remains in line with the group's strategy. 4. *New business risk* – relates to the potential loss arising through inaccurate or deficient analysis, incorrect decision-making and poor or unplanned cost and time in respect of new businesses. 5. *Acquisition risk* – relates to the potential loss arising through inaccurate or deficient analysis, incorrect decision-making and poor or unplanned cost and time in respect of acquisitions including poorly implemented acquisitions.	6. *Accounting risk* – relates to the integrity, promptness and reliability of financial reporting. This risk incorporates financial reporting risks, internal financial control risks and fraud risks relating to financial reporting. 7. *Tax risk* – relates to the potential loss arising as a result of inappropriate tax planning and strategy; non-compliance with or incorrect interpretation and application of tax legislation; and the effect of new tax legislation on existing financial structures or products. 8. *Information technology risk* – relates to weaknesses in the information technology infrastructure and general control environment and inadequate capacity to implement new systems.

Risk and compliance committee	Nominations and remuneration committee	Social and ethics committee	Asset and liability committee
Operational, compliance, and insurance and assurance risk	People risk	Transformation risk	Funding and capital risk

Category of risks managed by the risk and compliance committee	Category of risk managed by the nominations and remuneration committee	Category of risk managed by the social and ethics committee	Category of risks managed by the asset and liability committee (ALCO)
9. *Operational risk* – relates to the potential loss arising from inadequate, inappropriate or failed controls, systems or processes or from human or external events. While operational risk includes information technology risk and compliance risk, these are managed separately. 10. *Compliance risk* – relates to the risk of legal or regulatory sanctions or financial loss that the group may suffer as a result of failure to comply with: laws, regulations and similar standards applicable to its business; and/or internal group policies, authority levels, prescribed practices and ethical standards. 11. *Insurance and assurance risk* – is the risk assumed under any insurance contract where the insured event occurs. The group offers various insurance products to its clients such as insurance for taxis financed by SA Taxi or as a risk mitigator for lending products. Factors considered in the appropriateness of insurance include the value of the loss event, probability of the loss event arising, cost of insurance, and insurance counterparty.	12. *People* – relates to inadequate management of human capital practices, policies and processes resulting in the inability to attract, manage, develop and retain top talent.	13. *Transformation risk* – relates to the group's human resource profile not representing the skills, experience and diversity available in the South African labour market, that the group does not contribute positively to the wider context of South Africa's transformation, and in terms of any relevant legislation or supported code of conduct.	14. *Funding and capital risk* – includes the sub-categories of liquidity risk, interest rate risk, counterparty risk and currency risk which are discussed in detail in the notes to the annual financial statements. Capital risk relates to a potential lack of liquidity from the capital markets to sustain existing operations and to support future growth.

4. CAPITAL MANAGEMENT

Strategic thrusts	Stakeholders affected
Target and integrate accretive acquisitions Secure long-term funding to support the group's progress	• Funders and counterparties • Shareholders • Law makers and regulators

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Capital management relates to the ability to determine and maintain optimal equity capital levels and attract well-priced sustainable debt capital from the capital markets to fund its operations to optimise stakeholder value.

Transaction Capital is not a bank and is therefore reliant on the capital markets to meet its debt capital requirements.

How we manage the material issue

Capital is measured in three ways:

- simple calculation of capital adequacy (i.e. capital adjusted for goodwill as a percentage of total assets less cash and cash equivalents and goodwill);
- detailed per asset capital allocations similar to those required by banks; and
- ROE is considered against the investment risk per asset class assumed.

Capital levels are influenced by:

- covenants contracted with debt investors; and
- targeted credit rating by rating agents.

Funding security is the responsibility of the ALCO. To raise the necessary capital, the group employs its own capital markets (CM) team whose objective is to arrange sufficient appropriate capital to fund both organic and acquisitive growth.

The CM team ensures:

- the appropriate level of understanding by our funders of the credit risk they are assuming; and
- strong and direct relationships with participants and major role players in the capital markets.

The CM team is responsible for the following:

- implementing ALCO's recommendations in monitoring and managing funding risks;
- managing the centralised debt capital administration system, including the monitoring of compliance with financial and other covenants;
- ensuring that Transaction Capital and its subsidiaries have sustainable access to liquidity and term debt from the external capital markets, as required on market terms and conditions;
- managing capital market (debt and equity) interactions, including: investor relations; interactions with analysts; and peer analysis; and
- communicating non-financial performance indicators including strategy as they pertain to capital management to internal and external constituencies.

Objectives

Allocate sufficient capital to:

- obtain capital necessary for the maintenance and growth of each business:
  - from a variety of funders or capital pools;
  - through efficient and diverse structures;
  - on market-related terms;
  - with an optimal mix of short and long durations;
  - providing adequate capital to meet financial covenants; and
  - with investors who have an in-depth understanding of the underlying businesses and asset classes;
- provide stability for each business;
- maintain credit ratings;
- sustain possible shocks; and
- achieve adequate risk-adjusted return on capital invested.

Performance

Management of optimal capital requirements

As Transaction Capital is not a bank, it is not subject to any regulatory capital adequacy requirements. Capital levels are therefore established for each asset class on a divisional level which is aggregated at a group level.

Transaction Capital has historically used subordinated debt to fund asset growth effectively, as subordinated debt and equity are geared appropriately with senior debt. One of the stated objectives for the listing of Transaction Capital was to optimise the capital structure. Accordingly, in line with international trends, the weighting of Transaction Capital's capital structure has shifted towards equity as capital was raised via:

- conversion of debt to equity prior to the initial public offering; and
- listing of the group's shares on the JSE Limited.

Transaction Capital has applied the following principles in determining capital levels:

- capital comprises equity and subordinated debt;
- goodwill is excluded from assets and is similarly deducted from capital; and
- assets (other than goodwill and cash) are not risk-weighted, and included at 100% of their value.

Capital adequacy		2012	2011	Movement %
Equity	Rm	2 988	1 709	74.8
Subordinated debt capital	Rm	1 477	1 602	(7.8)
Total capital	Rm	4 465	3 311	34.9
Less: goodwill	Rm	(927)	(930)	(0.3)
Total capital less goodwill	Rm	3 538	2 381	48.6
Total assets less goodwill and cash and cash equivalents	Rm	10 470	8 430	24.2
Capital adequacy ratio	%	33.8	28.2	19.9
Equity	%	19.7	9.2	114.1
Subordinated debt	%	14.1	19.0	(25.8)

The group further applies an internal risk-based capital model to determine capital level.

Management of funding requirements

Transaction Capital funds short-term working capital requirements with cash generated from operations, overdraft facilities with banks and warehouse facilities, while long-term borrowings such as term loans, notes and debentures are matched to the growth in loans and advances, purchased book debts, ATM devices and investments in subsidiaries which are long-term assets.

The group therefore has different funding counterparties, including specialised asset managers and debt funds, life insurance companies, banks, development finance institutions (DFIs) and cash on hand.

Debt by source at 30 September 2012

Transaction Capital's listing introduced a new source for the raising of equity capital. In addition, it allows the group to raise more debt capital through additional transparency, public exposure and a greater equity capital base which reduces the risk for debt investors.

During the year the group added four new debt investors, while five existing debt investors diversified their investments in the group.

The maturities of short- and long-term borrowings are generally matched to the expected cash flow of the respective assets they finance. At the reporting date, the group was in compliance with all funding-related covenants.

Transaction Capital's long-term funding is raised through a variety of structures including rated unlisted and listed securitisations, structured finance, and syndicated loans. Wherever possible, a debt issue is ring-fenced in an asset-specific structure to mitigate cross-contamination of risk and to utilise capital optimally per asset class.

	Year ended 30 September		
	2012	2011	Movement
Distribution of debt by structure at 30 September 2012	%	%	%
Rated unlisted securitisation	24	39	(38)
Rated listed securitisation	35	29	21
Syndicated loans	23	16	44
Structured finance	18	16	13

Debt by credit rating at 30 September 2012

Certain group funding structures are credit rated. Credit ratings are dependent on multiple factors including capital adequacy levels, earnings, asset quality, governance and funding characteristics. All credit ratings were maintained during the year. SA Taxi Securitisation was placed under review for a downgrade by Moody's post year-end. The review was the result of a downgrade in South Africa's sovereign credit ratings.

Distribution of structures per credit rating at 30 September 2012	Year ended 30 September		
	2012	2011	Movement
	%	%	%
Aa2.za Moody's	22	35	(37)
AA (RSA) GCR	–	1	(100)
A (RSA) GCR	31	26	19
A – (RSA) GCR	–	–	–
Ba1.za Moody's	1	2	(50)
Not rated	46	36	28

The securitisation structures in MBD CS and Rand Trust were unwound during the year, demonstrating flexibility in structuring to enable responsiveness to opportunities.

Interest rate risk

The group closely monitors its net exposure to floating interest rates on a group and individual borrowing entity basis. See note 28.2 on page 171 of the annual financial statements.

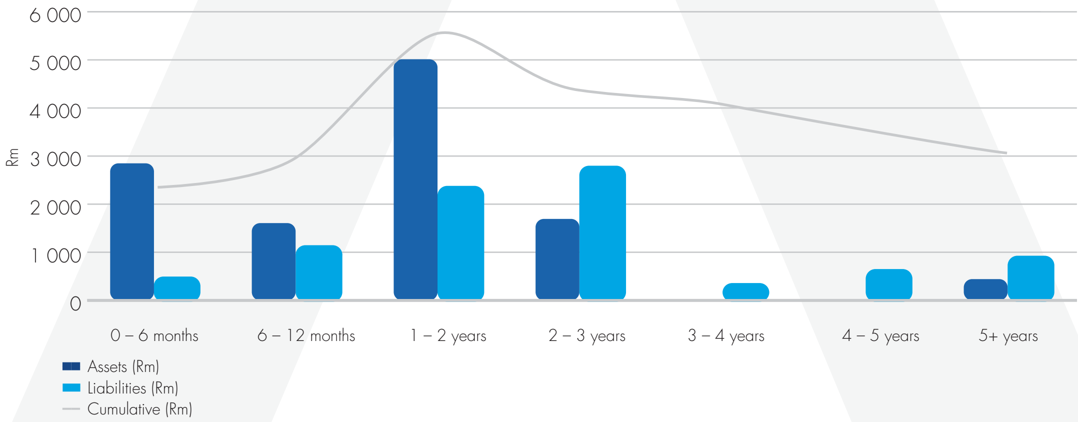
Liquidity risk

The group seeks to ensure that there are sufficient funds available to meet all cash demands in the ordinary course of business for a reasonable time period. This includes managing the contractual mismatch between cash inflows from assets and cash outflows from liabilities, funding of expected asset growth, avoiding raising funds at market premiums or through distressed asset sales and concluding attractive borrowing opportunities as appropriate. Transaction Capital reduces liquidity risk relating to the refinancing of concentrated roll-over events by limiting reliance on 'bullet profile debt', short-term, overnight and rolling debt instruments.

The graphs below reflect the liquidity mismatch of the group which is favourable to debt investors where asset receipts occur in advance of debt payments, demonstrating reduced liquidity risk and the group's ability to fund assets before the debt is due.

A 'positive liquidity mismatch' is maintained, such that average debt duration exceeds average asset duration, and cash collections from assets are used to redeem amortising debt. Therefore, debt is raised only to fund asset growth, and not to refinance mismatched debt.

Positive liquidity mismatch



Transaction Capital's central liquidity resource provides a buffer should it be required in the event of a liquidity risk event.

5. ORGANISATIONAL DESIGN, LEADERSHIP DEVELOPMENT AND HUMAN CAPITAL

Strategic thrusts
Enhance returns through operational excellence, intra-group collaboration, the sharing of best practices and governance
Leverage existing capabilities and infrastructure to drive organic growth
Improve data and skills to embrace, manage and mitigate risk

Stakeholders affected

- Executives and managers
- Employees
- Law makers and regulators

Organisational design

CEOs REPORT pg 36

Transaction Capital's organisation design aims to achieve the following overall objectives:

- clear lines of hierarchically decreasing responsibility and accountability as delegated by the board to the chief executive officer and onward by him to the line and functional leadership of the group;
- an appropriate calibre of leadership and functional expertise;
- operating autonomy for subsidiaries within the bounds of agreed strategies and budgets;
- structures and processes that facilitate corrective or value-adding intervention by the group executive office as necessary;
- a combination of formal and informal structures and processes that provide both discipline and the flexibility to respond rapidly to unforeseen circumstances;
- structures and processes that facilitate the rapid flow and evaluation of information;
- structures and processes that facilitate value-creating interaction between subsidiaries;
- flat structures with no less than five direct reports for each manager; and
- opportunities for the exposure and development of emerging executives.

In addition to the above, the organisation design of each subsidiary is a reflection of its business model and the particular requirements of, and relationships with, its specific counterparties and stakeholders.

All of the above have been established to create an empowering, high performance culture.

Leadership development

While every employee contributes to the progress of Transaction Capital, the group's competitive advantage, relative performance and sustainability is heavily reliant on the judgement and leadership of its executives. Ensuring the requisite calibre and motivation of this group (currently 72 individuals designated as the "Top 50") is therefore an imperative, directed and led by the group chief executive and the group human capital executive.

Human capital

Transaction Capital invests heavily in attracting, developing and retaining all employees, and specifically in enhancing deep functional and leadership skills through talent management initiatives.

Excellence is nurtured and rewarded, with individual performance closely aligned with the group's strategic objectives and consistently managed. Employees are encouraged to flourish both as individuals and as members of teams.

How we manage the material issue

Human capital executives are appointed at group and subsidiary levels. These executives are dedicated to talent management and are accountable directly to the business' CEOs, who in turn are accountable to the group CEO. The group human capital executive is directly responsible for the Top 50.

Attraction

The group strives to attract the required talent through:

- highly competitive compensation in exchange for commitment, thought leadership and performance;
- demonstrated growth over time;
- an intellectually stimulating and intrinsically rewarding environment for employees, senior managers and executives;
- diversity and a culture of respect for all; and
- meaningful work portfolios, career advancement and mentoring opportunities.

Training and development

Employees are continually developed in accordance with the group's strategic objectives, specific job requirements and individual's development needs and aspirations.

A number of development initiatives are executed across the group:

- Transaction Capital's Rotation Programme was established during the year with the intention of creating a pipeline of specialised skills within the financial, risk and actuarial fields. The programme aims to attract historically disadvantaged graduates with strong leadership qualities in the 80th percentile of academic performance and put them on rotation projects throughout the group over a two-year period with the intention of placing them permanently.
- Supervisory, management and leadership development forums are designed and managed by MBD CS's human capital team and extended group-wide, offering in-house development programmes for each successive stage of leadership development. The programmes are designed to incorporate classroom sessions, group activities, individual assignments and presentations.
- The new managers, management and senior management development programmes were designed in conjunction with the University of Stellenbosch Business School to offer management skills for new, mid and senior managers.
- To complement and reinforce these initiatives, training teams provide specialised core training for each division's internal mentoring programmes.
- Executive development of the Top 50 is provided through customised, short leadership programmes at the Gordon Institute of Business Science and courses at top international business schools, including Harvard. The content of the programmes is designed to address specific development trends which are identified through assessments of the Top 50 (see below). It encompasses leadership best practice and includes reviewing significant case studies which focus on achieving results through effective leadership.

In addition, the Top 50 undergo a number of assessments throughout the year with the intention of providing individual feedback on leadership ability, personal insight, and information to craft their personal development objectives.

Motivation

Transaction Capital believes motivation can be influenced, but not created by the group.

To facilitate motivation, Transaction Capital:

- establishes clear achievement goals for its Top 50 at the start of each financial year;
- adequately recognises accomplishments; and
- allows executives both flexibility and choice in their working structures.

Retention

The group recognises that employees' needs and aspirations grow and develop in concert with group and personal objectives over time.

On an annual basis the group CEO meets on a one-to-one basis with his direct reports and each of their direct reports to engage in an extensive 'covenant discussion'. The purpose of these discussions is to discuss the personal and professional needs and aspirations of each executive and to facilitate alignment between the executive and the group over time.

The group performs regular remuneration benchmark analyses to ensure that remuneration is fair and that compensation structures are in line with best practice. See 'Remuneration report' for further detail.

MATERIAL ISSUES (CONTINUED)

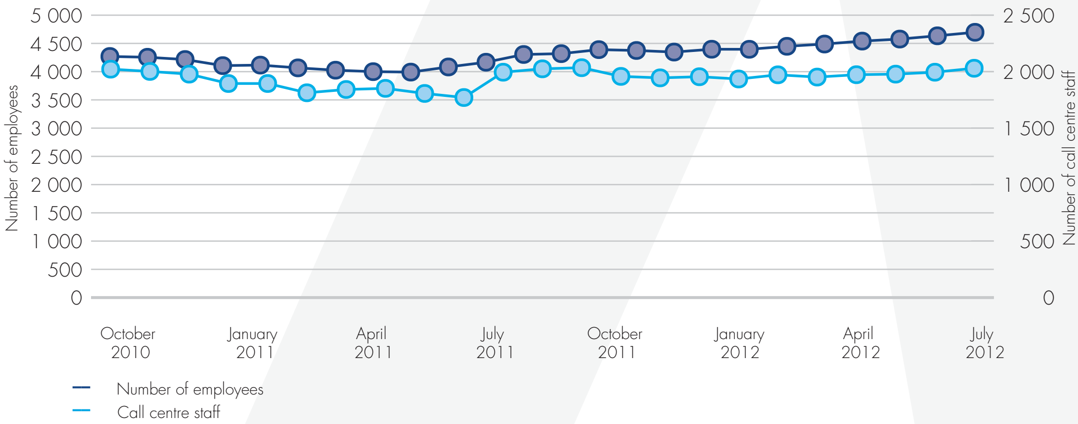
Objectives

Invest in organisational design, leadership and human capital development to:

- create an organisational ethos considered highly attractive by talented individuals; and
- facilitate empowered high performance by individuals and teams.

Performance

Number of employees



Training and development indicators:

Employees trained vs total number of employees

6. TECHNOLOGY FOR EFFICIENCY AND DIFFERENTIATION

The volume and granularity of information required to effectively service clients and control assets and people in Transaction Capital is significant and complex. The group therefore relies on technology to process and analyse information, eliminate complex and repetitive operational processes and differentiate its products and services for clients.

How we manage the material issue

The board is responsible for information and communication technology (ICT) governance, assisted by the audit committee.

The ICT strategy is integrated with and measured against each of the business' strategic objectives and business processes. At subsidiary level this is the responsibility of the subsidiary CEO.

In addition, the group's ICT forum meets regularly (see 'How we create value in the group', page 15, for further detail) to facilitate value-adding collaboration and sharing of best practice across the group.

Objectives

To sustain the group's competitive advantage in systems and technology by:

- investing;
- innovating;
- differentiating;
- simplifying;
- accelerating and improving efficiency; and
- reducing costs.

ICT governance is conducted in line with King III principles. The group monitors ICT performance indicators at the underlying business levels including:

- uptime of core production systems;
- high severity incidents;
- number of human capital vacancies;
- volume of ICT projects during the period;
- percentage of top 10 projects on track;
- ICT spend as % of revenue; and
- disaster recovery and business continuity.

Performance

Projects have been commissioned to refresh the ICT strategy for Transaction Capital and ensure that it is aligned with group strategy and business objectives.

Bayport is pioneering the approach to ICT governance which will then be mirrored at the businesses across the group.

Strategic thrusts	Stakeholders affected
Enhance returns through operational excellence, intra-group collaboration, the sharing of best practices and governance Improve data and skills to embrace, manage and mitigate risk	• Clients • Suppliers • Law makers and regulators • Community

CEOs REPORT pg 36

The Transaction Capital audit committee is responsible for reviewing and monitoring:

- technology and strategy;
- technology performance and sustainability:
- technology risk;
- projects and initiatives; and
- IT-related financial reporting.

The chief information officers at each of the businesses are responsible for the implementation of structures, processes and mechanisms for the IT governance framework. To do so, each business has an IT governance scorecard which is in line with King III requirements and which will be implemented at all businesses across the group. Further it has an infrastructure replacement programme which ensures key infrastructure is replaced in line with the business' depreciation cycle.

Transaction Capital uses Gartner to perform annual benchmarks on components of the technology operations. As part of the maintenance processes, suppliers review system parameters on a continuous basis and make recommendations to ensure optimal performance. Transaction Capital conducts internal customer satisfaction surveys on a regular basis in which the performance of ICT in delivering services in the business is rated.

Management reports on Transaction Capital's resilience capability to the board regularly through the business continuity management (BCM) scorecard. Disaster recovery testing is also presented to the board via the IT governance scorecard created by the audit committee.

Key challenges in IT include:

- availability of core systems;
- systems vulnerability, security and logical access;
- dependency on third parties;
- complexity of architecture; and
- unsupported infrastructure and applications.

7. ASSET MANAGEMENT

Strategic thrusts	Stakeholders affected
Enhance returns through operational excellence, intra-group collaboration, the sharing of best practices and governance Leverage existing capabilities and infrastructure to drive organic growth Target and integrate accretive acquisitions Improve data and skills to embrace, manage and mitigate risk	• Clients • Funders and counterparties • Shareholders

OPERATIONAL REVIEWS pg 48 to 63

Of the group's assets 73% comprise loans and advances and purchased book debts and are subject to credit risk (the risk that a debtor will default). In addition 2% of the group's assets are subject to the unique operational risks involved in operating ATMs.

How we manage the material issue

Notwithstanding the decentralised group operational structure, the group executive office maintains close oversight of the management of each business. Transaction Capital's preference is to wholly own underlying businesses wherever possible. Asset performance is reviewed through monthly meetings between the group CEO and CFO and the divisional CEOs and CFOs. In addition group executives are members of the divisional credit and investment committees and meetings between group and divisional executives are arranged as required and occur regularly.

Credit risk is monitored by the risk and compliance committee, supported by the credit committees of the asset-backed and unsecured lending divisions. MBD CS further has its own investment committee including group executives to consider the acquisition of each purchased book debt portfolio.

Paycorp has processes to review the placement and relocation of ATMs including assessing viability, security and demographics. There is a continuous process of reviewing the fleet footprint.

Objectives

- Achieve customer and asset growth through:
  - new, improved and enhanced distribution channels;
  - new product development and implementation; and
  - accessing adjacent market segments.
- Maintain appropriate asset management through:
  - prudent and conservative policies;
  - regular appraisal of each business and product for adequacy of returns;
  - regular credit scoring and asset impairment model back-testing and refinement;
  - collections and security realisation at acceptable levels;
  - adequate insurance; and
  - socially responsible lending and collection practices.

Performance

The group continued to apply the intellectual property of the group generally, and of Principa Decisions specifically, to improve credit and other asset investment decisions. The performance of Transaction Capital's assets have been discussed in detail in the 'Operational Reviews' section of the report – please refer to pages 48 to 63.

Experience gained continues to be applied to refine and improve decision-making.

8. SOCIETAL RELEVANCE

Strategic thrusts	Stakeholders affected
Enhance returns through operational excellence, intra-group collaboration, the sharing of best practices and governance Improve data and skills to embrace, manage and mitigate risk	• Clients • Law makers and regulators • Community

Transaction Capital's societal relevance has been established by aligning the financial products and services offered by the group with the financial and social needs of the developing and underprivileged segments of South African society. This contribution to the development of South Africa and the empowerment of its people is supportive of the Government's drive for greater levels of financial inclusion.

Transaction Capital:

- has an empathetic approach to unsophisticated, under-served clients;
- develops previously disadvantaged employees;
- provides funders with an opportunity to invest into societally relevant investments through specialised funding vehicles that they otherwise would not have access to;
- uses and develops previously disadvantaged suppliers;
- contributes to the South African Government imperative (as defined by the National Treasury and the South African Reserve Bank) of financial inclusion of under-served sectors of society;
- supports local communities; and
- has achieved a consolidated level 4 B-BBEE score.

In recognition of the group's societal relevance, it has raised funding from international development financing institutions and from debt funds with socially responsible investing mandates, while some of the businesses qualify for Financial Sector Charter points.

How we manage the material issue

The group's social and ethics committee is a sub-committee of the board responsible for this aspect of the group's activities and strategy. See 'Corporate governance report' for further detail.

CORPORATE GOVERNANCE REPORT pg 99 to 100

The B-BBEE champions forum is a single body which deals with B-BBEE rating matters across the Transaction Capital group. The B-BBEE champions forum meets three times a year and comprises B-BBEE champions and the B-BBEE executive committee sponsors from Transaction Capital and each of its businesses.

The core areas of focus of the B-BBEE champions forum are:

- Education

  Educating B-BBEE champions regarding latest best practices and updates to any legislature relating to transformation.

- Collaboration

  Collaborating and knowledge-sharing to improve transformation practices and cultures across the group.

- Strategy

  Updating and guiding group companies on Transaction Capital's transformation strategy as mandated by the social and ethics committee.

- Certification

  Co-ordinating the annual certification process for Transaction Capital and all group companies.

- Reporting

  Providing qualitative and quantitative reporting of transformation to various bodies within Transaction Capital including the board, executive committee and social and ethics committee.

Objectives

Ongoing transformation through:

- improved B-BBEE score; and
- social and environmental programmes and practices which benefit the wider Transaction Capital community, particularly focused on education and training.

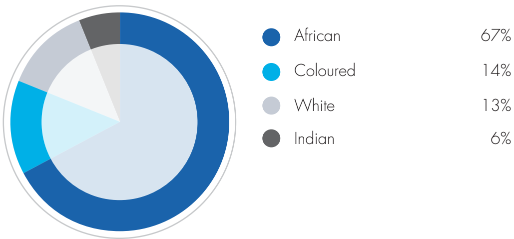
The group's strategic transformation thrusts are to:

- support education through a meaningful corporate social investment strategy;
- ensure that Transaction Capital's workforce is representative at all levels of the applicable talent pool of the South African population;
- assist in the development of businesses for previously disadvantaged groups; and
- report to stakeholders in an effective, timeous and transparent manner.

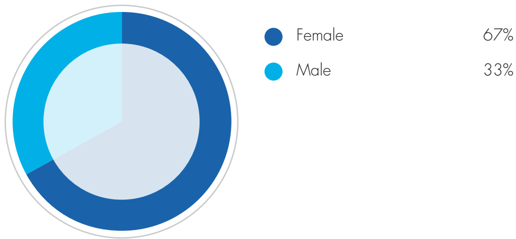
Performance

	Total management	% black management	% black female management	% female management
2011	532	48	31	48
2012	650	50	25	42

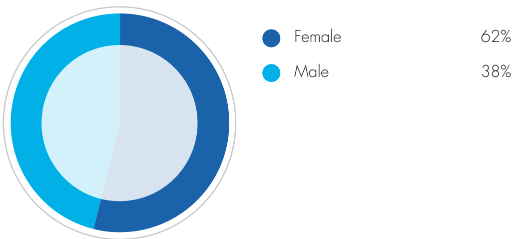
Number of employees trained by race — 2012



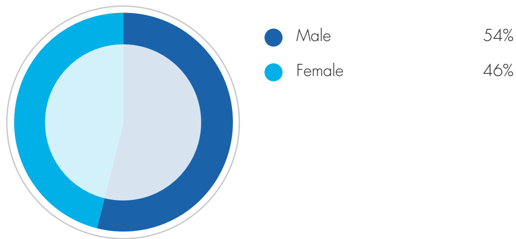
Gender split – number of employees – 2012



Gender split — employees trained – 2012



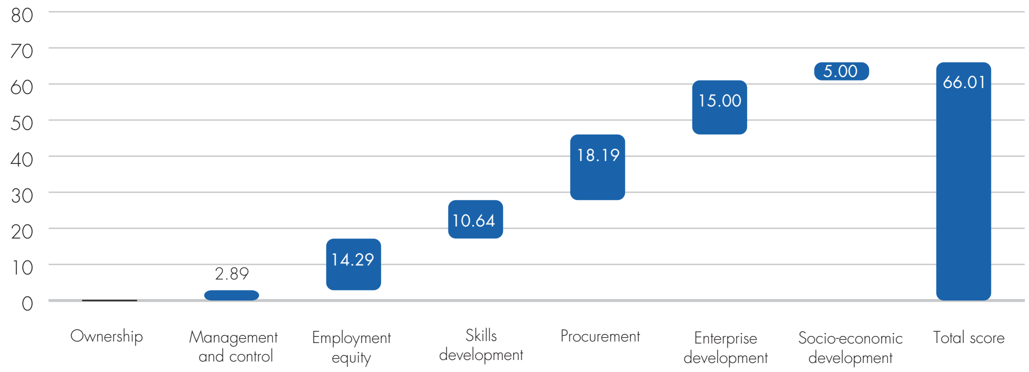
Gender split – remuneration – 2012



B-BBEE rating

Transaction Capital received a level 4 rating in December 2011 from Nera for the 2012 year.

2012 B-BBEE ratings scorecard



Societal relevance

Transaction Capital's societal relevance is firstly demonstrated through its strategy of aligning its products and services offered with the financial and social needs of the developing and underprivileged segments of South African society. Secondly, it is demonstrated through the contribution to the wider community through CSI initiatives.

SA Taxi

SA Taxi's financing activities are an important catalyst for empowerment and development of start-up SMEs that typically could not gain access to finance from traditional lenders. Its secondary role, is as an enabler of affordable and safe transport for a vast number of commuters daily in South Africa.

In addition TaxiMart, which refurbishes and sells repossessed vehicles, contributes significantly to job creation and enterprise development. TaxiMart currently employs more than 140 staff and provides opportunities for SME start-up businesses to deliver outsourced solutions for trim work and panelbeating.

The business also donates fully refurbished repossessed vehicles to various educational initiatives.

SA Taxi runs a bursary programme for the children of its clients. Those children who are studying are given the opportunity to apply for bursaries – a rigorous selection process takes place, and candidates are identified. SA Taxi pays in full for their tuition and books for the relevant year. The students are also invited to the annual end of year function, and are given an opportunity to get work experience where applicable and possible.

SA Taxi contributes a large amount of its CSI spend towards education initiatives within the taxi industry. SA Taxi is currently involved in facilitating the design and implementation of a qualification that will focus on safer driving and sustainability within the taxi industry.

Rand Trust

Rand Trust facilitates the provision of finance to SMEs that typically could not gain access to finance from traditional lenders, through invoice discounting and commercial debtors' management.

Rand Trust is involved in its surrounding communities:

- distributing food parcels in the Western Cape;
- providing financial assistance to an organisation that provides education and therapeutic needs to those living with physical, mental, intellectual and neurological disabilities; and
- providing assistance to an organisation that provides assistance to terminally ill patients and their families.

Bayport

Bayport facilitates the provision of finance to individuals who would not otherwise have had access to credit from traditional banks, thereby contributing to the improvement of living standards, education and accommodation.

During the year Bayport supported various causes through a combination of financial support, donations of equipment and food, and importantly, employee volunteerism and time.

MBD CS

As part of its strategy, MBD CS focuses on the location of its branches to ensure that they are in underdeveloped areas whenever possible. This gives the residents in these areas easy access to a possible employment opportunity. This was evident in the recent opening of branches in Johannesburg and in Rustenburg.

MBD CS contributes to the community through the Nisela Trust. Nisela's primary mission is the upliftment of MBD CS employees, their immediate families and their respective communities.

One of the key areas in which Nisela's mission will be fulfilled is through education. As education is broad in its nature, Nisela identified various initiatives to kick-start its endeavours to uplift its stakeholders:

- Educational Scholarships to MBD CS staff and their families;
- Remarkable Lives Programme; and
- Career Exploration Programme.

Nisela helps people to grow personally and develop themselves. Nisela encourages growth through inspirational conversations that are aimed at allowing ideas to grow and develop in people's minds thereby translating those ideas into actions. Nisela plays an important role in fostering relationships between individuals with the aim of developing individual talent and cultivating success through personal wellbeing and happiness.

Principa Decisions

Principa Decisions is actively involved in CSI and enterprise development activities which during the year included financial support for various non-profit organisations, especially those involved in the provision of education.

The business also donated food to a homeless shelter in Johannesburg and sponsored an event for the Women's Hope Education and Training Trust in support of the 'Women Against Abuse' campaign.

Paycorp

Paycorp Holdings provides products and services that increase and enhance financial inclusion in South Africa. Together with supporting entrepreneurship, financial inclusion is one of Paycorp's key Strategic thrusts.

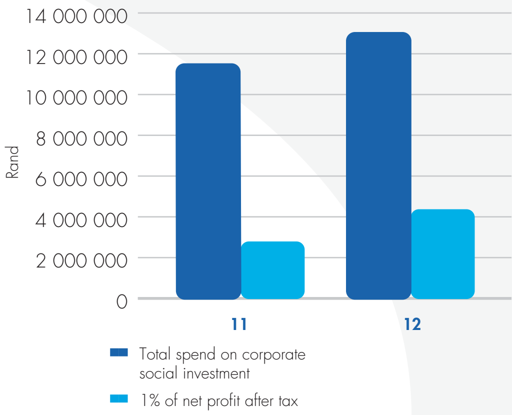
In the past year, 40% of all new ATM installations were located outside of urban areas and today almost half of the business' ATMs are in rural and peri-urban locations. 94% of banked South African adults access their accounts via an ATM, 73% via a branch, 10% via a cellphone and 6% via the internet (AMPS 2012).

With 37% of the adult population in South Africa being rural dwellers, the installation of non-urban ATMs has brought cash closer to home for a large proportion of the population who can now access an ATM more easily. Paycorp's machines also deploy value products such as prepaid electricity and airtime which has considerably improved people's way of life.

Paycorp allows 'Mzansi' account holders to use its equipment, specifically ATMs, at discounted rates ('Mzansi Accounts' are limited fee accounts aimed at the previously unbanked market).

The business also supports a children's home on a monthly basis by providing food, and arranges quarterly events for the children and Paycorp's employees.

CSI spend



A minimum of 1% of NPAT of each business is committed to CSI projects.

CASE STUDY

STORY FROM MBD CS EMPLOYEE

"We receive numerous free training programmes and are encouraged to improve our skills."

My saving grace

For as long as I can remember, my mother has always endured hardship to provide for me and my four younger siblings. There were often times when my single mother was unable to put food on the table and struggled to find a job as a domestic helper, just so she could feed her children. It was through her countless acts of selflessness that I was inspired to help her, so after matriculating, I put studying aside and got a job.

In 2008, I got my first temporary job at MBD CS as a cleaner. After spending numerous hours just observing collectors through the window, I realised that it was a position that I was passionate about and so a year later I took the leap and applied. I managed to pass the assessments, but unfortunately didn't get the position because of my poor typing skills. Thankfully, I went from temporary cleaner to permanent cleaner and was blessed with the security of a job that could help my family survive.

In early 2011, I came across the Ambassador programme in the *Ngage* magazine and decided to nominate myself, not really knowing exactly what it was all about. It was in August 2011 that my hard work finally paid off and I realised my dream of becoming a collector at MBD CS. On top of that, my self-nomination saw me being chosen as the Ambassador for the Klerksdorp branch and now I am able to attend the skills development facilitator training together with my supervisors.

I have so much to be grateful for and MBD CS has given me so many opportunities. We receive numerous free training programmes and are encouraged to improve our skills. I plan on furthering my studies through Unisa next year as I want to achieve a marketing or business management qualification and give back much more than I received.

Introduction

The foundation for effective leadership is embedded within Transaction Capital's values of integrity, competence, respect and innovation, all of which permeate through the way the group conducts itself. A high level of individual and collective responsibility, accountability, fairness and transparency ingrained at a board level inculcates a culture of risk awareness, ethical behaviour and value creation throughout the group.

The Transaction Capital board of directors is the focal point of the group's corporate governance system and is ultimately responsible and accountable for the performance, activities and control of the group to all stakeholders. In this regard, the board is responsible for strategic direction and sets the values formulated in the group's values and ethics charter. Conduct by both the board and management is aligned with these values. A stakeholder-inclusive approach to governance is followed and the board ensures that all deliberations, decisions and actions are based on the values of responsibility, accountability, fairness and transparency.

The board is committed to achieving the highest standards of integrity, professionalism and ethical behaviour.

The governance and compliance framework

The corporate governance framework facilitates a balance between the board's role of providing direction and oversight with accountability to support consistent compliance with regulatory requirements and acceptable risk parameters while encouraging entrepreneurial behaviour, which remains the key driver of group performance.

Governance processes in the operating subsidiaries are aligned with the governance framework established by Transaction Capital. Each subsidiary has its own advisory board of directors and the strategies, business plans and performance criteria for each business are clearly defined. Appropriate key performance indicators for measuring and monitoring performance to achieve these strategies have been implemented.

The subsidiary boards play an advisory role, including the review and provision of counsel on the corporate strategy, business plans, risk propensity and budgets. These boards include non-executive directors in relation to those companies, some who may be executive directors of Transaction Capital. These directors are of sufficient calibre and experience for their views to carry significant weight in the decisions of the group chief executive and subsidiary chief executives, who have line authority, responsibility and accountability delegated by the Transaction Capital board.

King III

Transaction Capital's key points of reference for its governance structures are the principles and recommended practices, where applicable, of the King Code on Governance Principles for South Africa 2009 (King III). In addition to this corporate governance framework, the board is committed to complying with all legislation, regulations and best practices relevant to the group. The board regards the process of analysing and monitoring adherence to adopted governance frameworks as dynamic and endeavours to continually improve the governance structures within the group.

The directors are not aware of material non-compliance with the principles as set out in King III other than for the following exceptions:

4.2 The board should determine the levels of risk tolerance

Risk tolerance levels have been set and approved by the board for material risks such as credit risk. Tolerance levels have however not been determined for all material risks and are in the process of being finalised. The extent of risks taken will be measured against these tolerance levels in the 2013 financial year.

9.3 Sustainability reporting and disclosure should be independently assured

A process for independent assurance of sustainability reporting and disclosure will be proposed to the audit committee during the 2013 financial year and will be implemented over an agreed period.

CHAIRPERSON'S REPORT pg 32

Board of directors

The board provides effective and responsible leadership based on an ethical foundation by directing strategy and operations in support of a sustainable business, while considering the short- and long-term impacts thereof on society, the environment and stakeholders.

The primary task of the board is to appoint the chief executive officer (CEO) and thereafter to monitor his/her management of the performance of the assets and resources of the group relative to an approved strategy and financial objectives.

The board recognises that strategy, risk, performance and sustainability are inextricably linked. The board informs and approves the strategy and ensures that strategy is aligned with the purpose of the company, the business' value drivers and the legitimate interests and expectations of stakeholders.

Ultimately responsible for governance, the board has specific responsibility to monitor the management of risks in the reputational and sustainability risk categories of the enterprise-wide risk management framework. Details of the categories of risks managed by the board sub-committees is included from page 70 to page 73 in the 'Our material Issues' section of the integrated annual report.

The board is supported by appropriately mandated sub-committees: the executive committee, audit committee, risk and compliance committee, nominations and remuneration committee, assets and liability committee and the social and ethics committee, to manage specific responsibilities on behalf of the board. Both the audit committee and the social and ethics committee fulfil the statutory governance requirements on behalf of all entities in the group.

The board acts as the custodian of corporate governance and a formal charter that has been approved by the board, sets out its responsibilities in this regard:

- scanning the environment to understand and anticipate economic, industry and competitive threats likely to affect the company;
- reviewing and evaluating the present and future strengths and weaknesses of the company;
- approving and reviewing the company's competitive strategy and adopting business plans and budgets for the achievement thereof;
- retaining full and effective control of the company by monitoring, evaluating and directing management's implementation of board-approved strategies, structures, plans and budgets;
- establishing and monitoring a relevant set of financial and non-financial measures and indicators to predict, measure and control the performance of the company, its business risk and the implementation of its strategy to achieve its objectives;
- ensuring that appropriate systems are in place to identify, monitor and manage business risks and to ensure regulatory and legal compliance;
- ensuring the relevant systems, policies and procedures are operative to ensure control and the devolution of authority and responsibility;
- approving the annual budget;
- approving specific financial and non-financial objectives;
- reviewing investment capital and debt funding proposals;
- defining levels of materiality and authority for commitments made on behalf of the company;
- considering the adoption of any significant changes in accounting policies and practices, the extent of debt permitted by the group, annual general meeting agendas, changes to the memorandum of incorporation and compliance with the JSE Limited Listings Requirements and other relevant regulations;
- reviewing the company's audit requirements;
- acting in the interests of company's stakeholders;
- ensuring ethical behaviour and compliance with laws and regulations and the company's own governing documents, codes of conduct and ethical standards;
- committing to the principles of good corporate governance and ensuring that compliance is reviewed regularly;
- ensuring comprehensive reporting to stakeholders;
- approving the preliminary financial statements, annual report and other reports and announcements to shareholders;
- considering the declaration of dividends; and
- approving the board's yearly work plan as formulated by the chairman, CEO and company secretary.

The board is satisfied that it discharged its duties and obligations during the year under review.

Board appointments, evaluations and processes

Biographies of directors of the company appear in the "Directorate" section of the integrated annual report. Transaction Capital has a unitary board structure comprising the following members:

Independent non-executive directors (6)

- Christopher Seabrooke (chairperson)
- Phumzile Langeni
- Brenda Madumise
- Cedric Ntumba
- Dumisani Tabata
- David Woollam

Non-executive director (1)

- Shaun Zagnoev

Executive directors (6)

- Mark Lamberti (chief executive officer) (CEO)
- Jonathan Jawno (deputy chief executive officer)
- David Hurwitz (chief financial officer) (CFO)
- Michael Mendelowitz (chief investment officer)
- Steven Kark (executive director)
- Roberto Rossi (executive director)

In line with King III, the majority are non-executive directors, six of whom are classified as independent.

Chairperson

The offices of the chairperson and CEO are separate. The chairperson, Christopher Seabrooke, is an independent non-executive director. The leadership of the board is the responsibility of the chairperson. The board appoints the chairperson from among its members. The board, assisted by the nominations and remuneration committee, is responsible for the succession plan for the chairperson. The chairperson's performance is reviewed as part of the board's annual self-assessment.

Chief executive officer

Mark Lamberti is the CEO of the group. The leadership of the group is the responsibility of the CEO. The board appoints the CEO and sets the terms of his/her employment contract. The task of the CEO is to direct the group and to implement the strategies, structures and policies adopted by the board. All board authority conferred on management is delegated through the chief executive officer. The chairperson, annually during November, facilitates a comprehensive formal performance appraisal of the CEO comprising a self-evaluation, an evaluation by each non-executive director and an evaluation by his direct reports by way of questionnaires.

Skill, expertise and experience requirements

The directors bring independent judgement and experience to the board's deliberations and decisions. Non-executive directors are chosen for their business skills and expertise appropriate to the strategic direction of the company. The nominations and remuneration committee and the board consider diversity of academic qualifications, technical expertise, industry knowledge, experience, business acumen, race and gender when appointments to the board are considered.

Appointment and induction process

The nominations and remuneration committee assists with the identification of suitable board members and performs background and reference checks prior to the appointment of directors by the board. Letters of appointment are issued to directors. No individual or block of individuals has unfettered powers of decision-making. New directors are introduced to the group by way of a formal induction programme implemented under the responsibility of the company secretary. This programme consists of an information pack, detailed discussions on the environment and operations of each of the major subsidiaries as well as site visits.

Consultation process

Following consultation with the chairperson, directors are encouraged to take independent advice where necessary, at the company's cost, for the proper execution of their duties and responsibilities. In addition, directors have unfettered access to the group's auditors, professional advisors and to the advice and services of the company secretary. Directors may attend any committee or subsidiary board meeting after advising the CEO and have unrestricted access to any information generated by the group.

Assessment of the effectiveness of the board

A formal performance evaluation of the board is conducted annually by means of a self-evaluation questionnaire, in which the mix of skills, performance during the year, contribution and independence of individual directors, and effectiveness of committees are reviewed. Results of the evaluations provide the basis for improvement of the board and its committees for the following year.

DIRECTORATE AND EXECUTIVE COMMITTEE pg 14

Performance of the executive directors is evaluated annually using the performance management system implemented throughout the group.

Based on the annual evaluations undertaken during November 2012, the board is satisfied that:

- all directors are committed to their roles and are performing at acceptable standards;
- the board and its committees are effective and operating to an appropriate standard;
- the group's risk management processes are operating effectively;
- all directors and committee members are considered to have the appropriate qualifications, experience and skills required to fulfil the committee's mandate; and
- independent non-executive directors meet the criteria of independent directors in terms of King III.

Succession planning

The nominations and remuneration committee is responsible for formal succession plans of the board, the CEO and the CEO's direct reports. A review of the succession plans is conducted by the committee annually. On approval of the succession plans, the CEO conducts alignment discussions with potential successors which may result in direct development interventions.

Company secretary

Peter Katzenellenbogen was appointed as company secretary in September 2009. He is not a director of the company. He has a BCom in accounting and is a Chartered Accountant (SA). In addition he has many years' experience in the company secretarial department of an audit and accounting firm.

All directors have access to his services and advice and he supports the board as a whole and the directors individually with regard to their duties.

The company secretary is required to fulfil his duties under the Companies Act and the JSE Limited Listings Requirements and to ensure that appropriate procedures and processes are in place for board proceedings. He is a resource in the company on governance, ethics and legislative changes. He is entitled to obtain independent advice to achieve these objectives and/or at the request of the board and its committees.

The board is satisfied that his qualifications, experience and competence are adequate for his position.

The board confirms that the company secretary is not a director of the company and maintains an arm's length relationship with the board.

Board meetings

Directors are required to attend all board meetings. The board works to a formal agenda that covers strategy, operational performance, risk and governance. Progress against the group's strategic thrusts is reported on at each meeting. The company secretary is responsible for circulating the agenda and other meeting papers in good time. Formal board papers are prepared for each discussion item on the meeting's agenda including reports by the CEO and CFO.

At least four board meetings are held annually, one of which includes a strategic review. Meeting attendance is detailed in the table below:

Board sub-committees		Board	Executive committee	Audit	Nominations and remuneration	Risk and compliance	Asset and liability	Social and ethics
Number of meetings held for the year		6		4	3	4	4	2
Board members								
Christopher Seabrooke	Independent non-executive	6/6			3/3	2/4	3/4	
David Woollam*	Independent non-executive	4/4		3/3		3/3	3/3	
Phumzile Langeni	Independent non-executive	5/6		3/4	3/3			2/2
Dumisani Tabata	Independent non-executive	4/6			2/3			
Brenda Madumise	Independent non-executive	5/6						2/2
Cedric Ntumba*	Independent non-executive	1/1		1/1				
Shaun Zagnoev	Non-executive	6/6			3/3			
Mark Lamberti	Executive	6/6	7/7			2/4	1/4	2/2
David Hurwitz*	Executive	4/4	7/7			3/3	4/4	
Jonathan Jawno	Executive	6/6	7/7			3/3	3/4	
Michael Mendelowitz^	Executive	6/6	5/5					
Roberto Rossi^	Executive	6/6				4/4		
Steven Kark	Executive	5/6	7/7					
Board members who resigned during the year								
Tim Jacobs#	Executive	2/2	2/2			2/2		
Rob Shuter#	Independent non-executive	2/2		1/2				
Dr Len Konar#	Independent non-executive	0/1		1/1				

* *Appointed during the year*
\# *Resigned during the year*
^ *Previously a non-executive director. Appointed as an executive director during the year*

BOARD SUB-COMMITTEES

	Nominations and remuneration	Risk and compliance	Asset and liability
Chairperson	Dumisani Tabata[1]	David Woollam[1]	Jonathan Jawno
Members	Phumzile Langeni[1] Shaun Zagnoev	Christopher Seabrooke[1] Mark Lamberti David Hurwitz Roberto Rossi Charl van der Walt[2] Zelda van Heerden[2] Ian Wood[2] Dawid Spangenberg[2] Stephen Williamson[2]	Christopher Seabrooke[1] David Woollam[1] David Hurwitz Mark Lamberti Mark Herskovits[2] Stephen Williamson[2]
Risk categories managed	People	Operational Compliance Credit Insurance and assurance	Funding Capital
Number of meetings	At least twice per year	At least four times per year	At least four times per year
Number of independent non-executive directors	Minimum of two Currently two independent non-executives	Minimum of one Currently two independent non-executives	Minimum of one Currently two independent non-executives
Progress made during the year	– Approved short-term incentive for the Top 50 – Approved a succession plan for the CEO – Recommended the appointment of David Hurwitz as CFO – Recommended the appointment of Cedric Ntumba and David Woollam as independent non-executve directors	– Performed independent risk assessments across the group – In-depth focus on specific risks with resultant documented policies – Enhanced and standardised compliance reporting from subsidiaries – Ongoing monitoring and reporting of the group's regulatory environment – Improving the risk management framework	– Approved short-term funding policy – Approved a cash investment policy – Improved the management of interest rate risk through a refined analysis of its profit and loss impact on the group

	Social and ethics	Audit	Executive committee
Chairperson	Brenda Madumise[1]	David Woollam[1]	Mark Lamberti
Members	Phumzile Langeni[1] Mark Lamberti Laura Acres[2]	Phumzile Langeni[1] Cedric Ntumba[1]	Jonathan Jawno David Hurwitz Michael Mendelowitz Steven Kark Charl van der Walt[2] Terry Kier[2] Stuart Stone[2]
Risk categories managed	Transformation	Accounting Tax Information technology	Strategy New business acquisition
Number of meetings	At least twice per year	At least four times per year	At least ten times per year[3]
Number of independent non-executive directors	Minimum of one Currently two independent non-executives	Minimum of three Currently three independent non-executives	Not applicable
Progress made during the year	– Establishment of the committee and acceptance of charter – Adoption of a transformation framework for the group	– Annual work plan approved and implemented to ensure all statutory and governance processes are performed in line with the committee's charter – Improved reporting on tax and accounting issues as a result of enhanced resourcing in the group – Improvement in co-ordination between internal and external audit resulting in efficiencies	– Recommended to the board that Transaction Capital be listed on the JSE Limited – Increased inter-company transacting between the businesses in the group – Designed the new short- and long-term incentive schemes

[1] *Independent non-executive director*
[2] *Member of management*
[3] *No executive committee meeting was scheduled for February 2012 and the meetings for April and May 2012 were cancelled in preparation for the IPO resulting in seven meetings held for the year*

The oversight function of the board sub-committees is outlined in detailed approved charters. Included in each committee's charter is the imperative to enhance the standard of governance within the group along with clearly defined delegated authority and reporting procedures. The board receives formal feedback from the chairperson of each committee at each of its meetings. Copies of the minutes of committee meetings are included in board documentation.

Nominations and remuneration committee

Function of the committee

REMUNERATION REPORT pg 104

The committee provides independent oversight and makes recommendations to the board on the appointment of directors and the CEO and on the compensation of non-executive directors, the CEO and the CEO's direct reports as well as appropriate remuneration policies in the group.

Responsibilities

The committee operates on delegated mandates from the board and can investigate any activity within its scope.

The committee's roles and responsibilities with regards to nominations are the following:

- establishes a formal process for the appointment of directors, which includes the identification of suitable candidates, performing reference and background checks and formalising the appointment of directors through appropriate agreements;
- oversees a formal induction programme for new directors;

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- ensures that inexperienced directors are developed through a mentorship programme;
- oversees the development and implementation of continuous professional development programmes for directors;
- provides regular briefings on changes in risks, laws and the environment in which the group operates;
- considers the performance of directors and takes steps to remove directors not making appropriate contributions; and
- establishes formal succession plans for the board, CEO and senior management appointments.

The committee's roles and responsibilities with regards to remuneration are the following:

- oversees the determination of remuneration throughout the group as per an established remuneration policy and reviews the outcomes to confirm that objectives have been achieved;
- ensures that the remuneration policy is put to a non-binding advisory vote at the annual general meeting;
- ensures that the vesting of incentives is based on appropriate and accurate performance measures;
- ensures that benefits of financial arrangements, including retirement benefits are correctly valued;
- considers the performance of the CEO and his or her direct reports in determining appropriate remuneration;
- regularly considers incentive schemes to ensure that they contribute to shareholder value and are appropriately administered;
- advises on non-executive remuneration;
- oversees the preparation of and recommends the remuneration report to the board; and
- confirms that the integrated report as it deals with remuneration is accurate, complete and transparent; that it provides a clear explanation of how the remuneration policy is implemented and that it provides sufficient forward-looking information for shareholders to fulfil statutory requirements.

Meetings

Members of the committee are required to attend all meetings.

Attendance is set out in the table on page 95.

Risk and compliance committee

Function of the committee

The committee assists the board to ensure that:

- an appropriate process for the determination of risk appetite and risk tolerance is followed and that this is reviewed as required;
- the monitoring of the implementation of risk appetite and risk tolerance is effective and delivers the expected results;
- an effective risk management policy and plan have been implemented to enhance the ability to achieve strategic objectives;
- disclosure with regards to risk is comprehensive, timely and relevant; and
- risk management is appropriately entrenched and that management represents the key line of defence in the pro-active management of risk.

Responsibilities

The committee has the following specific responsibilities:

- overseeing the development and annual review of a risk management policy and plan for recommendation to the board for approval;
- monitoring implementation of the risk policy and plan;

- making recommendations to the board on the levels of risk tolerance and risk appetite acceptable in the environment;
- monitoring the management of risks within the group's board-approved levels of tolerance and appetite;
- overseeing the communication and integration of the risk management plans in the group's daily operations;
- ensuring that risk assessments are performed on an ongoing basis;
- ensuring that appropriate frameworks and methodologies are implemented to increase the possibility of anticipating risks effectively;
- ensuring that risks are interrogated for duplication between business processes resulting in the potential impact on the group being significantly more than if identified separately;
- ensuring that the interrogation of risks also includes investigation of potential opportunities;
- ensuring that management considers and implements appropriate risk responses;
- ensuring continuous risk monitoring by management;
- liaising closely with the audit committee on matters relevant to risk that impact the functioning of the audit committee;
- expressing the committee's formal opinion to the board on the effectiveness of the systems and processes of risk management; and
- reviewing the disclosure of risk management in the integrated report for relevance, completeness and timeliness.

Meetings

Members of the committee are required to attend all meetings.

Attendance is set out in the table on page 95.

The committee acts in terms of delegated mandates from the board and has the power to investigate any activity within its scope.

Asset and liability committee (ALCO)

Function of the committee

The ALCO monitors and manages all capital related risks as these relate to the group's assets, liabilities, anticipated growth and required funding, in line with a philosophy of conservative funds management. The ALCO is also charged with the responsibility of ensuring flexibility of funding and liquidity as required by changing economic and business conditions.

Responsibilities

The ALCO sets and maintains funding policies and monitors and reports on compliance with these policies throughout the group. Subsidiary management is responsible for the implementation of funding policies in the businesses.

In addition, the committee has been delegated by the board to review and report on a regular basis with regard to:

- progress on implemented funding strategies;
- economic conditions;
- interest rate outlooks;
- asset growth and facility demands; and
- liquidity positions.

Meetings

Members of the committee are required to attend all meetings.

Attendance is set out in the table on page 95.

Social and ethics committee

Function of the committee

The committee ensures that the group is and is seen to be a responsible corporate citizen and that the group's ethics are managed effectively. This committee acts on behalf of all legal entities in the group.

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Responsibilities

The committee is responsible for monitoring the group's activities relating to:

- Social and economic development, guided by the:
  - 10 principles set out in the United Nations Global Compact Principles;
  - OECD recommendations regarding corruption;
  - Employment Equity Act; and
  - Broad-Based Black Economic Empowerment Act.
- Good corporate citizenship, encompassing:
  - promotion of equality, prevention of unfair discrimination and reduction of corruption;
  - contribution to development of communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
  - record of sponsorship, donations and charitable giving.
- The environment, health and public safety, including the impact of the group's activities and of its products and services.

SOCIAL AND ETHICS COMMITTEE REPORT pg 119

- Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws.
- Labour and employment, including:
  - the group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
  - the group's employment relationships and contribution toward the educational development of its employees.
- Any other sustainability matters.

Meetings

Members of the committee are required to attend all meetings.

Attendance is set out in the table on page 95.

Audit committee

AUDIT COMMITTEE REPORT pg 117

A charter setting out the composition, role, authority, responsibilities and meeting requirements has been approved by the board and is reviewed annually. The chairperson attends the company's annual general meeting. Members are required to attend all scheduled meetings.

The functioning of the audit committee including the composition, role and authority and responsibilities are discussed in the 'Audit committee report'.

Executive committee

Function of the committee

The primary purpose of the executive committee is to contribute to the architecture, and be the custodian of group and subsidiary strategies. The secondary purpose is to facilitate the implementation of intra-group or inter-divisional collaborative activities that enhance the value of the group or its parts beyond that which would otherwise be achieved.

As the most senior executives of Transaction Capital the members of the executive committee provide and exhibit the highest standards of individual and collective leadership at all times. The ability to engender the respect and willing followership of others is a prerequisite for membership, ranking higher than any functional or technical expertise or the size and performance of the asset or function for which the executive has responsibility.

Responsibilities

The executive committee must:

- conduct environmental, industry and competitive reviews to determine and analyse opportunities and threats facing the group and its constituent parts;
- constitute a balanced portfolio of complementary assets, assembled on the basis that their value and performance is enhanced both by Transaction Capital's ownership and their interface with other group companies;
- define strategies that will provide the group and its constituent part with a differentiated superior market position relative to competitors;
- formulate operating plans, objectives, measures and controls, to translate the above strategies into long-term superior financial performance;
- design and align the group and subsidiary organisational structures to implement and control the strategies, plans and objectives as described above;
- inculcate a performance ethos throughout the group by means of appropriately aligned human capital strategies and policies regarding: attraction, recruitment, selection, induction, assessment, development, remuneration, retention, transformation and succession, with particular emphasis on the most senior executives and managers;
- establish the structures, policies and practices to ensure the quality of oversight, governance and control expected of a leading public company;
- formulate the measures and reports necessary to proactively monitor and control human, asset and financial performance;
- propose corrective action when planned objectives are not being achieved; and
- review regularly and respond appropriately to the organisation's internal strengths and weaknesses.

Meetings

Members of the committee are required to attend all meetings.

The board's approach to compliance

The board actively reviews and enhances the company's systems of controls and governance to ensure that the business is managed ethically in conformity with accepted standards of best practice.

Regulatory compliance is non-negotiable, an approach which is explicitly articulated in the group's values and ethics charter. Suitably qualified compliance officers are employed in group businesses where there is a high level of regulatory interaction and reporting. The roles of the compliance officers are to:

- identify the universe of relevant legislation;
- prepare relevant audit programmes relating specifically to the legal compliance and audit the level of compliance; and

- recommend improvements to the functional heads within the businesses, and assist with implementation.

A centralised compliance assurance function was initiated during the year under direction of the group assurance executive, in close co-operation with the compliance officers of the underlying businesses. The main purpose of the function is to provide assurance to the board with regard to compliance. The roles of the centralised compliance officers are to:

- identify business processes, and then (together with internal audit) audit the level of compliance;
- report to the business as to the levels of compliance; and
- report to main Transaction Capital and subsidiary boards, to provide assurance on levels of compliance.

The assessment of compliance is reported as adequate and/or effective and includes recommendations for improvements. No fines or non-monetary sanctions for non-compliance were levied against any company in the group during the year under review.

The group has an independent ethics hotline operated by an external service provider. 'Whistleblowers' can contact the tip-off line anonymously and reports are directed to the group assurance executive for escalation or investigation. In addition reporting of unethical or fraudulent behaviour to line management and the respective human resource departments of the group's businesses is encouraged.

Regulatory environment

Transaction Capital's businesses are governed by a wide range of regulatory requirements. Legislation most relevant to the group includes the:

- National Credit Act (NCA)
- Debt Collectors Act
- Financial Advisory and Intermediary Services Act (FAIS)
- Financial Intelligence Centre Act (FICA)
- Consumer Protection Act (CPA)
- Competitions Commissions Act
- Companies Act
- Income Tax Act
- Value-added Tax Act
- JSE Listings Requirements

Compliance with best practice and industry-relevant guidelines is required.

The board, supported by the risk and compliance committee, is responsible for keeping abreast of changes to the legislative landscape. Of particular relevance to the group during 2013 is the proposed Protection of Personal Information (POPI) legislation, which will have a significant impact on all group businesses. Gap analyses in business processes have been, or are in the process of being, performed to ensure preparedness for compliance when the POPI legislation becomes effective.

One request for information was received in terms of the Promotion of Access to Information Act during the year, and was appropriately dealt with.

The board approves group-wide policies, which during the year included the Competition Policy and the Policy for Dealing in Securities (following the listing on the JSE Limited).

To support compliance with and administration of tax-related issues in all group businesses, a corporate tax specialist was appointed during the year. This has enhanced the management of tax issues throughout the group as well as reporting to the audit committee and board.

Internal audit

The group assurance executive reports functionally to the chairperson of the audit committee and has direct access to all executives.

An effective risk-based internal audit function is established that systematically analyses and evaluates business processes and associated controls. The internal audit methodology reviews end-to-end business processes to support the appropriate identification of all inadequacies and inefficiencies. Internal audit reporting includes comments on the company's internal controls, risk management and governance processes.

Internal audit provides information on instances of fraud, corruption, unethical behaviour and other irregularities to the appropriate level of management/executive and/or non-executive directors. The internal audit function adheres to the Institute of Internal Auditors' standards and code of ethics and continuously promotes the values and ethics set out in the Transaction Capital values and ethics charter. A written assessment on the adequacy and effectiveness of the system of internal controls, risk management and governance processes, is provided annually.

Apart from internal audit's assurance role, the function acts as trusted advisor to executive management in the subsidiaries. It encourages and supports management's ability to advance the level of management assurance as part of the group's combined assurance model.

CASE STUDY

IN SOURCING FOR COMPETITIVE ADVANTAGE

"What makes an in-house capital markets capability a valuable asset?"

The evolution of a capital markets capability

The decision to create or outsource a specific capability ranks high among a company's most important strategic choices. Such a decision is particularly difficult when the capability is core to the business, but easily accessible externally.

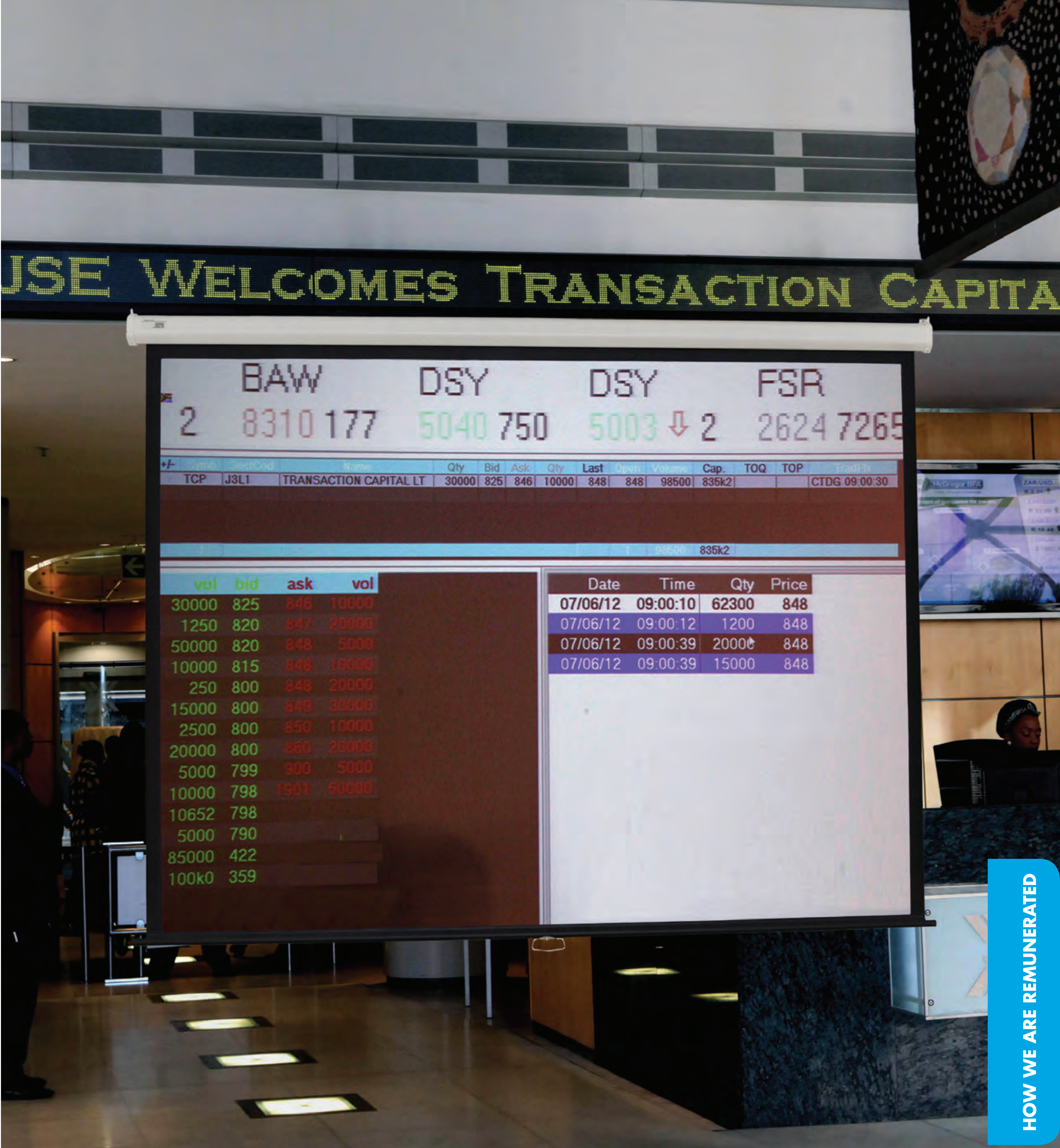
Such was the situation facing Transaction Capital in its formative years. Deep expertise was required to raise the debt capital necessary to fund asset growth, but rather than utilise the services of banks and other external debt capital experts, the directors chose to develop an internal debt capital market capability.

The decision to invest in the scarce skills necessary to innovate, place, implement, manage and report on bespoke funding structures has allowed the group to issue more than R18 billion of debt since 2006. This performance, spanning the most difficult years of the global financial crisis – was in large part attributable to the group's creativity in meeting the specific requirements and mandates of a broad spectrum of investors.

Using a "bottom-up" approach, the debt capital market division has successfully funded the growth of subsidiaries by conservatively leveraging the capital reserves necessary to meet financial covenants and to sustain possible exogenous shocks with adequate debt capital. Liquidity risk is mitigated by average debt maturities exceeding average asset durations, and by limiting exposure to short-term, bullet and rolling debt instruments. The group's debt market performance is evidence of the attractiveness of its high yielding operating assets, its transparent ring-fenced funding structures, and the quality of its relationships with debt capital investors.

From the outset, Transaction Capital has fostered direct relationships with a variety of funders in diverse capital pools by understanding their changing needs through economic cycles, and offering flexible solutions through efficient, innovative and diverse structures on market-related terms that rendered adequate risk-adjusted returns. These relationships were nurtured by providing the necessary information about the group's strategy, outlook, asset classes and risks to provide a clear, transparent understanding of the expected yields and risks involved in investing in the group.

The role and capabilities of the capital market team have expanded in concert with the requirements of the group, and today the Capital Markets Division provides Transaction Capital with a unique and differentiated ability to raise debt and equity at a transaction cost substantially lower than could be obtained otherwise.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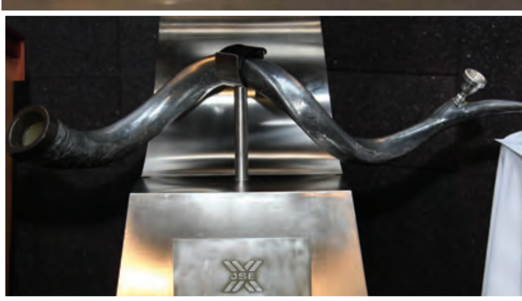

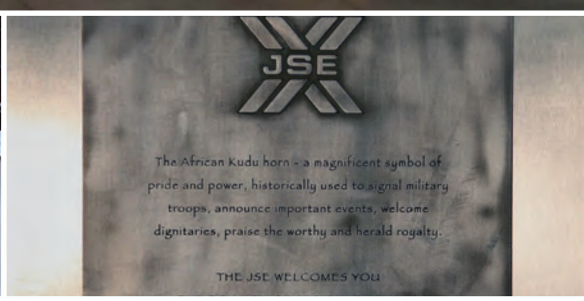
JSE
The African Kudu horn - a magnificent symbol of pride and power, historically used to signal military troops, announce important events, welcome dignitaries, praise the worthy and herald royalty.
THE JSE WELCOMES YOU

REMUNERATION REPORT

Introduction

Transaction Capital considers compensation a critical determinant of organisational performance and sustainability. This view is founded on the belief that stakeholder's interests are best served by the sequential alignment of strategy, business model, structure, staffing and compensation. Without the attraction, motivation and retention of the highest available calibre of staff, the best strategies, business models and structures will fail.

These principles are reflected in Transaction Capital's Strategic thrust 4, which emphasises the group's commitment to invest in human and intellectual capital. This investment is not random. It is informed firstly by the view that in every field of endeavour there is a normal distribution of talent and secondly that the performance and sustainability of Transaction Capital will correlate highly with where its employees rank within that distribution. Put simply: the better our people, the better our company.

While we are acutely aware that extrinsic rewards are not the only determinant of an individual's performance, our compensation policies are directed at ensuring that the most talented people at all levels consider Transaction Capital as a preferred employer.

Governance of compensation

CORPORATE GOVERNANCE REPORT pg 91

The success of Transaction Capital is reliant on a wide range of leadership, managerial, functional and technical skills. Many of these are unique to specific subsidiaries, departments or organisation levels. The manner in which compensation is determined and controlled is reflective of this, subject to the following policies:

- Compensation is defined on a cost-to-company basis with all benefits included and fully taxed.
- Any change to the compensation of any individual at every level of the company must be approved by the manager of the individual's supervisor, with the nominations and remuneration committee recommending to the board the compensation of the chief executive officer (CEO)and his direct reports.
- As part of the annual budgeting process, the group executive office provides guidelines on the percentage increase of fixed compensation to be applied throughout the group. These percentages generally take account of: increases in the CPI; individual performance; and level in the organisational hierarchy, with percentages often decreasing at higher levels.
- Individual subsidiaries and departments employ formal and informal research to determine market norms for positions similar to theirs.
- Monthly or annual performance incentives are used as appropriate to drive specific behaviours supportive of group, subsidiary or departmental performance. In certain instances a portion of these incentives is deferred to enhance retention.
- While the most senior executives are employed by different subsidiaries or departments, Transaction Capital regards these individuals as a group resource to be deployed wherever and whenever necessary in the interests of both the group and the individual's career development. As such their compensation policies are determined by the group executive office, with reference to regular formal surveys of compensation for similar positions.
- In those instances where an executive's decisions are likely to have a material impact on shareholder value, an element of their compensation may be aligned with the medium- to longer-term appreciation of the value of Transaction Capital.
- No employees or directors have employment terms that exceed six months' notice apart from the group CEO, whose current service agreement expires on 30 November 2013, whereafter he will be subject to a six month notice period.

Compensation principles

General staff

Throughout Transaction Capital, fixed and variable compensation policies and practices are structured to attract, motivate and retain the specific talent and skills required at each level for the progress of the group and its subsidiaries. For the most part these policies are determined by, and according to the requirements of, subsidiaries or departments within the governance constraints described above.

Leadership

The most senior leadership and talent pool is handled differently. Transaction Capital regards their individual and collective intellectual acuity, education, experience, and industry knowledge as a core capability and a source of competitive advantage. As such they are classified as members of the Top 50 and their compensation (together with their recruitment, performance, development and succession) is monitored directly by the chief executive officer with assistance from his direct reports.

Top 50 compensation strives to attract, reward and retain individuals in the 80th percentile of education, expertise and experience, using three major different forms of compensation:

- Total guaranteed pay (TGP) around the 60th percentile of the market. The TGP provides executives with a competitive stable income.
- Variable short-term incentives (STI) for superior quantitative and qualitative performance, paid annually such that TGP plus STI is positioned around the 80th percentile of the market. The STI rewards behaviour that results in the achievement of specific corporate objectives while enhancing retention.
- A long-term incentive (LTI) related to the appreciation of the company's share price, realisable over two to five years. The LTI creates alignment with shareholders and is also a retention mechanism.

2012 Executive Compensation

Overview

The following Top 50 statistics provide an overview of executive compensation during the financial year:

- Membership increased by 4.4% from 68 to 72 members;
- TGP increased by 17.2% from R96 905 500 to R113 535 954; and
- STI increased by 73.7% from R62 362 631 to R108 326 328.

Short-term incentive

Rules were established to ensure the affordability of the 2012 STI scheme, the most important being that STI payments to group Top 50 executives could not exceed 10% of group earnings and similarly STI payments to subsidiary Top 50 executives could not exceed 10% of that subsidiary's profits before tax and executive incentives. Furthermore the qualitative incentive was only payable if there was growth, or the budgeted headline earnings per share/profit before tax was achieved after the incentive expense.

The 2012 STI was based on:

- growth of group earnings per share above CPI or growth of subsidiary profit before tax above CPI, with exponentially higher month's TGP awarded for higher levels of growth; and
- no more than four qualitative criteria aimed at the achievement of individual or company specific objectives.

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The table below indicates the relative apportionment of individual's incentive to quantitative (financial) performance and qualitative (specific non-financial) performance:

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	Quantitative	Qualitative
Executive committee	77%	23%
Divisional chief executive officers	77%	23%
Divisional directors/senior executives	75%	25%
Divisional executives/senior managers	64%	36%

Maximum incentives as a percentage of TGP are shown below:

	% of TGP
Group executive committee	200
Divisional chief executive officers	200
Divisional directors/senior executives	100
Divisional executives/senior managers	58

Long-term incentive

In December 2009, Transaction Capital established a share purchase scheme which sought to align the entrepreneurial ethos and long-term interests of executives with those of shareholders. It was felt that share ownership with the associated downside risk was a more authentic alignment of interests than share options.

The share purchase scheme facilitated voluntary investment by all executives and senior managers at a price based on a weighted basket of publically listed peers and Transaction Capital facilitated the investment by executives by extending loans to them. Annual offers to purchase shares were made based on a percentage of their benchmarked market salary.

The quantum of the annual awards made at various levels is shown below:

Level	Value of award
Senior executives (Paterson F)	100% (130% if 10% is paid in cash)
Executives (Paterson E upper)	70% (100% if 10% is paid in cash)
Senior management (Paterson E lower and D upper)	50%

At year-end 70 executives owned 5.4% of the company through 32 million scheme shares valued at R221 million on which they owed R207 million. The issuance of loans to executives and senior managers to purchase shares was done at full risk to the individuals to ensure alignment with the interests of shareholders. This resulted in no IFRS 2 share-based payment expense and treasury shares being recognised for the year under review.

Executive directors' remuneration

The following table shows a breakdown of the annual remuneration (excluding share awards) of directors for the year ended 30 September 2012:

The comments below provide further background and context to the figures disclosed in the table above:

Mark Lamberti

In terms of the extension of his service agreement, Mark's TGP for the 2012 financial year was increased from R3 359 000 to R4 560 030.

Mark received an incentive bonus of R6 375 000 for the 2012 financial year comprising:

- a quantitative incentive bonus of R2 062 500 for the growth of the group's headline earnings per share, which increased by 21.5% to 78.0 cents;
- a qualitative incentive bonus of R2 062 500 for the overall improvement in the state of the group for the year under review; and
- an extraordinary incentive bonus of R2 250 000 in recognition of the specific role that he played in the initial public offering.

Executive director	Total guaranteed pay 2012 R	Annual incentive bonus 2012 R	Total 2012 R	Total guaranteed pay 2011 R	Annual incentive bonus 2011 R	Total 2011 R
Mark Lamberti	4 560 030	6 375 000	10 935 030	3 359 000	6 600 000	9 959 000
David Hurwitz[1]	1 245 458	3 470 833	4 716 291	N/A	N/A	N/A
Jonathan Jawno	2 361 713	1 600 000	3 961 713	1 963 000	1 295 000	3 258 000
Steven Kark	2 517 707	–	2 517 707	2 371 000	1 070 000	3 441 000
Michael Mendelowitz[2]	1 686 150	666 667	2 352 817	N/A	N/A	N/A
Roberto Rossi[3]	1 333 333	–	1 333 333	N/A	N/A	N/A
Tim Jacobs[4]	1 025 086	N/A	1 025 086	2 941 000	2 406 000	5 347 000
	14 729 477	12 112 500	26 841 977	10 634 000	11 371 000	22 005 000

[1] *Appointed as executive director in April 2012. David received a TGP of R2 261 458 which includes his TGP for the period before he became a director*
[2] *Appointed as group chief investment officer in December 2011*
[3] *Appointed as executive director in February 2012*
[4] *Resigned as a director in January 2012*

David Hurwitz

David was appointed as an executive director in April 2012 and was awarded a TGP of R2 490 915.

He received an incentive bonus of R3 470 833 for the 2012 financial year comprising:

- a quantitative incentive bonus of R1 123 000 for the growth of the group's headline earnings per share which increased by 21.5% to 78.0 cents;
- a qualitative incentive bonus of R1 123 000 for his specific role in the improvement of the group finance function; and
- an extraordinary incentive bonus of R1 224 833 in recognition of the specific role that he played in the IPO.

Jonathan Jawno

Jonathan received a total increase in TGP of 22.3% for the 2012 financial year, from R1 963 000 to R2 400 000, to align his fixed compensation with market norms.

He received an incentive bonus of R1 600 000 for the 2012 financial year comprising:

- a quantitative incentive bonus of R400 000 for the growth of the group's headline earnings per share which increased by 21.5% to 78.0 cents;
- a qualitative incentive bonus of R600 000 for his specific role in the management of risk and capital; and
- an extraordinary incentive bonus of R600 000 in recognition of the specific role that he played in the IPO.

Michael Mendelowitz

Michael was appointed as an executive director in December 2011 and was awarded a TGP of R2 000 000 per annum.

He received an incentive bonus of R666 667 for the 2012 financial year comprising:

- a quantitative incentive bonus of R330 000 for the growth of the group's headline earnings per share which increased by 21.5% to 78.0 cents; and
- a qualitative incentive bonus of R336 667 for his specific contribution in the negotiation of commercial contracts.

Steven Kark

Steven received a 6.2% increase in his TGP for the 2012 financial year, from R2 371 000 to R2 517 707.

He elected to sacrifice his incentive bonus for the 2012 financial year to increase the bonus pool of his executive team within the constraints of the STI rules.

Roberto Rossi

Roberto was appointed as executive director in February 2012 and was awarded a TGP of R2 000 000 per annum. In light of his support roles in SA Taxi and Bayport, Roberto did not receive an incentive bonus for the 2012 financial year.

Prescribed officers' remuneration

Prescriber officer	Total guaranteed pay 2012 R	Annual incentive bonus 2012 R	Total 2012 R	Total guaranteed pay 2011 R	Annual incentive bonus 2011 R	Total 2011 R
Prescribed officer A	3 425 000	2 801 050	6 226 050	3 330 000	3 098 000	6 428 000
Prescribed officer B	2 275 000	2 820 790	5 095 790	2 150 000	2 150 000	4 300 000
Prescribed officer C	2 315 000	2 430 750	4 745 750	2 205 000	1 536 000	3 741 000
	8 015 000	8 052 590	16 067 590	7 685 000	6 784 000	14 469 000

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Non-executive directors' fees

The fees are paid to non-executive directors quarterly in arrears and determined by the board on a market-related basis as recommended by the nominations and remuneration committee.

Board members 2012	C Seabrooke R	D Woollam[1] R	P Langeni R	D Tabata R
Director	–	166 667	250 000	250 000
Chairperson	850 000	–	–	–
Audit committee (chairperson)	–	200 000	–	–
Audit committee (member)	–	–	170 000	–
Asset and liability committee (chairperson)	–	–	–	–
Asset and liability committee (member)	130 000	86 667	–	–
Nominations and remuneration committee (chairperson)	–	–	–	300 000
Nominations and remuneration committee (member)	130 000	–	130 000	–
Risk and compliance committee (chairperson)	–	200 000	–	–
Risk and compliance committee (member)	85 000	–	–	–
Social and ethics committee (chairperson)	–	–	–	–
Social and ethics committee (member)	–	–	65 000	–
Initial public offering committee fees	100 000	100 000	–	–
Subsidiary directorships and fees	–	140 500	–	–
Total Annual Fees	1 295 000	893 834	615 000	550 000

[1] Appointed chairperson of the risk and compliance committee and chairperson of the audit committee, effective February 2012
[2] The fees for Mr Zagnoev are paid directly to Ethos Private Equity of which he is a partner
[3] Appointed as independent non–executive director and member of the audit committee, effective June 2012
[4] Resigned as non–executive director and appointed group chief investment officer, effective December 2011
[5] Resigned as non–executive and appointed executive director, effective February 2012
[6] Resigned as chairperson of the audit committee and as a non-executive director, effective February 2012
[7] Resigned as chairperson of the risk and compliance committee and as a non–executive director, effective February 2012

Board members 2011	C Seabrooke R	P Langeni R	D Tabata R	S Zagnoev[1] R
Director	–	210 000	210 000	210 000
Chairperson	630 000	–	–	–
Audit committee (chairperson)	–	–	–	–
Audit committee (member)	–	157 500	–	–
Asset and liability committee (chairperson)	–	–	–	–
Asset and liability committee (member)	157 500	–	–	–
Nominations and remuneration committee (chairperson)	–	–	262 500	–
Nominations and remuneration committee (member)	105 000	105 000	–	105 000
Risk and compliance committee (chairperson)	–	–	–	–
Risk and compliance committee (member)	–	–	–	–
Other	105 000	40 500	–	–
Total Annual Fees	997 500	513 000	472 500	315 000

1 The fees for Mr Zagnoev are paid directly to Ethos Private Equity of which he is a partner

S Zagnoev[2]	C Ntumba[3]	B Madumise	M Mendelowitz[4]	R Rossi[5]	D Konar[6]	R Shuter[7]	Total
R	R	R	R	R	R	R	R
250 000	83 333	250 000	62 500	62 500	83 333	125 000	1 583 333
–	–	–	–	–	–	–	850 000
–	–	–	–	–	150 000	–	350 000
–	56 667	–	–	–	–	42 500	269 167
–	–	–	–	–	–	–	–
–	–	–	–	–	–	32 500	249 167
–	–	–	–	–	–	–	300 000
130 000	–	–	–	–	–	–	390 000
–	–	–	–	–	–	112 500	312 500
–	–	–	–	42 500	–	42 500	170 000
–	–	100 000	–	–	–	–	100 000
–	–	–	–	–	–	–	65 000
–	–	–	–	–	–	–	200 000
–	–	–	–	–	–	–	140 500
380 000	140 000	350 000	62 500	105 000	233 333	355 000	4 979 667

B Madumise	M Mendelowitz	R Rossi	D Konar	R Shuter	Total
R	R	R	R	R	R
210 000	210 000	210 000	210 000	210 000	1 680 000
–	–	–	–	–	630 000
–	–	–	367 500	–	367 500
–	–	–	–	157 500	315 000
–	–	–	–	–	–
–	–	–	–	157 500	315 000
–	–	–	–	–	262 500
–	–	–	–	–	315 000
–	–	–	–	262 500	262 500
–	–	105 000	–	–	105 000
–	–	–	–	–	145 500
210 000	210 000	315 000	577 500	787 500	4 398 000

2013 executive compensation

During the second half of the 2012 financial year, PwC was commissioned to provide a comprehensive review of Transaction Capital's executive compensation levels and policies. The Paterson Classic system is used as an indicator of current grades for the executive team.

Two major findings have led to changes in compensation for 2013.

The first was the refinement of the STI scheme by the addition of a second financial measure. In addition to the 2012 criteria described above, executives will now be exponentially rewarded for the achievement of increasing levels of return on invested capital (in the case of the lending divisions) and return on sales (for the services divisions).

The second was the recommendation that a share appreciation rights scheme would better enhance retention than the current scheme. A share appreciation rights scheme is therefore being formulated for approval by shareholders.

Conclusion

Transaction Capital is mindful of the sensitivities surrounding executive compensation and will therefore:

- adhere to King III or any other industry-specific guidelines in the payment and disclosure of executive compensation;
- disclose the principles and practices used to determine executive compensation;
- offer full explanation and disclosure in those instances where executive compensation is not aligned to short-term performance;
- exercise caution in making awards to departing executives; and
- disclose voting by shareholders on executive compensation.

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DIRECTORS' RESPONSIBILITY STATEMENT

The directors of Transaction Capital are responsible for the preparation and fair presentation of the annual financial statements of the group and the company in accordance with International Financial Reporting Standards and the AC 500 Standards as issued by the Accounting Practices Board and in the manner required by the Companies Act, 71 of 2008, of South Africa.

The directors' responsibilities include designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these annual financial statements to ensure that they are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The responsibilities also include maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the company's and the group's ability to continue as a going concern and have no reason to believe the business will not be a going concern, in the year ahead.

The auditors are responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of group annual financial statements and annual financial statements

The annual financial statements on pages 121 to 191 were approved by the board of directors on 29 November 2012, and are signed on their behalf.

Mark J. Lamberti
Chief executive officer

David M. Hurwitz
Chief financial officer

COMPANY SECRETARY'S CERTIFICATE

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, I certify that, to the best of my knowledge and belief, the company has filed all required returns and notices in terms of that Act, in respect of the year under review, with the Companies and Intellectual Property Commission and that all such returns and notices appear to be true, correct and up to date.

Peter J. Katzenellenbogen
Company secretary
29 November 2012

DIRECTORS' REPORT

Nature of business

The company is an investment holding company owning a portfolio of operating subsidiaries.

The company's issued ordinary shares were listed on the JSE Limited on 7 June 2012. Full details are included in the chief executive officer's report on page 33 of this report.

The group operates in the two principal areas, lending and services. The nature of the business of the main operating subsidiaries and a review of each is set out in the group profile commencing on page 4 of this report. There were no acquisitions or disposals in the year under review.

Financial results

The results of the company and the group are set out in the annual financial statements. The results of each division are discussed in the operational reviews section commencing on page 48 of this report.

Directorate and secretary

The names and a brief curriculum vitae of the directors and company secretary in office at the date of this report are set out in the directorate section commencing on page 10 of this report.

Dr Len Konar, Timothy Jacobs and Robert Shuter resigned during the year under review.

David Hurwitz, David Woollam and Cedric Ntumba were appointed as directors.

Interest of directors in the company's shares

The direct and indirect interest of the directors in the ordinary shares of the company at the end of the financial year, categorised as beneficial and non-beneficial, is as follows:

	2012 Number of shares '000	2012 % shareholding	2011 Number of shares '000	2011 % shareholding
Executive directors				
Non-beneficial holdings (Indirect)				
D Hurwitz*	6 605	1	–	–
T Jacobs#	–	–	3 060	1
J Jawno	82 207	14	94 781	20
S Kark	29 182	5	33 648	7
M Lamberti	40 000	7	37 000	8
M Mendelowitz+	82 207	14	94 791	20
R Rossi+	82 207	14	94 791	20
Non-executive directors				
Non-beneficial holdings (Indirect)				
D Konar#	–	–	–	–
P Langeni	103	<1	–	–
B Madumise	–	–	–	–
C Ntumba*	–	–	–	–
C Seabrooke	1 200	<1	1 000	<1
R Shuter#	–	–	750	<1
D Tabata	–	–	–	
S Zagnoev@ (representative of Ethos)	52 443	9	40 395	9
Beneficial holdings (Direct)				
D Woollam	1 000	<1	–	–
	377 154		400 216	
Issued shares	584 304		471 176	
Percentage of issued	64.5%		84.9%	

+ Non-executive in 2011
** Appointed in 2012*
 # Resigned in 2012
@ Non-independent

DIRECTORS' REPORT (CONTINUED)

D Woolam acquired 91 000 shares post year-end. There were no other changes in the above holdings between the end of the financial year and the date of issue of this report.

Dividends

A final dividend of 9 cents per share for the year ended 30 September 2012 has been declared payable on or about 24 December 2012 to shareholders registered at 21 December 2012. No dividends were declared or paid in respect of the year ended 30 September 2011.

Share capital and premium

The following changes took place during the year under review

	2012 Price per share Cents	2012 Number of shares '000	2012 R'000	2011 Number of shares '000	2011 R'000
Beginning of year		471 176	908 289	455 085	834 806
Issued for acquisitions*		–	–	5 524	35 851
Issues for cash		81 250	647 270	–	–
Futuregrowth Asset Management Proprietary Limited	790	18 072	142 770	–	–
Ethos Capital V GP (Jersey) Limited	790	12 048	95 180	–	–
Issued in terms of IPO on listing	800	50 000	400 000	–	–
Directors and associates		1 103	9 120	–	–
D Woolam	827	1 000	8 270	–	–
Afropulse Group Proprietary Limited	827	103	850	–	–
Employees	729	27	200	262	1 719
Conversion of loans on listing**		29 733	236 119	–	–
Futuregrowth Asset Management Proprietary Limited	793	24 872	197 230	–	–
Sanlam Investment Management Proprietary Limited	800	4 861	38 889	–	–
Issued to employees under the Transaction Capital General Share Scheme		3 708	29 527	7 361	50 114
Assisted (funded) offers		–	–	6 427	46 116
Repurchased and cancelled in terms of the Transaction Capital General Share Scheme***	740	(1 563)	(11 573)	(3 483)	(22 978)
Share pricing adjustment		–	–	–	(37 339)
Share issue expenses		–	(17 879)	–	–
		584 304	1 791 753	471 176	908 289

All the authorised and issued shares were converted from shares having a par value of 0.1 cent each to shares of no par value by special resolution passed on 18 April 2012.

* *5 523 993 shares were issued in the 2011 financial year for acquisition of Bayport Financial Services Proprietary Limited in the prior year*
** *The loans payable of R225 million at 30 September 2012, which were convertible into ordinary shares, were converted at or prior to the listing on 7 June 2012*
*** *The price per share represents the average price*

Borrowings

The memorandum of incorporation of the company does not place any restrictions on the borrowing powers of the company or the group. Details of borrowings at the end of the financial year set out in note 13 to the consolidated annual financial statements.

Litigation

There are no current or pending legal proceedings against the group which may materially affect its financial position.

Subsidiaries

Details of subsidiaries and of changes in holdings are set out on pages 189 to 191 of this report.

Subsequent events

No material events took place subsequent to year-end.

Employee incentive schemes

The group operates share incentive schemes for employees, including directors.

Transaction Capital general share scheme

The purpose of the trust is to provide employees of the group with loans to acquire shares in Transaction Capital Limited.

The following is a summary of movements during the current year:

	Number of shares '000	R'000
Balances at 30 September 2010	6 786	47 867
Offers accepted at 658 to 779 cents per share	11 509	80 520
Payments made	–	(605)
Interest charged	–	6 621
Repricing	–	(5 176)
Withdrawals	(712)	(4 739)
Balances at 30 September 2011	17 583	124 488
Offers accepted at 729 to 827 cents per share	3 708	29 527
Payments made	–	(10 055)
Interest charged	–	7 633
Withdrawals and sales	(1 563)	(11 573)
Balances at 30 September 2012	19 728	140 020
Shares held by directors under the scheme at the end of the year included above:		
30 September 2012	5 753	38 699
30 September 2011	5 688	40 876
Shares held by prescribed officers under the scheme at the end of the year included above:		
30 September 2012	1 606	12 230
30 September 2011	2 030	14 162

The shares vest at 25% per annum from the end of the second year after the grant and must be paid for within six years of the grant. The balances outstanding bear interest at the official interest rate (prime overdraft rate less 5% for grants prior to 30 September 2010).

Assisted offers

Senior executives and directors were afforded a once-off opportunity to acquire shares in the company on the basis that the company would provide a loan of R1 for every R2 invested.

The following is a summary of movements during the current year:

	Number of shares '000	R'000
Balances at 30 September 2010	7 563	32 583
Shares issued	2 279	15 710
Interest charged	–	1 104
Repricing	–	(3 448)
Withdrawals	(69)	(454)
Balances at 30 September 2011	9 773	45 495
Payments made	(331)	(677)
Interest charged	–	2 549
Balances at 30 September 2012	9 442	47 367
Shares held by directors under the scheme at the end of the year included above:		
30 September 2012	3 578	20 161
30 September 2011	3 608	19 675
Shares held by prescribed officers under the scheme at the end of the year included above:		
30 September 2012	–	–
30 September 2011	1 414	8 600

The shares must be paid for in full within three years. Grants during 2011 bear interest at the official interest rate. Prior grants bear interest at the prime overdraft rate less 5%.

Transaction Capital Share Trust

Prior to the implementation of the schemes referred to above, the group had provided finance to senior executives to acquire shares in the company.

The following is a summary of movements during the current year:

	Number of shares '000	R'000
Balances at 30 September 2010	16 345	51 801
Withdrawals	(1 781)	(4 107)
Repricing	–	(1 320)
Interest charged	–	3 822
Balances at 30 September 2011	14 564	50 196
Payments made	(12 196)	(33 318)
Interest charged	–	2 668
Balances at 30 September 2012	2 368	19 546
Shares held by directors under the scheme at the end of the year included above:		
30 September 2012	–	–
30 September 2011	10 464	37 889

Special resolutions passed by subsidiaries

None of the company's subsidiaries passed special resolutions relating to their capital structure, borrowing powers or objects clause contained in the memorandum of association or any other material matter other than Bayport Financial Services 2010 Proprietary Limited, which converted its shares to no par value and increased its authorised share capital from 10 million to 20 million shares.

AUDIT COMMITTEE REPORT

The legal responsibilities of the audit committee are set out in the Companies Act, 71 of 2008 ('the Act'). These responsibilities, and compliance with appropriate governance and international best practice, are incorporated in the committee's charter, which is reviewed annually and approved by the board. A copy of the charter is also available on the group's website.

Composition

The committee comprises three independent non-executive directors, all of whom are financially literate, with two members forming a quorum. The chairperson was elected by the board.

The committee comprised the following members during the year and to the date of this report:

- D Woollam (chairperson) (appointed on 22 February 2012)
- P Langeni
- C Ntumba (appointed on 1 June 2012)
- Dr D Konar (former chairperson) (resigned on 1 February 2012)[1]
- S Zagnoev (resigned from audit committee on 1 June 2012)[2]
- R Shuter (resigned on 31 March 2012)[3]

1 *Dr Konar resigned from the board of directors and the audit committee due to a perceived potential conflict of interest with another appointment held by him.*

2 *Mr Zagnoev was replaced by Mr Ntumba, an independent non-executive director, which is in line with the recommendation of the King III report that the audit committee be comprised entirely of independent non-executive directors. Mr Zagnoev remains a member of the board.*

3 *Mr Shuter resigned from the board and the audit committee due to his emigration.*

Members are elected annually by the group's shareholders on recommendation from the nominations and remuneration committee. The board may remove members of the committee and must fill vacancies within 40 days. Access to training is provided on an ongoing basis to assist members in discharging their duties.

The chairperson of the board is not a member of the audit committee but is a permanent invitee to meetings. Other permanent invitees include: chief executive officer Mark Lamberti, deputy chief executive officer Jonathan Jawno, chief financial officer (CFO) David Hurwitz, non-executive director Shaun Zagnoev, external and internal audit representatives. The group assurance executive has a functional reporting line to the committee chairperson and an operational reporting line to the CFO.

The external auditors attend all committee meetings and separate meetings are held to afford them the opportunity to meet with the committee without the presence of management. Representatives from internal audit attend all committee meetings and are similarly afforded the opportunity of separate meetings.

Role and responsibilities

The key functions and responsibilities of the committee as outlined in the charter are to oversee:

The preparation of the integrated report:

- Comment on the annual financial statements, accounting practices and internal financial controls;
- Review the annual financial statements and other financial reports; and
- Ensure the integrity of the integrated report including assisting the board in approving disclosure of sustainability issues.

Combined assurance:

- Monitor the appropriateness of the intended combined assurance model to provide a coordinated approach to all assurance activities;
- Review the skills, resources and experience of the company's finance function annually and report the results in the integrated report; and
- Review the suitability of the skills and experience of the CFO.

Internal audit:

- Review the independence, performance and effectiveness of the internal audit process and ensure that it has the necessary resources, budget, standing and authority to discharge its functions; and
- Ensure that the internal audit function is periodically, but at least every five years, subjected to an independent quality review to ensure that it remains effective.

Risk management:

- The committee is integral to the risk management process regardless of the existence of a separate risk and compliance committee. In particular, the committee oversees the management of:
  - Financial reporting risks;
  - Internal financial controls;
  - Fraud risks relating to financial reporting;
  - Tax risk; and
  - IT risks.

External audit:

- Recommend the appointment of the external auditor;
- Nominate the external auditor for appointment by the shareholders;
- Approve the external auditor engagement terms including remuneration;
- Report on the independence of the external auditor in the annual financial statements;
- Define a policy for non-audit services provided by the external auditor and pre-approve contracts for non-audit services outside this policy; and
- Review the performance and effectiveness of the external audit process.

AUDIT COMMITTEE REPORT (CONTINUED)

Reporting line – whistleblowing:

- Review the arrangements by which stakeholders may in confidence and with total anonymity raise concerns about possible improprieties;
- Ensure that arrangements are in place to independently investigate such matters and that adequate controls are implemented to prevent recurrence; and
- Consider significant findings of investigations and management's response thereto.

Governance:

- In liaison with external and internal audit, review the developments in corporate governance and surrounding best practices and consider their impact and implication for the businesses' processes and structures;
- Review the disclosure of the role of the committee as included in the integrated annual report;
- Be available at all times to advise the chairperson of the board on any queries relating to the financial affairs and internal controls; and
- Receive and deal with concerns or complaints relating to accounting practices, internal control, content or auditing of the financial statements, internal financial controls and any related matters.

Accounting:

- Make submissions to the board on accounting policies, financial controls, records and reporting.

Requirements of the Act:

- Responsibility for all subsidiary companies that do not have their own audit committees, which responsibilities include:
  - Reviewing the formalised process used for performing functions on behalf of subsidiaries; and
  - Ratifying annually the list of subsidiaries for which responsibility is assumed.

The committee reports that it has adopted appropriate formal terms of reference to discharge its responsibilities, has regulated its affairs in compliance with its charter and has discharged all of its responsibilities as contained therein.

Conclusions

Having considered, analysed, reviewed and debated information provided by management, internal and external audit the committee confirms that:

- The internal controls of the group have been effective in all material aspects throughout the year under review;
- These controls have ensured that the group's assets have been safeguarded;
- Proper accounting records have been maintained;
- Resources have been utilised efficiently; and
- The skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and it recommends their re-appointment in 2013.

Chief financial officer

In terms of the JSE Limited Listings Requirements the audit committee had, at its meeting on 22 November 2012, satisfied itself as to the appropriateness of the expertise and experience of the CFO.

Integrated report

The committee has overseen the integrated reporting process, reviewed the integrated report and recommended the approval thereof to the board. The board has subsequently approved the integrated report.

External audit

The committee has satisfied itself through enquiry that the auditors of the group are independent as defined by the Act.

The committee, in consultation with executive management, agreed to an audit fee for the year under review. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 19 to the annual financial statements.

Internal audit

The committee has satisfied itself of the independence, performance and effectiveness of the internal audit process. The committee has considered and recommended the internal audit charter for approval by the board, which has so approved it.

Annual financial statements

The committee has:

- Reviewed and discussed the audited annual financial statements included in the integrated report with the external auditors, the internal auditors, the CEO and the CFO;
- Reviewed the external auditors' management letter and management's response thereto;
- Reviewed significant adjustments resulting from external audit queries and accepted any unadjusted audit differences; and
- Received and considered reports from the internal auditors.

The committee concurs with and accepts the external auditors' report on the annual financial statements and has recommended the approval thereof to the board, which has subsequently approved the annual financial statements. These will be open for discussion at the forthcoming annual general meeting.

David F. Woollam

Audit committee chairperson

29 November 2012

SOCIAL AND ETHICS COMMITTEE REPORT

for the year ended 30 September 2012

The social and ethics committee (the committee) comprised the following members during the year and to the date of this report:

- Brenda Madumise (chairperson)
- Phumzile Langeni
- Mark Lamberti

This committee has adopted appropriate formal terms of reference as its charter and has regulated its affairs in compliance with this and has discharged all of the responsibilities set out therein.

The committee was established to assist the board of directors in ensuring that Transaction Capital is and remains a good and responsible corporate citizen, and to perform the statutory functions required of a social and ethics committee in term of the Companies Act, 71 of 2008.

The committee monitors relevant legislation and other legal requirements or prevailing codes of best practice, specifically with regard to matters relating to social and economic development, good corporate citizenship, the environment, health and public safety, as well as labour and employment.

The committee is satisfied that the group's performance for the main categories set out above and will continue to review, assess and report on these areas in the future.

Brenda M. Madumise

Social and ethics committee chairperson

29 November 2012

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRANSACTION CAPITAL LIMITED

We have audited the consolidated and separate annual financial statements of Transaction Capital Limited set out on pages 121 to 191, which comprise the statements of financial position as at 30 September 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Transaction Capital Limited as at 30 September 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 September 2012, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche

Registered Auditor

Per: Lito Nunes

Partner

29 November 2012

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

at 30 September

	Note	2012 Rm	2011 Rm
ASSETS			
Cash and cash equivalents	1	1 132	696
Tax receivables		28	64
Trade and other receivables	2	410	502
Inventories	3	203	156
Loans and advances	4	8 780	6 720
Purchased book debts	5	347	308
Other loans receivable	6	228	230
Intangible assets	7	36	40
Property and equipment	8	308	279
Goodwill	9	927	930
Deferred tax assets	10	130	131
Total assets		12 529	10 056
LIABILITIES			
Bank overdrafts	1	158	183
Tax payables		13	14
Trade and other payables	11	858	545
Provisions	12	3	2
Interest-bearing liabilities	13	8 353	7 469
Senior debt		6 876	5 867
Subordinated debt		1 477	1 602
Deferred tax liabilities	10	156	134
Total liabilities		9 541	8 347
EQUITY			
Ordinary share capital and premium	14	1 792	908
Reserves		(3)	(3)
Retained earnings		1 112	731
Equity attributable to ordinary equity holders of the parent		2 901	1 636
Non-controlling interests	15	87	73
Total equity		2 988	1 709
Total equity and liabilities		12 529	10 056

CONSOLIDATED INCOME STATEMENTS

for the year ended 30 September

	Note	2012 Rm	2011 Rm
Interest and other similar income	16	2 224	1 785
Interest and other similar expense	16	(883)	(798)
Net interest income	16	1 341	987
Impairment of loans and advances	17	(740)	(566)
Risk adjusted net interest income		601	421
Non-interest revenue	18	2 126	1 821
Total operating costs	19	(2 181)	(1 788)
Profit before tax		546	454
Income tax expense	20	(112)	(108)
Profit from continuing operations		434	346
Loss from discontinued operations	21	–	(70)
Profit for the year		434	276
Profit for the year attributable to:			
Ordinary equity holders of the parent		401	250
Non-controlling interests		33	26
		434	276
Earnings per share from continuing operations:			
Basic (cents per share)	22	77.3	69.2
Diluted basic (cents per share)	22	77.3	69.2
Headline (cents per share)	22	78.0	69.6
Normalised headline (cents per share)	22	81.6	69.7
Weighted average number of shares in issue (million)	22	519	462

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 September

	2012 Rm	2011 Rm
Profit for the year	434	276
Other comprehensive income		
Movement in cash flow hedging reserve	<1	(3)
Fair value (losses)/gains arising during the year	(6)	1
Amount removed from other comprehensive income and recognised in the income statement	4	(4)
Deferred tax	2	(0)
Total comprehensive income for the year	434	273
Total comprehensive income attributable to:		
Ordinary equity holders of the parent	401	247
Non-controlling interests	33	26
	434	273

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 September

	Number of ordinary shares million	Share capital and premium Rm	Cash flow hedging reserve Rm	Retained earnings Rm	Ordinary equity holders of the parent Rm	Non-controlling interests Rm	Total equity Rm
Balance at 30 September 2010	455	834	–	500	1 334	44	1 378
Total comprehensive income	–	–	(3)	250	247	26	273
Profit for the year	–	–	–	250	250	26	276
Other comprehensive income	–	–	(3)	–	(3)	–	(3)
Dividends paid	–	–	–	–	–	(14)	(14)
Transactions with non-controlling equity holders	–	–	–	(19)	(19)	17	(2)
Issue of shares	19	134	–	–	134	–	134
Repurchase of shares	(3)	(23)	–	–	(23)	–	(23)
Distributions from share premium	–	(37)	–	–	(37)	–	(37)
Balance at 30 September 2011	471	908	(3)	731	1 636	73	1 709
Total comprehensive income	–	–	–	401	401	33	434
Profit for the year	–	–	–	401	401	33	434
Dividends paid	–	–	–	–	–	(4)	(4)
Transactions with non-controlling equity holders	–	–	–	(20)	(20)	(15)	(35)
Issue of shares	115	913	–	–	913	–	913
Repurchase of shares	(2)	(11)	–	–	(11)	–	(11)
Share issue costs	–	(18)	–	–	(18)	–	(18)
Balance at 30 September 2012	584	1 792	(3)	1 112	2 901	87	2 988

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 30 September

	Note	2012 Rm	2011 Rm
Cash flow from operating activities			
Cash generated by operations	23	1 481	1 144
Income tax paid	24	(54)	(191)
Dividends paid	25	(4)	(14)
Cash flow from operating activities before changes in operating assets and liabilities		1 423	939
Increase in operating assets and liabilities		(2 031)	(537)
Loans and advances		(2 820)	(1 570)
Purchased book debts		(95)	(108)
Net proceeds from interest-bearing liabilities		884	1 141
Decrease/(increase) in working capital		353	(226)
Inventories		(48)	(52)
Trade and other receivables		88	(195)
Trade and other payables		313	21
Net cash (utilised)/generated by operating activities		(255)	176
Cash flow from investing activities			
Acquisition of property and equipment		(118)	(97)
Acquisition of intangible assets		(20)	(16)
Disposal of property and equipment		2	21
Disposal of intangible assets		1	–
Decrease in unlisted investments		–	15
Discontinued operations		–	(30)
Decrease in other loans receivable		2	75
Net cash utilised by investing activities		(133)	(32)
Cash flow from financing activities			
Issue of shares for cash		913	38
Repurchase and repricing of shares		(11)	(50)
Share issue costs		(18)	–
Acquisition of non-controlling interests in subsidiaries		(35)	(24)
Funds introduced by non-controlling interests		–	22
Net cash raised/(utilised) by financing activities		849	(14)
Net increase in cash and cash equivalents		461	130
Cash and cash equivalents at the beginning of the year		513	383
Cash and cash equivalents at the end of the year		974	513

GROUP ACCOUNTING POLICIES

for the year ended 30 September 2012

The financial statements of the company and the group are prepared in accordance with International Financial Reporting Standards (IFRS), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), AC 500 standards as issued by the Accounting Practices Board, the Johannesburg Stock Exchange (JSE) Listings Requirements, the going-concern principle and the requirements of the South African Companies Act, 71 of 2008.

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments which are measured at fair value.

The company and group statement of financial position are presented in order of liquidity. Reference to the current maturities of these financial assets and liabilities are disclosed in the statement of financial position notes and in the analysis of financial assets and liabilities. The accounting policies are consistent with the previous year, except where otherwise specifically stated.

The group has made the following accounting policy elections in terms of IFRS, with reference to the detailed accounting policies shown in brackets:

- property and equipment are accounted for using the cost model (accounting policy 4);
- intangible assets are accounted for using the cost model (accounting policy 6);
- regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting (accounting policy 8); and
- cumulative gains and losses recognised in the statement of comprehensive income in terms of a cash flow hedge relationship are transferred from the statement of comprehensive income and included in the initial measurement of the non-financial asset or liability (accounting policy 8.7).

All monetary information and figures presented in these consolidated financial statements are stated in millions of South African Rand (Rm), unless otherwise indicated.

The principal accounting policies are set out below:

1 Basis of consolidation

1.1 Subsidiary companies and other controlled entities

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company.

Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, potential voting rights which presently are exercisable or convertible are taken into account.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intra-group transactions, balances and unrealised gains or losses are eliminated on consolidation.

1.2 Special purpose entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the group and the SPE's risks and rewards, the group concludes that it controls the SPE including SPEs that are owned by trusts.

The assessment of whether the group has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the group and a SPE and in such instances the group determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the group's voluntary actions change the relationship between the group and a SPE, the group performs a reassessment of control over the SPE.

1.3 Funds management

The group processes funds such as ATM encashment on behalf of third party merchants which it does not control and derives fee income for these services.

1.4 Business combinations

Business combinations are accounted for in accordance with the acquisition method of accounting. Subsidiaries are consolidated from the date on which the group acquires effective control of the entity. Consolidation ceases from the date control no longer exists.

On acquisition the identifiable assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values. The cost of an acquisition is the fair value of the assets given, liabilities incurred or assumed and equity instruments issued. Any costs directly relating to the acquisition are expensed to profit and loss.

1 Basis of consolidation (continued)

1.4 Business combinations (continued)

The consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised. Where a business combination is achieved in stages, previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognised in the income statement.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes (IAS 12) and IAS 19 Employee Benefits (IAS 19), respectively; and
- assets (or disposal groups) of the acquiree that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5) are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

The non-controlling interest in the acquiree is measured at acquisition date at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets (applied on a transaction by transaction basis for all business combinations). The treatment is not an accounting policy choice, but is selected for each business combination, and disclosed in the note for business combinations.

Premiums or discounts arising on the acquisition of subsidiaries are treated in terms of the group's accounting policy for goodwill.

2 Investments in associates and subsidiaries

2.1 Associates

Investments in operations, which are not subsidiaries, but over which the group has the ability to exercise significant influence, are classified as associates and initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of the results for the year of the associates is included in the consolidated income statement according to the equity method. In the absence of a legal or constructive obligation to make payments on behalf of an associate, losses are recognised only to the extent they reduce the carrying value to zero. Equity accounted results represents the group's proportionate share of the profits or losses of these entities.

Attributable income or losses and movements on reserves since acquisition, less dividends received, are included in the carrying value of these investments. The requirements of IAS 39: Financial Instruments: Recognition and Measurement (IAS 39) are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment by comparing its recoverable amount with its carrying amount. Any impairment loss forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of part of an associate that results in the group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the group accounts for all amounts previously recognised in the statement of comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are not eliminated if the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the group.

2.2 Financial statements of the company

Investments in subsidiaries and associates are accounted for at cost less accumulated impairment.

3 Goodwill

The group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

At the acquisition date, goodwill acquired is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amounts of assets in the unit. Any impairment loss for goodwill is recognised directly in the income statement. Any impairment loss for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, associate, jointly controlled entity or a cash-generating unit, the amount of goodwill attributable is included in the determination of the profit or loss on disposal.

4 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses. Freehold land is not depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are recognised to the extent that it is probable that the future economic benefits that are associated with them will flow to the entity, and the cost can be measured reliably. If a replacement part is recognised in the carrying amount of equipment, the carrying amount of the replaced part is derecognised. Repairs and maintenance are expensed as and when incurred.

Items of property and equipment are depreciated on a component basis to their residual values, on the straight-line basis over their estimated economic lives. Depreciation commences from the date that they are available for use over the following periods:

Buildings	30 years
Automated teller machines' components	3 – 14 years
Vehicles	5 years
Office and computer equipment	2 – 6 years

The residual values and estimated useful lives of the assets are reviewed at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if that asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

The profit or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

5 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and when management is committed to the sale which is expected to qualify for recognition as a completed sale within one year from date of classification. Non-current assets and liabilities (including disposal groups) classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

6 Intangible assets

Intangible assets are initially recognised at cost if acquired separately or at fair value at the date of acquisition in a business combination. Subsequently, intangible assets are carried at cost less accumulated amortisation and impairment.

Development costs which relate to the design and testing of new improved products, systems or processes are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

6 Intangible assets (continued)

Intangible assets are amortised to their residual values, on the straight-line basis over the estimated economic lives over the following periods:

Computer and telephony software	2 – 5 years
Distribution channel	3 years

Useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being recognised on a prospective basis.

7 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Costs include landed cost, freight and clearing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. The write-down of inventory to net realisable value and the reversal thereof is recognised in profit and loss. The reversals of the write-downs are limited to the cost of inventory.

8 Financial instruments

A financial instrument is defined as a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

The group recognises financial assets and financial liabilities at the trade date when it becomes a party to the contractual provisions of the instrument.

8.1 Initial recognition

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Financial instruments are grouped into classes that are appropriate taking into account the characteristics and risks of those financial instruments. Classes of financial instruments have been determined by referring to the nature and extent of risks arising from the financial instruments and how these are managed.

The group generally does not reclassify financial instruments between different categories subsequent to initial recognition.

8.2 Classification

Financial assets are classified into the following categories:

- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Loans and receivables; and
- Available-for-sale financial assets.

Financial liabilities are classified into the following categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost.

Financial instruments at fair value through profit or loss are held for trading or designated as at fair value through profit or loss.

A financial asset or a financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling (assets) or repurchasing (liabilities) in the short term; or
- it is a part of an identified portfolio of financial assets or financial liabilities in which there is recent evidence of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets and financial liabilities other than those held for trading may be designated as at fair value through profit or loss upon initial recognition to the extent it produces more relevant information because it either:

- forms part of a group of financial assets and/or financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy and information about the grouping is provided internally to management on that basis; or
- eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

8.3 Financial assets

8.3.1 Financial assets at fair value through profit or loss

Financial assets that are held for trading purposes include derivative financial instruments.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are included in the income statement in the period in which they arise.

8.3.2 Loans and receivables

These instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets which have been classified as loans and receivables include cash that do not meet the definition of cash as defined in IAS 7 Statement of Cash Flows, Trade and Other Receivables, Loans and Advances, Purchased Book Debts and Other Loans Receivable.

Loans and receivables are initially recognised at fair value. Subsequently loans and receivables are carried at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated by taking into account any transaction costs on acquisition and fees and costs that are an integral part of the effective interest rate.

The carrying amount of loans considered to be impaired on the statement of financial position is reduced through the use of an appropriate impairment methodology.

The majority of the group's advances are included in the loans and receivables category. Also included in the loans and receivables category are the purchased book debts.

Purchased book debts are portfolios of written-off consumer debts purchased at prices below the nominal receivable amounts.

Purchased book debts are reflected at amortised cost on a portfolio basis. Cost includes amounts payable to the seller and other direct acquisition costs.

The effective interest rate is calculated at initial recognition of the purchased book by determining the rate that exactly discounts the estimated future cash flows to the fair value at inception. Changes in the estimated future cash flows are discounted by using the original effective interest rate and any difference between the carrying value of the purchased book debt and the recalculated value is recognised in the income statement.

The effect of the basis of calculating the carrying value of purchased book debt is to recognise the present value of the estimated net collections at an amount not exceeding the initial cost of each portfolio.

8.3.2.1 Carrying value of the written-off book

Loans and receivables that have been written-off individually are re-recognised as a separate portfolio at their net recoverable amount when it is probable that economic benefits relating to the portfolio are expected to flow to the group by reversing the allowance account against the gross loan and receivable and renaming the portfolio to the 'carrying value of the written-off book'. The recoverable amount is determined by discounting the estimated future cash flows at the original effective interest rate. The estimate of the cash flows is performed on a portfolio basis as the advances exhibit similar credit characteristics.

Rehabilitated loans

Loans and receivables recorded as part of the 'carrying value of the written-off book', which get rehabilitated by subsequently having a regular repayment profile are written back on to the statement of financial position in the loans and receivables portfolio. The loans and advances are recorded on an individual account basis at the gross amount outstanding, along with the appropriate allowance account.

8.3.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

8.3.4 Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Listed redeemable notes held by the group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period.

8 Financial instruments (continued)

8.3 Financial assets (continued)

8.3.5 Impairment

The group reviews the carrying amounts of financial assets, other than those at fair value through profit or loss, to determine whether there is any indication that those financial instruments have become impaired using objective evidence. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in the payment of interest or principal;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower is over-indebted; or
- indication that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or
  - national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers or adverse changes in industry conditions that affect the borrowers in the group).

The group considers evidence of impairment for financial assets at both a specific asset and portfolio level. All individually significant financial assets are assessed for specific impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar credit risk characteristics (e.g. on the basis of the group's grading process that considers asset type, collateral type, past due status and other relevant factors). Trade and other receivables that are not originated through the lending business are assessed specifically for impairment and not on a collective basis.

In assessing collective impairment the group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly bench marked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in the income statement and reflected in an allowance account against the financial assets.

Where the impairment loss subsequently reverses and the reversal can be related objectively to an event occurring after the impairment was recognised, the carrying amount of the financial asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the advance in prior years. A reversal of an impairment loss is immediately recognised in the income statement.

Cash collected on financial assets, which have been written off is recognised in the income statement as bad debts recovered as and when the cash is received.

8.4 Financial liabilities and equity instruments issued by the group

8.4.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

8.4.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the company's own equity instruments.

The group's share incentive schemes are operated through trusts. These trusts are considered to be special purpose entities of the group and therefore consolidated.

8.4.3 Compound instruments

The component parts of compound instruments issued by the group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

8.4.4 Financial liabilities at fair value through profit or loss

Financial liabilities that are held for trading purposes include derivative financial instruments.

Realised and unrealised gains and losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are included in the income statement in the period in which they arise.

8.4.5 Financial liabilities at amortised cost

Financial liabilities which are subsequently recognised at amortised cost using the effective interest method comprise interest-bearing liabilities, bank overdrafts and trade payables.

8.5 Derivative instruments

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The group uses derivative financial instruments to manage its exposure to foreign exchange and interest rate risk. The group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments comprise foreign exchange contracts and interest rate swaps.

Derivative financial instruments are initially recognised in the statement of financial position at fair value. Derivatives are subsequently remeasured at their fair value with all movements in fair value recognised in the income statement, unless it is a designated and effective hedging instrument. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The group treats derivatives embedded in other financial or non-financial instruments such as the conversion option in a convertible bond, as separate derivatives when:

- their risks and characteristics are not closely related to those of the host contract;
- they meet the definition of a derivative; and
- the host contract is not carried at fair value, with gains and losses reported in the income statement.

8 Financial instruments (continued)

8.6 Fair value

Certain of the group's financial instruments are carried at fair value through profit or loss such as derivative financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties, other than in a forced or liquidation sale.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The method of determining the fair value of financial instruments is analysed into the following categories:

Level 1 – Unadjusted quoted prices in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

Level 2 – Valuation techniques using market observable inputs, including:

- using recent arm's length market transactions;
- reference to the current fair value of similar instruments; and
- discounted cash flow analysis, pricing models or other techniques commonly used by market participants.

Level 3 – Valuation techniques, as described for level 2 above, for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

The valuation techniques in level 2 and level 3 use inputs such as interest rate yield curves, equity prices, commodity and currency prices/yields, volatilities, and the correlation between inputs. The models used in these valuation techniques are calibrated against industry standards, economic models and against observed transaction prices, where available.

8.7 Hedge accounting

The group designates certain derivatives in respect of foreign currency risk and interest rate risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Hedge accounting is used for derivatives designated in this way, provided specific criteria are met. The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Where the forecast transaction or a foreign currency firm commitment results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset.

Hedge accounting is discontinued when the group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

8.8 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, when there is a legally enforceable right to set off the recognised amounts and there is an intention to realise the asset and settle the liability simultaneously.

8.9 Derecognition

Financial assets (or a portion thereof) are derecognised when the group realises the rights to the benefits specified in the contract, the rights expire or the group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the income statement.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it are included in the income statement.

9 Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount. They are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities and contingent assets are not recognised in the financial statements.

10 Impairment of assets other than financial instruments

The group reviews the carrying amounts of tangible and intangible assets at each financial year-end to determine whether there is any indication of impairment. The recoverable amount of these assets is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. Goodwill is assessed at each financial year-end for impairment.

Recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment losses are allocated to assets within a CGU (i.e. first to goodwill and then to the other assets on a *pro rata* basis).

Where an impairment loss (other than an impairment of goodwill) subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount limited to an amount which does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

11 Revenue recognition

11.1 General policy

Revenue is recognised to the extent that it is probable that economic benefits will flow to the group and the revenue can be reliably measured.

Revenue comprises invoiced sales in respect of the sale of goods, fees for rendering of services to customers, collection of owned book debts and finance charges on loans and suspensive sale credit agreements.

Revenue excludes non-operating income and value-added taxation.

11.2 Interest income

Interest income is recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate. The group defers any related operating costs which are directly attributable to individual transactions.

11.3 Purchased book debts

Revenue from purchased book debts comprises payments received from the debtors, including amounts in respect of interest and cost recoveries.

11.4 Debt collection activities

Commissions and fees receivable for collection of debtors for third parties are recognised on receipt of payments from the debtors.

11.5 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;

11 Revenue recognition (continued)

11.5 Sale of goods (continued)

- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

11.6 Rendering of services

Fees and commission income are recognised on a percentage of completion basis when costs can be reliably measured and receipt of the future economic benefits is probable.

11.7 Royalties

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

11.8 Non-operating income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the group and the amount of income can be measured reliably).

11.9 Government grants

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the income statement on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to the income statement on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in the income statement in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

12 Interest expense

Interest expense comprise interest on borrowings including debentures, dividends on redeemable preference shares, and other costs incurred in connection with the borrowing of funds.

Interest expense is recognised in the period in which it is incurred using the effective interest method except to the extent in which it meets the criteria for capitalisation against a qualifying asset in which case it is capitalised as part of the cost of the asset.

13 Taxation

13.1 Current

The charge for current tax is based on the results for the year adjusted for items which are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted by the financial year-end.

13.2 Deferred tax

Deferred tax is calculated using the liability method.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit or taxable profit, nor tax loss.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and associates, except to the extent that both of the following conditions are satisfied:

- the company is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated using taxation rates that have been enacted or substantially enacted at financial year-end. The effect on deferred tax of any changes in taxation rates is charged to the income statement, except to the extent that it relates to items previously charged or credited directly to equity in which case the deferred tax is charged to equity.

Deferred tax assets are recognised to the extent that it is probable that future profits will be available against which the associated tax deductible temporary differences can be utilised.

Deferred tax related to fair value measurement of cash flow hedges, which are charged or credited directly to the statement of comprehensive income, is also credited or charged directly to the statement of comprehensive income and is subsequently recognised in the income statement together with the deferred gain or loss.

Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

13.3 Indirect taxation

Indirect taxation in the form of non-claimable value-added tax (VAT) on expenses is disclosed as indirect taxation in the income statement. The non-claimable VAT on the cost of acquisition of fixed assets is amortised over the useful lives of the fixed assets and is included in depreciation in the income statement. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position.

14 Lease accounting

Leases of assets where the group assumes substantially all the risks and rewards of ownership, are classified as finance leases.

All other leases are classified as operating leases.

14.1 Finance leases

14.1.1 Lessors

Assets subject to finance lease agreements are derecognised and the finance lease is recognised as a receivable at an amount equal to the net investment in the lease (gross investment less unearned finance income).

The gross investment in the lease comprises the aggregate of the following:

- The minimum lease payments receivable under the finance lease;
- Any unguaranteed residual value accruing under the lease; and
- The initial direct costs incurred in negotiating the lease.

The interest element of the finance income is credited to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease receivable for each period.

14.2 Operating leases

14.2.1 Lessees

Lease payments under operating leases are recognised in the income statement on a straight-line basis over the expected lease term.

15 Employee benefits

15.1 Medical aid obligation

Medical aid costs are recognised as an expense in the period in which the employees render services to the group. Differences between contributions payable and contributions actually paid are shown as either prepayments or accruals in the statement of financial position. There are no post-retirement benefit obligations for former employees.

15.2 Retirement funds

The group's contributions to defined contribution plans are recognised as an expense in the period in which the related services are rendered. There are no defined benefit plans for employees.

15.3 Employees' leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the annual leave liability at the financial year-end. Unutilised sick leave does not accrue to employees.

15.4 Termination benefits

The group recognises termination benefits as a liability in the statement of financial position and as an expense in the income statement when it has a present obligation relating to termination. The group has a present obligation when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan, without possibility of withdrawal or providing termination benefits as a result of an offer to encourage voluntary redundancy.

15 Employee benefits (continued)

15.5 Bonuses

Management and staff bonuses are recognised as an expense in staff costs as incurred when it is probable that the economic benefits will be paid and the amount can be reliably measured.

16 Operating segments

An operating segment is a component of the group:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the group);
- whose operating results are regularly reviewed by the group's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

The group is managed in terms of five primary segments:

- Asset-backed lending;
- Unsecured lending;
- Credit services;
- Payment services; and
- Corporate support.

17 Foreign currencies

17.1 Foreign currency transactions

Foreign currency transactions are converted to South African Rand at the rates of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the month-end are translated to South African Rand at the rates ruling at that date. Gains or losses on translation are recognised in the consolidated statement of comprehensive income.

17.2 Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to South African Rand at foreign exchange rates ruling at the financial year-end. The revenues and expenses of foreign operations are translated to South African Rand at rates approximating the foreign exchange rates ruling at the date of the transactions.

Foreign exchange differences arising on translation are recognised directly in income statement.

18 Dividends paid

Dividends are recognised against equity in the period in which they are approved by the company's directors. Dividends declared after the reporting date are not recognised but disclosed as a post-reporting date event.

19 Disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets or disposal groups are available for immediate sale.

Immediately before classification as held for sale, the measurement of assets and liabilities in relation to a disposal group is recognised based upon the appropriate IFRS standards. On initial recognition as held for sale, the non-current assets and liabilities are recognised at the lower of carrying amount and fair value less costs to sell.

Any impairment losses on initial classification to held for sale are recognised in the income statement.

The non-current assets and disposal groups held for sale will be reclassified immediately when there is a change in intention to sell. Subsequent measurement of the asset or disposal group at that date, will be the lower of:

- its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale; and
- its recoverable amount at the date of the subsequent decision not to sell.

20 Discontinued operations

The group classifies a component as a discontinued operation when that component has been disposed of, or is classified as held for sale, and:

- it represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resell.

A component of a group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes from the rest of the group.

21 Management estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. This forms the basis of making the judgements on carrying values of assets or liabilities that are not otherwise readily apparent. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments, as follows:

21.1 Asset lives and residual values

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed at each financial year-end and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

21.2 Deferred tax assets

Deferred tax assets are recognised to the extent it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

21.3 Impairment of non-financial assets

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Goodwill is considered for impairment annually.

Property and equipment and intangible assets are considered for impairment if there is any reason to believe that an impairment may be necessary. Factors taken into consideration include the economic viability of the asset itself and, where it is a component of a larger economic unit, the viability of the unit.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current asset value and, if lower, the assets are impaired to the present value.

21.4 Impairment of financial assets

The estimation of impairments of financial assets is inherently uncertain and depends on many factors, including general economic conditions, structural changes within industries, changes in individual customer circumstances and other external factors such as legal requirements, regulatory specifications and governmental policy changes. Financial assets are stated net of identified impairments and incurred but not yet identified impairments. Financial assets are considered impaired only if there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be reliably measured.

Objective evidence that loans and advances may be impaired includes the following observable data:

- A breach of contract, such as a default or delinquency in interest or principal payments. In this regard instalments past due date are considered in breach of contract;
- Historical loss experience of groups of financial assets with similar repayment terms; and
- Data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group including:
  - adverse changes in the payment status of borrowers in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

Loans and advances are subjected to regular evaluations of the overall client risk profile and payments record in determining whether a loss event has occurred.

The historical loss experience is adjusted on the basis of observable data to remove the effects of the conditions in the historical period that do not currently exist.

The group assesses whether objective evidence of impairment exists for groups of financial assets with similar repayment terms. If there is objective evidence that an impairment loss on financial assets has been incurred, the amount of the loss is measured as the difference between the carrying amounts of the assets and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the effective interest rates.

NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS for the year ended 30 September

The group adopted the following accounting standards and interpretations that became applicable during the current reporting period.

IFRS/IFRIC and title	Details of change
IFRS 1 – First-time Adoption of International Financial Reporting Standards	Provides additional exemption for entities ceasing to suffer from severe hyperinflation.
IFRS 7 – Financial Instruments: Disclosures	Amendments enhancing disclosures about transfers of financial assets.
IAS 24 – Related Party Disclosures	The main amendments are: • Provides a partial exemption from related party disclosure requirements for Government-related entities; • Clarifies the definition of a related party; and • Includes an explicit requirement to disclose commitments involving related parties.
IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	November 2009 amendments with respect to voluntary prepaid contributions.
Improvements to IFRS (2010)	Amends seven pronouncements (plus consequential amendments to various others) as a result of the IASB's 2008 – 2010 cycle of annual improvements. Key amendments include: • IFRS 1– accounting policy changes in year of adoption and amendments to deemed cost (revaluation basis, regulatory assets); • IFRS 3 and IAS 27 – clarification of transition requirements, measurement of non-controlling interests, unreplaced and voluntarily replaced share-based payment awards; • Financial statement disclosures – clarification of the content of the statement of changes in equity (IAS 1), financial instrument disclosures (IFRS 7) and significant events and transactions in interim reports (IAS 34); and • IFRIC 13 – fair value of award credits.

None of these changes have had a material impact on the group's consolidated financial statements.

New standards issued but not yet effective

IFRS 1 – *First-time Adoption of International Financial Reporting Standards*

The IFRS include amendments for Government loans with a below-market rate of interest when transitioning to IFRS.

The amendment is effective for the financial year ending 30 September 2014. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IFRS 7 – *Financial Instruments: Disclosures*

The amendments to this IFRS include enhancing disclosures about offsetting of financial assets and financial liabilities and the deferral of the mandatory effective date of IFRS 9 – Financial instruments.

The amendment is effective for the financial year ending 30 September 2014. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IFRS 9 – *Financial Instruments*

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances);
- Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss;
- All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss; and
- The concept of 'embedded derivatives' does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

The standard is effective for the financial year ending 30 September 2016. The standard is not expected to have a material impact on the group's consolidated financial statements.

IFRS 10 – *Consolidated Financial Statements*

IFRS 10 is a new standard which replaces all of the guidance on control and consolidation in IAS 27 – Consolidated and Separate Financial Statements and SIC 12 – Consolidation – special purpose entities so that the same criteria are applied to all entities to determine control.

The standard is effective for the financial year ending 30 September 2014. The standard limits the requirement to provide adjusted comparative information to the immediately preceding period. The group is in the process of assessing the impact of the standard on the consolidated financial statements of the group.

IFRS 11 – *Joint Arrangements*

IFRS 11 is a new standard with the objective of reducing the types of joint arrangements to two:

- joint operations; and
- joint ventures.

It also eliminates the policy choice of proportionate consolidation for joint ventures.

The standard is effective for the financial year ending 30 September 2014. The standard limits the requirement to provide adjusted comparative information to the immediately preceding period. The standard is not expected to have a material impact on the group's consolidated financial statements.

IFRS 12 – *Disclosure of Interests in Other Entities*

IFRS 12 is a new standard which sets out the required disclosures for entities reporting under the two new standards, IFRS 10 – Consolidated Financial Statements, and IFRS 11 – Joint Arrangements. It also replaces the disclosure requirements of IAS 28 – Investments in Associates.

The standard is effective for the financial year ending 30 September 2014. The standard limits the requirement to provide adjusted comparative information to the immediately preceding period. The standard is not expected to have a material impact on the group's consolidated financial statements.

IFRS 13 – *Fair Value Measurement*

The new standard replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.

The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

- Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – unobservable inputs for the asset or liability.

The standard is effective for the financial year ending 30 September 2014. The standard is not expected to have a material impact on the group's consolidated financial statements.

IAS 1 – *Presentation of Financial Statements*

The amendment revises the way other comprehensive income is presented by:

- preserving the amendments made to IAS 1 in 2007 to require profit or loss and other comprehensive income to be presented together or as a separate 'statement of profit or loss' and 'statement of comprehensive income' requiring entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss or not; and
- requiring the tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items, without changing the option to present items of other comprehensive income either before tax or net of tax.

The amendment is effective for the financial year ending 30 September 2014. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IAS 12 – *Income Taxes*

The standard is amended to provide a presumption that the recovery of the carrying amount of an asset measured using the fair value model in IAS 40 – Investment Property will, normally, be through sale.

As a result of the amendment, SIC 21 – Income Taxes — Recovery of revalued non-depreciable assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

The amendment is effective for the financial year ending 30 September 2013. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IAS 19 – *Employee Benefits*

The key amendments to IAS 19 include:

- Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing IAS 19);

- Introducing enhanced disclosures about defined benefit plans;
- Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits; and
- Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features.

The amendment is effective for the financial year ending 30 September 2014. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IAS 27 – *Separate Financial Statements*
IAS 27 – Consolidated and Separate Financial Statements was renamed as "Separate Financial Statements" and it continues to be a standard dealing solely with the separate financial statements. The requirements for consolidated financial statements are now contained in IFRS 10 – Consolidated Financial Statements.

The standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments. The standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

The group is in the process of assessing the impact of the standard. The new standard is applicable for the financial year ending 30 September 2014.

IAS 28 – *Investments in Associates and Joint Ventures*
This standard supersedes IAS 28 – Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

The standard is effective for the financial year ending 30 September 2014. The standard is not expected to have a material impact on the group's consolidated financial statements.

IAS 31 – *Investments in Joint Ventures*
IAS 31 will be replaced by IFRS 11 – Joint Arrangements. The impact of the removal of the standard is discussed under the heading IFRS 11 – Joint Arrangements above.

IAS 32 – *Financial Instruments Presentation*
Amends IAS 32 – *Financial Instruments: Presentation* to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realisation and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

The amendment is effective for the financial year ending 30 September 2015. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine*
The interpretation deals with the accounting treatment of stripping cost at mines. The interpretation is not expected to have a material impact on the group's consolidated financial statements.

Improvements to IFRS (2012)

The improvements project amendments affect the accounting standards as follows:

- IFRS 1 – Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets;
- IAS 1 – Clarification of the requirements for comparative information;
- IAS 16 – Classification of servicing equipment;
- IAS 32 – Clarify that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 – Income Taxes; and
- IAS 34 – Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 – Operating Segments.

The amendments are effective for the financial year ending 30 September 2014. The amendments are not expected to have a material impact on the group's consolidated financial statements.

	2012 Rm	2011 Rm
1 Cash and cash equivalents		
Bank balances	350	244
Call deposits	150	106
Securitisation special purpose vehicles*	466	245
Customer clearance accounts**	166	101
Total cash and cash equivalents	1 132	696
Bank overdrafts	(158)	(183)
Net cash and cash equivalents	974	513
Total overdraft facilities	391	294

** Ceded as security for amortising securitisation debentures and loans as shown in note 13*
*** Refer to Note 11 for amount payable to customers*

	2012 Rm	2011 Rm
2 Trade and other receivables		
Prepayments	102	112
Trade receivables	186	276
Derivative assets (refer to note 2.1)	5	7
Other	129	117
Impairment provision	(12)	(10)
Total trade and other receivables***	410	502
The carrying value of trade and other receivables approximates fair value.		
**** Ceded as part security for bank overdraft facilities as shown in note 1*	18	46
Allowance for impairment		
Balance at the beginning of the year	(10)	(10)
Impairments recognised in the income statement	(4)	–
Utilisation of impairments	2	–
Total allowance for impairment	(12)	(10)

Trade and other receivables are tested for impairment by reference to the currency of the receivable as denominated in trade terms, payment history, subsequent receipts and arrangements with the debtors.

	2012 Rm	2011 Rm
Trade and other receivables past due but not impaired		
Amounts 30 days overdue	19	7
Amounts 30 – 60 days overdue	15	15
Amounts 60 – 90 days overdue	2	7
Amounts 90 – 120 days overdue	3	4
Amounts in excess of 120 days overdue	5	–
Total trade and other receivables past due but not impaired	44	33
Maximum exposure to credit losses of trade receivables	174	266
Carrying value of trade receivables less provision	174	266
Assets held as collateral	–	–
Residual exposure	174	266

	2012 Rm	2011 Rm
2 Trade and other receivables (continued)		
2.1 Derivative assets		
Derivatives held for risk management		
Cross-currency swaps	5	7
Total derivative assets held for risk management	5	7

Cash flow hedges of interest rate risk

The group uses interest rate swaps to hedge the interest rate risks arising from floating rate liabilities.

Cash flow hedges of foreign currency risk

The group uses cross-currency swaps to hedge the foreign currency risks arising from interest-bearing liabilities denominated in foreign currencies.

Refer to note 28.9 for disclosure on movements in the cash flow hedging reserve.

	2012 Rm	2011 Rm
3 Inventories		
Net properties in possession	2	1
Properties in possession	3	2
Impairment provision	(1)	(1)
Net components and spares	26	22
Components and spares	27	23
Impairment provision	(1)	(1)
Net prepaid vouchers	160	118
Prepaid vouchers	164	121
Impairment provision	(4)	(3)
Net merchandise for sale	15	15
Merchandise for sale	16	16
Impairment provision	(1)	(1)
Total inventories	203	156
Inventories carried at net realisable value included above	2	2
Write-down of inventories during the year*	3	7
Reversals of write-downs during the year*	–	4

* *The write-down and reversal of write-down of inventories was processed directly against the impairment provision*

Properties are assessed for impairment by reference to independent valuations. These valuations take into account the location of the property, comparable sales values achieved within the geographical area and general market conditions.

Components and spares are assessed for impairment by considering obsolescence (technology) and the number of times the component has been reconditioned.

Merchandise for sale is assessed for impairment by considering the age, condition and net realisable value.

	2012 Rm	2011 Rm
4 Loans and advances		
Gross loans and advances	9 758	7 289
Impairment provision	(1 021)	(569)
Carrying value of written off book	43	–
Loans and advances*	8 780	6 720

* *Ceded as part security for amortising securitising debentures and loans as shown in note 13*

	2012 Rm	2011 Rm
Gross loans and advances by asset type		
Finance leases	4 800	4 045
Mortgage loans	65	80
Discounted invoices	217	139
Unsecured loans	4 676	3 025
Gross loans and advances	9 758	7 289
Finance leases		
Finance leases including unearned finance charges	6 866	5 712
Unearned finance charges	(2 066)	(1 667)
Gross finance leases	4 800	4 045
Carrying value of written off book	22	–
Impairment provision	(235)	(169)
Net finance leases	4 587	3 876
Maturity analysis of gross finance leases		
Amounts up to one year	1 734	1 465
Amounts between one and five years	2 942	2 526
Amounts in excess of five years	124	54
Total gross finance leases	4 800	4 045
Terms of finance leases		
Average term of leases contracted	44	43
Actual term of lease	63	60
Impairment provision		
Balance at the beginning of the year	(569)	(353)
Net impairments recognised in the income statement	(760)	(566)
Impairments recognised in the income statement	(760)	(582)
Reversals of impairments recognised in the income statement and prior years	–	16
Utilisation of impairment provision	308	350
Balance at the end of the year	(1 021)	(569)
Related credit risk exposure and enhancements		
Maximum exposure to credit losses of loans and advances	8 780	6 720
Credit risk exposure mitigated through unguaranteed residual asset values held as collateral:		
1) Vehicles	5 777	5 108
2) Properties	52	422
3) Discounted invoices	396	344
Fair value of collateral held for impaired financial assets	1 780	1 570
Fair value of collateral held for financial assets past due but not specifically impaired	1 168	830
Collateral attached comprises vehicles, properties and debtors.		
Loans and advances past due but not specifically impaired		
Amounts up to 90 days overdue	1 191	871
Amounts in excess of 90 days overdue	517	340
Total loans and advances past due but not specifically impaired	1 708	1 211

	2012 Rm	2011 Rm
5 Purchased book debts		
Cost	580	485
Accumulated amortisation	(233)	(177)
Total purchased book debts*	347	308
Reconciliation of movements in the year		
Balance at the beginning of the year	308	245
Additions	95	108
Amortisation	(56)	(45)
Balance at the end of the year	347	308
Fair value of purchased book debts	353	335
* *Ceded as part security for amortising securitisation debentures and loans as shown in note 13*	347	308
6 Other loans receivable		
Gross loans receivable	228	232
Impairment provision	–	(2)
Net other loans receivable	228	230
Gross loans receivable by asset type		
Loans to executives under the group share schemes**	207	220
Short-term loans to employees	9	4
Other loans receivable	12	8
Gross other loans receivable	228	232
Reconciliation of movements in the year		
Balance at the beginning of the year	230	221
Loans advanced	41	89
Interest	13	11
Repaid	(56)	(89)
Impairment	–	(2)
Total other loans receivable	228	230
Maturity analysis		
Payable within one year	16	5
Payable after one year	212	225
Total other loans receivable	228	230

The carrying value of other loans receivable approximates fair value.

** *Interest-bearing loans to group executives at rates ranging from prime less 5% to 11.7% granted with a maximum term not exceeding six years. These loans are encumbered by a cession over 31 620 437 shares, valued at R221 million at 30 September 2012*

7 Intangible assets

	Computer and telephony software Rm	Distribution channel Rm	Total Rm
Cost			
At 30 September 2010	59	24	83
Additions	16	–	16
Disposals	(4)	–	(4)
Reclassifications from property and equipment	19	–	19
At 30 September 2011	90	24	114
Additions	20	–	20
Disposals	(4)	–	(4)
At 30 September 2012	106	24	130
Accumulated amortisation and impairment			
At 30 September 2010	(37)	(6)	(43)
Disposals	4	–	4
Amortisation expense	(14)	(9)	(23)
Reclassifications from property and equipment	(12)	–	(12)
At 30 September 2011	(59)	(15)	(74)
Disposals	3	–	3
Amortisation expense	(15)	(8)	(23)
At 30 September 2012	(71)	(23)	(94)
Cost	106	24	130
Accumulated amortisation	(71)	(23)	(94)
Net carrying value at 30 September 2012	35	1	36
Cost	90	24	114
Accumulated amortisation	(59)	(15)	(74)
Net carrying value at 30 September 2011	31	9	40

	Automated teller machines Rm	Vehicles Rm	Office and computer equipment Rm	Freehold land and buildings Rm	Total Rm
8 Property and equipment					
Cost					
At 30 September 2010	289	19	154	21	483
Additions	54	7	36	–	97
Disposals	(21)	(3)	(6)	(15)	(45)
Reclassifications to intangible assets	(8)	–	(11)	–	(19)
Reclassified	–	–	6	(6)	–
At 30 September 2011	314	23	179	–	516
Additions	59	5	54	–	118
Disposals	(7)	(3)	(13)	–	(23)
At 30 September 2012	366*	25	220	–	611
Accumulated depreciation and impairment					
At 30 September 2010	(86)	(8)	(94)	(4)	(192)
Depreciation expense	(47)	(4)	(29)	–	(80)
Disposals	15	2	5	–	22
Reclassifications to intangible assets	5	–	8	–	13
Reclassified	–	–	(4)	4	–
At 30 September 2011	(113)	(10)	(114)	–	(237)
Depreciation expense	(45)	(4)	(36)	–	(85)
Disposals	5	2	12	–	19
At 30 September 2012	(153)	(12)	(138)	–	(303)
Cost	366	25	220	–	611
Accumulated depreciation and impairment	(153)	(12)	(138)	–	(303)
Net carrying value at 30 September 2012	213	13	82	–	308
Cost	314	23	179	–	516
Accumulated depreciation and impairment	(113)	(10)	(114)	–	(237)
Net carrying value at 30 September 2011	201	13	65	–	279

* *Interest-bearing liabilities of R67 million (2011: R91 million) are secured over automated teller machines*

	2012 Rm	2011 Rm
9 Goodwill		
Carrying value at the beginning of the year	930	932
Impairment loss	(3)	(2)
Carrying value at the end of the year	927	930
Composition of goodwill per cash-generating unit		
SA Taxi Finance Holdings	63	63
Rand Trust Financiers	32	32
Bayport Financial Services 2010	403	404
Paycorp Holdings	333	333
MBD Credit Solutions Holdings	73	75
Principa Decisions (previously PIC Solutions)	23	23
Total goodwill	927	930

Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill might be impaired.

When testing goodwill for impairment, the recoverable amounts of cash-generating units (CGU) are determined as the lower of value in use and fair value less costs to sell. The CGUs prepare five-year forecasts using growth rates based on the specific market segments in which they operate and their expected performance in these markets. The key assumptions for value in use calculations are discount rates, growth rates and expected margins over the determined period. Discount rates reflect management's assessment of risks specific to the CGU as well as current market trends of the time value of money. Growth rates and expected margins are based on industry indicators as well as current and expected business trends.

The group prepares cash flow forecasts based on CGU results for the next five years. A terminal value is calculated based on a conservative growth rate of 3% (2011: 3%). This rate does not exceed the average long-term growth rate for the relevant markets. The value in use of the CGUs which are lending businesses is determined based on free cash flows to cost of equity and the value in use of CGUs which operate service businesses is determined based on free cash flow to weighted average cost of capital. The valuation method applied is consistent with that of the prior period.

Goodwill of R1 million (2011: R2 million) was impaired during the year relating to M-Stores Proprietary Limited, a subsidiary of Bayport Financial Services 2010 Proprietary Limited and R2 million (2011: Rnil) was impaired during the year relating to Origin Eight Financial Services Proprietary Limited, a subsidiary of MBD Credit Solutions Proprietary Limited.

Management is of the opinion, that due to changes within the economic environment and direction of these businesses within the 2012 financial year, that the goodwill created within the purchases of these legal entities no longer exists and therefore the goodwill was written off.

	2012 Rm	2011 Rm
10 Deferred tax		
Deferred tax is presented on the statement of financial position as follows:		
Deferred tax assets	130	131
Deferred tax liabilities	(156)	(134)
Net deferred tax liabilities	(26)	(3)
The movements during the year are analysed as follows:		
Net deferred tax (liabilities)/assets at the beginning of the year	(3)	40
Recognised in the income statement for the year	(23)	(43)
Recognised in equity	–	1
Discontinued operations	–	(1)
Net deferred tax liabilities at the end of the year	(26)	(3)

Temporary differences	Opening balance Rm	Charged to income Rm	Charged to equity Rm	Acquisitions/ disposals Rm	Closing balance Rm
2012					
Assessed loss unutilised	74	13	–	–	87
Debtor provisions	10	2	–	–	12
Prepayments	(1)	–	–	–	(1)
Creditor provisions	6	–	–	–	6
Property and equipment	(2)	–	–	–	(2)
Deferred income	12	2	–	–	14
Operating lease adjustment	1	–	–	–	1
Timing difference of expenditure	14	6	–	–	20
Purchased book debts	(86)	(11)	–	–	(97)
Loans and advances	(23)	(25)	–	–	(48)
Other temporary differences	(8)	(10)	–	–	(18)
	(3)	(23)	–	–	(26)
2011					
Assessed loss unutilised	79	(5)	–	–	74
Debtor provisions	7	3	–	–	10
Prepayments	(1)	>(1)	–	–	(1)
Creditor provisions	6	<1	–	–	6
Property and equipment	(1)	(1)	–	–	(2)
Deferred income	37	(25)	–	–	12
Operating lease adjustment	1	<1	–	–	1
Timing difference of expenditure	10	4	–	–	14
Purchased book debts	(68)	(18)	–	–	(86)
Loans and advances	(36)	13	–	–	(23)
Other temporary differences	6	(14)	1	(1)	(8)
	40	(43)	1	(1)	(3)

	2012 Rm	2011 Rm
11 Trade and other payables		
Trade payables and accruals	418	214
Customer clearance accounts*	161	100
Revenue received in advance	55	51
Leave pay accrual	28	23
Bonus accrual	144	108
Deferred lease liability	4	4
Derivative liabilities (refer to note 11.1)	9	5
Other	39	40
Total trade and other payables	858	545

The carrying value of trade and other payables approximates fair value.

** Refer to note 1 for customer cash held*

	2012 Rm	2011 Rm
11.1 Derivative liabilities		
Derivatives held for risk management		
Interest rate	2	1
Cross-currency swap	7	4
Total derivative liabilities	9	5

Cash flow hedges of interest rate risk

The group uses interest rate swaps to hedge the interest rate risks arising from floating rate liabilities.

Cash flow hedges of foreign currency risk

The group uses cross-currency swaps to hedge the foreign currency risks arising from interest-bearing liabilities denominated in foreign currencies.

Refer to note 28.9 for disclosure on movements in the cash flow hedging reserve.

	2012 Rm	2011 Rm
12 Provisions		
Provision for long-term incentives		
Balance at the beginning of the year	2	3
Amounts provided	1	–
Amounts utilised	–	(1)
Balance at the end of the year	3	2
13 Interest-bearing liabilities		
Securitisation notes, debentures and loans	6 072	5 227
Loans	2 281	2 242
Total interest-bearing liabilities	8 353	7 469
Classes of interest-bearing liabilities		
Senior debt	6 876	5 867
Subordinated debt	1 477	1 602
Total interest-bearing liabilities	8 353	7 469
Payable within 12 months	2 611	1 243
Payable thereafter	5 742	6 226
Total interest-bearing liabilities	8 353	7 469

13 Interest-bearing liabilities (continued)

2012	Type of loan	Description	Date issued	Interest rate
Securitisation notes, debentures and loans				
	Senior	Amortising	2006/11/30 – 2012/07/02	9.32% – 12.59%
	Senior	Amortising	2010/09/30	11.92%*
	Senior	Amortising	2008/06/30 – 2012/08/15	Three-month JIBAR plus 1.00% – 6.07%
	Senior	Bullet	2010/11/15 – 2012/03/07	11.78%
	Senior	Bullet	2012/07/02 – 2012/09/27	10.23% – 11.09%
	Senior	Bullet	2010/03/31 – 2012/04/30	Three-month JIBAR plus 1.75% – 4.75%
	Senior warehousing	Bullet	2011/09/22	Prime plus 0.32%
	Senior debenture	Amortising	2009/03/31 – 2010/11/17	6.38% – 9.33%
	Mezzanine	Amortising	2007/09/27 – 2012/04/02	11.07% – 15.55%
	Mezzanine	Amortising	2010/01/28 – 2010/04/01	Three-month JIBAR plus 8.00% – 8.30%
	Mezzanine	Bullet	2011/11/30	15.36%
	Mezzanine	Bullet	2012/08/15	Three-month JIBAR plus 7.50%
	Junior mezzanine	Bullet	2012/08/15	Three-month JIBAR plus 7.50%
	Junior	Bullet	2010/04/21	

* *To 30 September 2012, the greater of (1) 11.920% and (2) three-month JIBAR plus 4.750% and from 1 October 2012, three-month JIBAR plus 4.750%. Current rate: 11.920%*

	Type of loan	Description	Date issued	Interest rate
Loans				
	Subordinated	Amortising	2011/09/30 – 2012/04/30	Prime plus 0.00% – 4.10%
	Senior	Amortising	2012/03/12 – 2012/09/12	9.11% – 9.32%
	Senior	Amortising	2011/06/10 – 2011/09/26	11.38%
	Senior	Amortising	2011/06/10 – 2012/09/26	
	Senior		2006/10/01 – 2012/04/12	Three-month JIBAR plus 1.75% – 3.75%
	Senior	Amortising	2011/11/22 – 2011/12/22	Three-month JIBAR plus 4.81% – 5.19%
	Senior	Bullet	2012/05/30 – 2012/09/12	8.18% – 14.00%
	Senior	Bullet	2008/10/30 – 2012/08/15	Three-month JIBAR plus 2.95% – 7.75%
	Structurally subordinated	Bullet	2008/10/30 – 2012/08/15	Three-month JIBAR plus 2.95% – 7.75%
	Mezzanine	Amortising	2011/03/01 – 2011/04/19	15.00%
	Structurally subordinated	Amortising	2008/05/29 – 2010/10/15	Three–month JIBAR + 3.00% – 5.00%
	Structurally subordinated	Bullet	2011/07/01	12.30% – 13.10%
	Subordinated	Bullet	2008/09/29 – 2008/10/31	Three–month JIBAR plus 6.75%
	Subordinated	Other		
	Senior	Other		

Maturity date	Currency	Carrying value	Other comments
2015/09/30 – 2017/06/30	ZAR	1 846	Secured by a cession of loans and advances – refer to note 4
2016/09/30	ZAR	472	Secured by a cession of loans and advances – refer to note 4
2014/06/30 – 2017/07/31	ZAR	2 387	Secured by a cession of loans and advances – refer to note 4
2017/03/07 – 2017/12/31	ZAR	300	Secured by a cession of loans and advances – refer to note 4
2017/06/30 – 2017/10/02	ZAR	280	Secured by a cession of loans and advances – refer to note 4
2013/03/30 – 2013/06/30	ZAR	175	Secured by a cession of loans and advances – refer to note 4
2012/12/31	ZAR	50	Secured by a cession of loans and advances – refer to note 4
2014/03/31 – 2015/11/17	ZAR	67	Secured over ATM machines as disclosed in note 8
2013/09/26 – 2017/03/31	ZAR	153	Secured by a cession of loans and advances – refer to note 4
2015/03/31 – 2018/01/29	ZAR	70	Secured by a cession of loans and advances – refer to note 4
2016/12/31	ZAR	55	Secured by a cession of loans and advances – refer to note 4
2019/06/30	ZAR	50	Secured by a cession of loans and advances – refer to note 4
2019/06/30	ZAR	102	Secured by a cession of loans and advances – refer to note 4
2019/07/01	ZAR	65	Interest based on profit participation
		6 072	
2015/04/30 – 2018/09/30	ZAR	96	
2017/02/14 – 2018/02/14	ZAR	89	Cash and cash equivalents, shareholders' loans, purchased book debts and trade receivables are ceded as securities for the loans
2017/06/15	EUR	149	
2017/06/15 – 2019/09/27	ZAR	565	
2013/10/17 – 2018/02/14	ZAR	50	Cash and cash equivalents, shareholders' loans, purchased book debts and trade receivables are ceded as securities for the loans
2017/06/15	ZAR	94	
2015/05/29 – 2016/05/29	ZAR	158	
2012/10/31 – 2019/08/15	ZAR	200	
2012/10/31 – 2019/08/15	ZAR	250	
2018/06/01	ZAR	82	Interest rate is fixed at 15.00% to 1 March 2013, interest will then be determined per formula per the agreement (maximum 29.00%)
2015/05/01 – 2017/11/30	ZAR	300	
2016/07/01	ZAR	149	
2016/09/29	ZAR	100	
		4	
		(5)	
		2 281	
		8 353	

13 Interest-bearing liabilities (continued)

2011	Type of loan	Description	Date issued	Interest rate
Securitisation debentures and loans				
	Senior	Amortising	2006/08/31 – 2011/06/14	9.32% – 12.59%
	Senior	Amortised – fixed payment (total)	2010/09/30	11.92%
	Senior	Amortising	2008/06/30 – 2011/06/01	Three-month JIBAR plus 1.00% – 5.00%
	Senior	Bullet	2010/11/15	11.78%
	Senior	Bullet	2010/03/31 – 2012/04/30	Three-month JIBAR plus 1.75% – 4.75%
	Senior warehousing	Bullet	2011/09/22	Prime plus 0.32% – 1.00%
	Senior debenture	Amortising	2009/03/31 – 2010/11/17	6.38% – 9.31%
	Mezzanine	Bullet	2010/02/25 – 2010/03/26	Three-month JIBAR plus 7.75%
	Mezzanine	Amortising	2010/03/31	15.55%
	Mezzanine	Amortising	2010/01/28 – 2010/04/01	Three-month JIBAR plus 8.00% – 8.30%
	Junior mezzanine	Bullet	2011/03/11	
	Junior	Bullet	2010/04/21	
Loans				
	Senior	Amortising	2011/09/30	Prime plus 0.00%
	Senior	Amortising	2010/05/17	13.02%
	Senior	Amortising	2011/06/10 – 2011/09/26	11.03% – 12.48%
	Senior	Debentures		Between 9.80% and 11.30%
	Senior	Amortising	2011/06/10 – 2011/09/26	Three-month JIBAR plus 4.75%
	Senior	Bullet	2008/10/30 – 2011/01/30	Three-month JIBAR plus 2.95% – 7.75%
	Senior	Bullet	2012/05/30 – 2012/09/12	8.18% – 14.00%
	Mezzanine	Amortising	2011/03/01 – 2011/04/19	15.00%
	Subordinated	Amortising	2006/07/31 – 2011/06/01	13.98% – 17.02%
	Structurally subordinated	Amortising	2008/05/29 – 2010/10/15	Three-month JIBAR plus 3.00% – 5.00%
	Structurally subordinated	Bullet	2011/07/01	12.30% – 13.10%
	Subordinated	Bullet	2008/09/29 – 2008/10/31	Three-month JIBAR plus 6.75%
	Structurally subordinated	Convertible	2011/08/31 – 2011/09/01	6.00% above JIBAR
	Subordinated	Other		
	Senior	Other		

The group is not in breach or default of any provisions of the terms or conditions of the agreements governing borrowings.

Maturity date	Currency	Carrying value	Other comments
2011/12/15 – 2016/06/30	ZAR	2 092	Secured by a cession of loans and advances – refer to note 4
2016/09/30	ZAR	531	Secured by a cession of loans and advances – refer to note 4
2012/01/30 – 2016/06/01	ZAR	1 450	Secured by a cession of loans and advances – refer to note 4
2017/12/31	ZAR	50	Secured by a cession of loans and advances – refer to note 4
2013/03/30 – 2013/06/30	ZAR	375	Secured by a cession of loans and advances – refer to note 4
2012/12/31	ZAR	200	Secured by a cession of loans and advances – refer to note 4
2014/03/31 – 2015/11/17	ZAR	91	Secured over ATM machines as disclosed in note 10
2012/03/31	ZAR	90	Secured by a cession of loans and advances – refer to note 4
2016/03/31	ZAR	82	Secured by a cession of loans and advances – refer to note 4
2015/03/31 – 2018/01/29	ZAR	81	Secured by a cession of loans and advances – refer to note 4
2016/10/31	ZAR	120	Secured by a cession of loans and advances – refer to note 4
2019/07/01	ZAR	65	Interest based on profit participation
		5 227	
2018/09/30	ZAR	22	
2014/03/31	ZAR	18	
2017/06/15	EUR	163	
The debentures are redeemable in equal quarterly instalments over five years from date of issue	ZAR	71	Secured by cession of purchased book debts as disclosed in note 5
2017/06/15	ZAR	240	
2012/10/31 – 2018/08/15	ZAR	400	
2015/05/29 – 2016/05/29	ZAR	109	
2018/06/01	ZAR	120	Interest rate is fixed at 15% to 1 March 2013, interest will then be determined per formula per the agreement (maximum 29%)
2013/05/31 – 2014/03/31	ZAR	49	
2015/05/01 – 2017/11/30	ZAR	300	
2016/07/01	ZAR	152	
2016/09/29	ZAR	100	
2016/08/31	ZAR	225	Loans convertible into ordinary shares of the company at the option of the lender. Option exercisable at a price 10% lower than the initial listing price. All options were exercised during 2012
		218	
		55	
		2 242	
		7 469	

	2012 Rm	2011 Rm
14 Ordinary share capital and share premium		
Authorised		
1 000 000 000 ordinary shares		
Issued		
584 304 184 (2011: 471 176 222) ordinary shares		
Ordinary share capital	1 792	<1
Ordinary share premium	–	908
Ordinary share capital and share premium	1 792	908

The ordinary share premium was collapsed into ordinary share capital in the current year on conversion of the shares to no par value.

	2012 Rm	2011 Rm
15 Non-controlling interests		
Share of equity of subsidiaries	86	26
Loans payable	1	47
Non-controlling interests	87	73
16 Interest		
Interest and other similar income is earned from:		
Cash and cash equivalents	34	39
Loans and advances	2 175	1 733
Finance leases	965	878
Mortgage loans	7	16
Discounted invoices	60	47
Unsecured loans	1 143	792
Other loans receivable	13	13
Other	2	<1
Total interest and other similar income	2 224	1 785
Interest and other similar expense is paid on:		
Bank overdrafts	(11)	(24)
Interest-bearing liabilities	(871)	(763)
Cumulative redeemable preference shares	–	(3)
Other	(1)	(8)
Total interest and other similar expense	(883)	(798)
Interest and other similar income	2 224	1 785
Interest and other similar expense	(883)	(798)
Net interest income	1 341	987

	2012 Rm	2011 Rm
17 Impairment of loans and advances		
Impairment comprises:		
Impairment of loans and advances	(577)	(216)
Bad debts written off	(183)	(350)
Bad debts recovered	20	–
Total impairment	(740)	(566)
18 Non-interest revenue		
Non-interest revenue comprises:		
Brokerage income	135	101
Commission income	355	355
Fee income	806	650
Income from insurance activities	169	98
Revenue from purchased book debts	275	222
Rental income	6	40
Revenue from sale of goods	351	317
Other income	29	38
Total non-interest revenue	2 126	1 821

	2012 Rm	2011 Rm
19 Total operating costs		
Total operating costs comprise:		
Advertising, marketing and public relations	(14)	(10)
Amortisation of intangibles	(23)	(23)
Amortisation of purchased book debts	(56)	(45)
Bank charges	(42)	(37)
Cashing	(75)	(67)
Commissions paid	(107)	(82)
Communication costs	(119)	(108)
Consulting fees	(28)	(23)
Cost of sale of goods	(166)	(122)
Data purchases	(44)	(18)
Depreciation	(85)	(80)
Employee expenses	(897)	(700)
Fees paid	(60)	(53)
Impairments	(8)	(1)
Trade and other receivables	(4)	–
Other loans receivable	<1	(2)
Goodwill	(3)	–
Inventory	(1)	1
IT costs	(40)	(46)
Loss on disposal of property and equipment	(2)	–
Maintenance	(40)	(29)
Motor vehicle expenses	(7)	(7)
Printing and stationery	(15)	(9)
Audit fees	(14)	(14)
Audit fees – current year	(12)	(12)
Audit fees – prior periods	(1)	(1)
Other fees	(1)	(1)
Legal fees	(49)	(49)
Listing costs	(19)	(1)
Professional fees	(2)	(2)
Operating lease rentals – premises	(58)	(48)
Risk management	(15)	(17)
Staff welfare	(16)	(12)
Subscriptions	(5)	(4)
Terminal purchases	(25)	–
Training and seminars	(13)	(13)
Travel	(15)	(11)
Input VAT disallowed	(57)	(47)
Other indirect expenses	(65)	(110)
Total operating costs	(2 181)	(1 788)
Number of employees	4 697	4 305

Executive compensation

Executive directors' remuneration:

The following table shows a breakdown of the annual remuneration (excluding share awards) of directors:

Executive director	Total gross package 2012 R	Annual incentive bonus 2012 R	Total 2012 R	Total gross package 2011 R	Annual incentive bonus 2011 R	Total 2011 R
Mark Lamberti	4 560 030	6 375 000	10 935 030	3 359 000	6 600 000	9 959 000
David Hurwitz[1]	1 245 458	3 470 833	4 716 291	N/A	N/A	N/A
Jonathan Jawno	2 361 713	1 600 000	3 961 713	1 963 000	1 295 000	3 258 000
Steven Kark	2 517 707	–	2 517 707	2 371 000	1 070 000	3 441 000
Michael Mendelowitz[2]	1 686 150	666 667	2 352 817	N/A	N/A	N/A
Roberto Rossi[3]	1 333 333	–	1 333 333	N/A	N/A	N/A
Tim Jacobs[4]	1 025 086	–	1 025 086	2 941 000	2 406 000	5 347 000
	14 729 477	12 112 500	26 841 977	10 634 000	11 371 000	22 005 000

[1] *Appointed as executive director in April 2012*
[2] *Appointed group chief investment officer in December 2011*
[3] *Appointed executive director in February 2012*
[4] *Resigned as a director in January 2012*

Prescribed officers' remuneration:

Prescribed officer	Total gross package 2012 R	Annual incentive bonus 2012 R	Total 2012 R	Total gross package 2011 R	Annual incentive bonus 2011 R	Total 2011 R
Prescribed officer A	3 425 000	2 801 050	6 226 050	3 330 000	3 098 000	6 428 000
Prescribed officer B	2 275 000	2 820 790	5 095 790	2 150 000	2 150 000	4 300 000
Prescribed officer C	2 315 000	2 430 750	4 745 750	2 205 000	1 536 000	3 741 000
	8 015 000	8 052 590	16 067 590	7 685 000	6 784 000	14 469 000

19 Total operating costs (continued)

Executive compensation (continued)

Non-executive directors' fees

The fees are paid to non-executive directors quarterly in arrears and determined by the board on a market-related basis as recommended by the nominations and remuneration committee.

Board members 2012	C Seabrooke R	D Woollam[1] R	P Langeni R	D Tabata R
Director	–	166 667	250 000	250 000
Chairman	850 000	–	–	–
Audit committee (chairperson)	–	200 000	–	–
Audit committee (member)	–	–	170 000	–
Asset and liability committee (member)	130 000	86 667	–	–
Nominations and remuneration committee (chairperson)	–	–	–	300 000
Nominations and remuneration committee (member)	130 000	–	130 000	–
Risk and compliance committee (chairperson)	–	200 000	–	–
Risk and compliance committee (member)	85 000	–	–	–
Social and ethics committee (chairperson)	–	–	–	–
Social and ethics committee (member)	–	–	65 000	–
Initial public offering committee fees	100 000	100 000	–	–
Subsidiary directorships and fees	–	140 500	–	–
Total Annual Fees	1 295 000	893 834	615 000	550 000

[1] *Appointed chairperson of the risk and compliance committee and chairperson of the audit committee, effective February 2012*
[2] *The fees for Mr Zagnoev are paid directly to Ethos Private Equity of which he is a partner*
[3] *Appointed as independent non-executive director and member of the audit committee, effective June 2012*
[4] *Resigned as non-executive director and appointed group chief investment officer, effective December 2011*
[5] *Resigned as non-executive and appointed executive director, effective February 2012*
[6] *Resigned as chairperson of the audit committee and as a non-executive director, effective February 2012*
[7] *Resigned as chairperson of the risk and compliance committee and as a non-executive director, effective February 2012*

Board members 2011	C Seabrooke R	P Langeni R	D Tabata R	S Zagnoev[1] R
Director	–	210 000	210 000	210 000
Chairperson	630 000	–	–	–
Audit committee (chairperson)	–	–	–	–
Audit committee (member)	–	157 500	–	–
Asset and liability committee (chairperson)	–	–	–	–
Asset and liability committee (member)	157 500	–	–	–
Nominations and remuneration committee (chairperson)	–	–	262 500	–
Nominations and remuneration committee (member)	105 000	105 000	–	105 000
Risk and compliance committee (chairperson)	–	–	–	–
Risk and compliance committee (member)	–	–	–	–
Other	105 000	40 500	–	–
Total Annual Fees	997 500	513 000	472 500	315 000

[1] *The fees for Mr Zagnoev are paid directly to Ethos Private Equity of which he is a partner*

S Zagnoev[2]	C Ntumba[3]	B Madumise	M Mendelowitz[4]	R Rossi[5]	D Konar[6]	R Shuter[7]	Total
R	R	R	R	R	R	R	R
250 000	83 333	250 000	62 500	62 500	83 333	125 000	1 583 333
–	–	–	–	–	–	–	850 000
–	–	–	–	–	150 000	–	350 000
–	56 667	–	–	–	–	42 500	269 167
–	–	–	–	–	–	32 500	249 167
–	–	–	–	–	–	–	300 000
130 000	–	–	–	–	–	–	390 000
–	–	–	–	–	–	112 500	312 500
–	–	–	–	42 500	–	42 500	170 000
–	–	100 000	–	–	–	–	100 000
–	–	–	–	–	–	–	65 000
–	–	–	–	–	–	–	200 000
–	–	–	–	–	–	–	140 500
380 000	140 000	350 000	62 500	105 000	233 333	355 000	4 979 667

B Madumise	M Mendelowitz	R Rossi	D Konar	R Shuter	Total
R	R	R	R	R	R
210 000	210 000	210 000	210 000	210 000	1 680 000
–	–	–	–	–	630 000
–	–	–	367 500	–	367 500
–	–	–	–	157 500	315 000
–	–	–	–	–	–
–	–	–	–	157 500	315 000
–	–	–	–	–	262 500
–	–	–	–	–	315 000
–	–	–	–	262 500	262 500
–	–	105 000	–	–	105 000
–	–	–	–	–	145 500
210 000	210 000	315 000	577 500	787 500	4 398 000

	2012 Rm	2011 Rm
20 Income tax expense		
South African normal taxation:	(114)	(103)
Current taxation	(89)	(63)
Current year	(85)	(69)
Prior years	(4)	6
Deferred taxation	(25)	(40)
Current year	(26)	(38)
Prior years	1	(2)
Secondary taxation on companies	–	(5)
Current taxation	–	(2)
Deferred taxation	–	(3)
Capital gains tax	2	–
Deferred taxation	2	–
Total income tax expense	(112)	(108)
Tax rate reconciliation:		
South African tax rate	28.0%	28.0%
Tax effects of:		
Income not subject to tax – dividends	(8.7%)	(5.9%)
Expenses not deductible for tax purposes	2.3%	1.7%
Tax losses not recognised	(0.1%)	1.4%
Prior year taxes	(0.2%)	1.2%
Permanent differences	(0.8%)	(2.6%)
Effective tax rate	20.5%	23.8%

	2012 Rm	2011 Rm
21 Discontinued operations		
The following operation was disposed of:		
– CUF Properties Proprietary Limited on 1 September 2011		
Interest and other similar income	–	1
Interest and other similar expense	–	(9)
Non-interest revenue	–	49
Other operating costs	–	(67)
Income tax expense	–	1
Loss from discontinued operations	–	(25)
Net capital loss	–	(45)
Discontinued operations	–	(70)
Cash flows attributable to discontinued operations:		
Operating activities	–	101
Financing activities	–	(106)
Cash flows attributable to discontinued operations	–	(5)
Net assets and liabilities disposed of:		
Non-current assets	–	(2)
Current assets	–	(141)
Current liabilities	–	1
Non-controlling interest and other	–	112
Discontinued operations	–	(30)

		2012	2011
22 Earnings per share			
Basic earnings per share			
From continuing operations	Cents	77.3	69.2
From discontinued operations	Cents	–	(15.1)
Total basic earnings per share	Cents	77.3	54.1
The earnings used in the calculation of basic earnings per share are as follows:			
Profit for the year attributable to ordinary equity holders	Rm	401.4	250.5
Profit for the year from discontinued operations	Rm	–	69.6
Earnings used in the calculation of basic earnings per share from continuing operations	Rm	401.4	320.1
Weighted average number of ordinary shares for the purposes of basic earnings per share:			
Issued shares at the beginning of the year	Million	471.2	455.1
Effect of shares issued during the year and to be issued	Million	49.2	10.7
Effect of shares repurchased during the year	Million	(1.0)	(3.3)
Weighted average number of ordinary shares for the purposes of basic earnings per share	Million	519.4	462.5
Diluted earnings per share			
From continuing operations	Cents	77.3	69.2
From discontinued operations	Cents	–	(15.0)
Total basic earnings per share	Cents	77.3	54.2
The earnings used in the calculation of diluted earnings per share are as follows:			
Earnings used in the calculation of basic earnings per share	Rm	401.4	250.5
Interest on convertible notes (after tax at 28%)	Rm	–	1.5
Earnings used in the calculation of diluted earnings per share	Rm	401.4	252.0
Loss for the year from discontinued operations	Rm	–	69.6
Earnings used in the calculation of diluted earnings per share from continuing operations	Rm	401.4	321.6
Reconciliation of weighted average number of ordinary shares for diluted earnings per share:			
Weighted average number of ordinary shares used in the calculation of basic earnings per share	Million	519.4	462.5
Shares deemed to be issued for no consideration in respect of convertible loans	Million	–	2.1
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	Million	519.4	464.6

22 Earnings per share (continued)

Headline earnings

	2012		2011	
	Rm Gross	Rm Net	Rm Gross	Rm Net
Headline earnings are determined as follows:				
Profit attributable to ordinary equity holders		401.4		250.5
Adjustments for:				
Loss on disposal of tangible assets	2	0.8	–	–
Impairment of assets	3	3.1	2	1.5
Capital loss on discontinued operations	–	–	45	44.9
Headline earnings		405.3		296.9
Headline earnings per share (cents)		78.0		64.2
Headline earnings from continuing operations are determined as follows:				
Headline earnings		405.3		296.9
Adjustments for:				
Trading loss on discontinued operations	–	–	26	24.8
Headline earnings from continuing operations		405.3		321.7
Headline earnings per share from continuing operations (cents)		78.0		69.6
Normalised headline earnings are determined as follows:				
Headline earnings from continuing operations		405.3		321.7
Adjustments for:				
Listing costs	19	18.6	1	0.8
Normalised headline earnings		423.9		322.5
Normalised headline earnings per share (cents)		81.6		69.7

	2012 Rm	2011 Rm
23 Cash generated by operations		
Profit before taxation	546	454
Adjusted for:		
Amortisation of intangible assets	23	23
Amortisation of purchased book debts	56	45
Bad debts written off	183	350
Depreciation	85	80
Discontinued operations	–	(26)
Impairment of goodwill	3	–
Impairment of inventory	1	–
Impairment of loans and advances	577	216
Impairment of trade receivables	4	–
Increase in deferred lease liability	–	1
Movement in provisions	1	(1)
Net loss on disposal of property and equipment	2	–
Other non-cash flow items	–	2
Cash generated by operations	1 481	1 144
24 Income taxes paid		
Amounts payable/(receivable) at the beginning of the year	50	(76)
Charged in income statement	(112)	(108)
Deferred taxation	23	43
Amounts receivable at the end of the year	(15)	(50)
Income taxes paid	(54)	(191)
25 Dividends paid to ordinary shareholders		
Paid to non-controlling interests	(4)	(14)
Dividends paid	(4)	(14)
26 Contingencies and commitments		
Capital commitments		
Approved	1	4
Contracted	2	1
Total	3	5
Operating lease commitments		
Future minimum payments under non-cancellable operating leases		
Premises		
Year one	53	40
Year two	48	35
Year three	41	27
Year four	32	16
Year five	30	7
Total operating lease commitments	204	125

The group had no contingent liabilities at year-end.

27 Reclassifications

The table below reflects reclassifications that have been made between lines in the income statement and statement of financial position. These reclassifications have no impact on profits and are not considered to be material and therefore did not require a restatement. The reclassifications were done for improved disclosure and to provide a better reflection of the nature of the business.

	Previously reported 2011 Rm	Reclassified Rm	Revised reported 2012 Rm
Consolidated statement of financial position			
Assets			
Trade and other receivables	495	7	502
Other investments	7	(7)	–
Consolidated income statement			
Direct costs	(798)	798	–
Indirect costs	(990)	990	–
Total operating costs	–	(1 788)	(1 788)
Consolidated statement of cash flows			
Cash flow from operating activities			
Cash generated by operations	792	352	1 144
Increase in operating assets and liabilities			
Loans and advances	(1 218)	(352)	(1 570)

28 Financial risk management

The board is responsible for risk management and the setting of the risk management framework. Oversight of risk management is the responsibility of three board sub-committees; the asset and liability committee (ALCO), the risk and compliance committee and the audit committee. The ALCO monitors risks associated with liquidity and funding, interest rates, counterparties, currency exposures and capital adequacy. The audit committee monitors risks associated with financial reporting, accounting policies, internal control and IT governance. The risk and compliance committee is responsible for risk management including setting the risk management framework, making recommendations relating to risk appetite to the board and monitoring the group's management of risk including credit and compliance.

The responsibility for day-to-day management of risks falls to each of the respective subsidiary's chief executive officers and their executive committees. Risk management is managed at subsidiary level through the executive committees and reviewed by each of the respective subsidiary boards. Group oversight is the responsibility of the chief financial officer.

28.1 Credit risk

Credit risk is the risk of loss arising from the failure of a client or counterparty to discharge an obligation to the group. The primary credit risks that the group is exposed to arise from finance leases to minibus taxi operators, unsecured consumer loans, invoice discounting and secured mortgage loans. The portfolio of purchased book debts exposes the group to credit risk if they fail to perform in accordance with estimated net future cash flows. It is not the group's strategy to avoid credit risk, but rather to manage credit risk within the group's risk appetite and to earn an appropriate risk-adjusted return.

The group limits its counterparty exposure arising from money market instruments by dealing only with well established financial institutions of high credit standing.

28 Financial risk management (continued)

28.1 Credit risk (continued)

Credit risk management and measurement

Each subsidiary is responsible for the identification, measurement, management, control and reporting of credit risk within their business units. Exposure to credit losses is managed by assessing customer's affordability and their ability to repay loans and advances, customers risk profile, employment status and stability, earnings potential in the case of taxis and collectability in the case of purchased book debt. Each of the group's lending businesses tends to have homogeneous or similar asset portfolios within their respective businesses. Impairments are monitored and provided for using statistical techniques including experiential and behavioural models. These models are based on customers' financial performance information while on book and assume that recent performance is a strong indicator of future performance. In the case of key asset classes, independent models are developed to monitor the robustness of the primary models relative to actual performance and to optimise their effectiveness. Models are either developed internally or by expert external advisors. In the case of secured lending asset classes, the realisable/fair value of the underlying security is taken into consideration in arriving at a final impairment.

SA Taxi

The taxi industry plays a critical role in transporting commuters to their places of business daily. SA Taxi is a developmental credit provider, whose purpose is to create and develop small businesses in the taxi industry through the provision of finance to existing and aspirant taxi operators. Customers almost exclusively come from previously disadvantaged and marginalised communities, with the finance provided for many being one of the few opportunities to escape poverty and create wealth without a formal education.

Legitimacy as a business stems from our ability to differentiate viable taxi businesses and viable operators in our lending decision and in actively managing our on-book exposures through intimate knowledge of the operating realities affecting our customers.

The credit granting processes centre on synthesising all the insights gained from past lending experiences and current industry knowledge (at route and association level) in identifying credible operators on viable routes. In an ever changing environment, the pursuit of deep insight into what makes for a credible operator and a viable route remains our primary objective.

Likewise the credit management processes centre on identifying the root cause for poor payment performance and addressing the root cause. Causes for poor payment performance range from changes in route viability due to emerging local economic trends, to temporary personal setbacks experienced by operators, to mechanical difficulties or accidents, to reticence or operator failure. In credit management the primary objective is to support viable businesses through tough operating environments, with legal enforcement only being resorted to when all other options have been exhausted. In this dynamic environment, the pursuit of deep and rewarding relationships with customers remains our primary objective.

In governing the policies and changes required to respond to the market realities, the credit committee is responsible for providing executive management and oversight for all credit risk arising within and impacting on the SA Taxi balance sheet. This committee comprises of the most senior management and includes the subsidiary chief executive officer and chief financial officer and the group chief financial officer.

Impairments are monitored and provided for using statistical techniques including experiential and behavioural models. These models are based on information on customers' financial performance while on book, and assumes that the previous 12-month rolling performance is a strong indicator of future performance.

Rand Trust

The credit committee assess all applications for credit and will approve a facility based on the risk profile of the applicant and an assessment of the collectability of their trade receivables. Ongoing risk management and collections are handled by experienced credit controllers.

Impairments are monitored by the risk director and provided for based on the assessment of the probability of obligations being met. This assessment is based on direct exposure where there is a probability of non-recovery, taking into account the realisable/fair value of any underlying security.

Bayport

Bayport manages its exposure to credit losses by assessing customers' affordability of repayment of loans and advances, customers' risk profile, employment status and stability. Impairments are monitored and provided for using statistical techniques including experiential and behavioural models. These models are based on customers' financial performance information while on book and assume that recent performance is a strong indicator of future performance. Models are either developed internally or by expert external advisors. In the case of key asset classes, independent models are developed to monitor the robustness of the primary models relative to actual performance and to optimise their effectiveness.

The credit committee is responsible for providing executive management and oversight for all credit risk arising within and impacting on the statement of financial position. The credit committee meets monthly to evaluate the activities of the credit department and operations, new business results, arrears, provisioning and regulatory requirements. The credit committee determines credit policy.

The credit policy is designed to ensure that the company's credit process is efficient for the applicant, while providing the company with the necessary details to make an informed credit decision. Bayport essentially applies a three stage approach to credit advancement as follows:

- basic credit criteria;
- scoring the individual against a proprietary scorecard; and
- verification of details and affordability check.

Bayport's credit application approval process comprises the following:

Application:

The majority of Bayport's loan applications are sourced via its independent mobile sales agents. Loans to existing customers are also originated through an outbound call centre. Applications for cellular subscription agreements are originated primarily through out-bound call centres contacting potential clients and in-bound call centres, with clients responding by phone or SMS to print media and other advertising.

Preliminary credit assessment:

Following application, a preliminary credit assessment is performed on each prospective client through the application of Bayport's risk assessment criteria and the use of bespoke scorecards, internal and external verification procedures (including credit bureau and National Loan Register data), as well as a fraud detection process. The application process for all products begins with a basic pre-screening process to filter out non-qualifying applicants. Branches have direct access to Bayport's credit-scoring tools, which generate an automated pre-score and affordability calculation to determine whether a full credit application process is warranted.

Central credit assessment:

Successful pre-screening results in a detailed application form being forwarded to the head office and subjected to a processing and verification phase prior to final approval and disbursement.

Loan offer:

Once the prospective client has progressed through the risk assessment phase, an offer is made detailing the term and amount of the loan offered based on the scorecard limits in place. Overall approval rates averaged 9% for financial year 2012, compared to 16% for the financial year ended 30 September 2011.

Instalments on credit agreements are payable monthly, fortnightly or weekly and are fully amortising with no residual payment at the end of the term.

MBD CS

Investment process:

Before the acquisition of purchased book debt, there is a defined investment process that is followed in accordance with guidelines as determined by an investment committee. Purchased book debt is acquired from various sectors, but mostly from the retail and banking industry. Valuation of these books is determined by way of analysis of the historic underlying payment history as well as other parameters, which are ultimately presented to the investment committee to decide on the fair price that the company is willing to offer.

Collections process:

The business knowledge department continually develops and evolves strategies which are then implemented by operations to collect the various outstanding debt. Methods include tracing, letters, SMSs and direct calling both in call centres and legal operations.

Method of provisioning and fair valuing:

MBD CS has built a model to value the principal book portfolio on a monthly basis. Each matter is modelled for a 60-month period based on the collection activity applied to it. A combination of inflows for each matter and cost projections are used to determine a net cash flow which is discounted to the present. This represents the fair value for that matter at the month-end.

28 Financial risk management (continued)

28.1 Credit risk (continued)

28.1.1 Financial assets subject to risk

For the purposes of group disclosure regarding credit quality, the maximum exposure to credit risk of financial assets at the financial year-end is analysed as follows:

	Loans and advances Rm	Other loans receivable Rm	Trade and other receivables* Rm	Purchased book debts Rm	Total Rm
2012					
Neither past due nor impaired	4 862	228	276	347	5 713
Past due but not impaired	1 708	–	44	–	1 752
Impaired	3 188	–	–	–	3 188
Impairment allowance	(1 021)	–	(12)	–	(1 033)
Unidentified impairment (incurred but not recorded)	(10)	–	–	–	(10)
Non-performing loans and advances	(1 011)	–	–	–	(1 011)
Non-performing other loans	–	–	–	–	–
Non-performing trade and other receivables	–	–	(12)	–	(12)
Carrying value of written off book	43	–	–	–	43
Carrying value of financial assets	8 780	228	308	347	9 663
Fair value of collateral held for loans neither past due nor impaired	3 354	–	99	–	3 453
2011					
Neither past due nor impaired	3 844	232	362	308	4 746
Past due but not impaired	1 211	–	33	–	1 244
Impaired	2 234	–	5	–	2 239
Impairment allowance	(569)	(2)	(10)	–	(581)
Non-performing loans and advances	(569)	–	–	–	(569)
Non-performing other loans	–	(2)	–	–	(2)
Non-performing trade and other receivables	–	–	(10)	–	(10)
Carrying value of financial assets	6 720	230	390	308	7 648
Fair value of collateral held for loans neither past due nor impaired	3 078	–	142	–	3 220

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

28.1.2 Financial assets that are neither past due nor impaired

	2012 Rm	2011 Rm
Carrying amount of loans and advances that are neither past due nor impaired	4 862	3 844
Credit quality		
High	3 309	2 393
Medium	986	808
Low	567	643

The credit quality of a debt is therefore determined as follows:

SA Taxi

SA Taxi, in conjunction with Principa Decisions (formerly PIC Solutions), has developed a bespoke application scorecard to assess credit quality when granting loans. The scorecard uses demographic, vehicle, route and credit bureau information to determine the risk of the deal. A detailed affordability assessment is also performed to mitigate risk.

Bayport

Bayport in conjunction with Principa Decisions has developed its own credit scoring models which are continuously refined or reinvented in order to segment the spectrum of risk more finely and more accurately. The credit quality segments have been determined by reference to both the scoring at application and behavioural performance.

Rand Trust

The credit committee assess all applications for credit and will approve a facility based on the risk profile of the applicant and an assessment of the collectability of their trade receivables and realisable value of other tangible security. Ongoing risk management and collections are handled by experienced credit controllers.

MBD CS

The credit quality is assessed on the date the loan is granted based on the loan to value percentage. Where the loan to value percentage is less than a 100% the credit quality is assessed as high, where it is in excess of 100% the credit quality is assessed as medium.

28 Financial risk management (continued)

28.1 Credit risk (continued)

28.1.3 Financial assets that are past due but not impaired

These are assets where contractual interest or principal payments are past due, but the group believes that impairment is not appropriate. Recent payment history and the level of collateral available, if any, are key considerations in determining whether an asset is impaired. The age of loans and advances and other assets that are past due but not impaired is as follows:

	Past due up to 1 month Rm	Past due up to 1 – 2 months Rm	Past due up to 2 – 3 months Rm	Past due up to 3 – 4 months Rm	Past due older than 4 months Rm	Total Rm
2012						
Loans and advances	578	244	369	39	478	1 708
Trade and other receivables	19	15	2	3	5	44
Financial assets that are past due but not impaired	597	259	371	42	483	1 752
2011						
Loans and advances	493	232	146	336	4	1 211
Trade and other receivables	7	15	7	4	–	33
Financial assets that are past due but not impaired	500	247	153	340	4	1 244

Valuation of collateral

The group typically holds vehicles (taxis), bonds over residential property and debtor books in the case of invoice discounting as collateral against secured advances. Any security taken as part of the credit decision is valued according to the applicable credit policies at the time of credit approval and at regular intervals thereafter. The group uses a number of approaches for the valuation of collateral, including:

- SA Taxi's collateral over the secured debt is valued with reference to the selling prices achieved in the active secondary market for vehicles which has been created by SA Taxi through its subsidiary Dunkeld Trading Proprietary Limited (trading as TaxiMart) and the TransUnion Auto Dealers Guide.
- Valuations of property held as security over mortgage loans take into account market conditions, area where the property is situated, the condition of the property and comparable sales within the geographical area.

Due to the specialised niche nature of the group's businesses, a certain degree of concentration in the collateral underpinning the various portfolios cannot be avoided. At the statement of financial position date, the group did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

28.2 Interest rate risk

Interest rate risk is the risk of loss arising from the fair value or future cash flows of a financial instrument because of changes in market interest rates.

The group is exposed to interest rate risk associated with the effects of fluctuations in the prevailing levels of market rates on future cash flows of a financial instrument and the fair value of the financial instrument based on changes in market interest rates.

The group has exposure to the effects of fluctuations in the prevailing levels of market interest rates on both the value of interest sensitive assets and liabilities and cash flows.

28.2.1 Risk profile of financial assets and liabilities

2012 Per segment	Floating rate liabilities Rm	Fixed rate liabilities Rm	Floating rate assets Rm	Fixed rate assets Rm	Net asset/ (liability) Rm
Asset-backed lending	2 987	1 801	3 632	1 905	749
Unsecured lending	1 888	1 561	270	3 939	760
Credit services	50	216	140	432	306
Payment services	23	259	154	14	(114)
Corporate support	451	46	305	4	(188)
Total	5 399	3 883	4 501	6 294	1 513
2011					
Asset-backed lending	2 290	1 857	2 232	2 248	333
Unsecured lending	1 648	923	131	2 655	215
Credit services	–	137	43	379	285
Payment services	5	250	125	15	(115)
Corporate support	962	47	507	9	(493)
Total	4 905	3 214	3 038	5 306	225

28.2.2 Weighted average interest rates are as follows:

	2012		2011	
Per segment	Bank balances %	Borrowings %	Bank balances %	Borrowings %
Asset-backed lending	3.3	11.2	5.5	11.1
Unsecured lending	3.3	11.7	5.6	12.8
Credit services	4.4	9.5	4.9	9.0
Payment services	4.9	7.9	5.0	9.0
Corporate support	6.3	6.3	4.9	7.7

The group is exposed to interest rate risk associated with the effects of fluctuations in the prevailing market rates. The following table summarises the group's exposure to interest rate risk through grouping variable assets and liabilities into repricing categories. Fixed rate assets and liabilities have been classified as non-interest sensitive items.

28 Financial risk management (continued)

28.2 Interest rate risk (continued)

2012	Up to 1 month Rm	1 to 3 months Rm	4 to 12 months Rm	Beyond 12 months Rm	Non-interest sensitive items Rm	Total Rm
Assets						
Cash and cash equivalents	1 125	–	–	–	7	1 132
Trade and other receivables*	5	–	–	–	303	308
Loans and advances	3 153	–	–	–	5 627	8 780
Purchased book debts	–	–	–	–	347	347
Other loans receivable	218	–	–	–	10	228
Total assets	4 501	–	–	–	6 294	10 795
Liabilities						
Bank overdrafts	158	–	–	–	–	158
Trade and other payables**	9	–	–	–	762	771
Interest-bearing liabilities	146	4 483	–	603	3 121	8 353
Total liabilities	313	4 483	–	603	3 883	9 282
On balance sheet interest sensitivity	4 188	(4 483)	–	(603)	2 411	1 513
2011						
Assets						
Cash and cash equivalents	688	–	–	–	8	696
Trade and other receivables*	7	–	–	–	383	390
Loans and advances	2 113	–	–	–	4 607	6 720
Purchased book debts	–	–	–	–	308	308
Other loans receivable	227	–	3	–	–	230
Total assets	3 035	–	3	–	5 306	8 344
Liabilities and equity						
Bank overdrafts	183	–	–	–	–	183
Trade and other payables**	5	–	–	–	462	467
Interest-bearing liabilities	257	3 482	7	971	2 752	7 469
Total liabilities	445	3 482	7	971	3 214	8 119
On balance sheet interest sensitivity	2 590	(3 482)	(4)	(971)	2 092	225

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

** *Revenue received in advance, leave pay accrual and deferred lease liability are not financial liabilities and therefore have been excluded from trade and other payables*

28.3 Liquidity risk

Liquidity risk is the risk that the group is unable to meet payment obligations when they fall due or that insufficient funds are available to meet loan demands in the ordinary course of business. The group's objectives in relation to liquidity risk management are to manage the contractual mismatch between cash inflows from assets and cash outflows to settle liabilities, to fund the expected balance sheet growth, to honour all cash outflow commitments, to avoid raising funds at market premiums or through the forced sale of assets as a result of liquidity pressure, and to take advantage of attractive but unanticipated borrowing opportunities.

The monitoring and reporting of liquidity risk takes the form of, as a minimum, cash flow projections to settlement of longest dated funding obligations by subsidiary or securitisation vehicle, an analysis of the group's borrowing facilities and utilisation thereof, borrowing facilities under discussion, maturity profile and concentration of liability by counterparty, asset maturities and borrowing facility obligations and special conditions.

The group's capital markets (CM) team is responsible for executing on fund raising mandates given to it by each subsidiary in support of their respective business models. This includes the ongoing assessment and evaluation of various funding sources designed to grow and diversify the group's funding base in order to achieve an optimal funding profile and sound liquidity. The CM team is also responsible for the ongoing monitoring of asset portfolio performance and its impact on funder obligations including covenants.

It is the responsibility of each subsidiary to manage their daily cash flow requirements, to ensure funding covenants are maintained, to produce financial projections to monitor the impact of business trends on future funding requirements and covenants and to notify the CM team of any changes to the business environment that may impact funding requirements.

The table below analyses financial liabilities at the statement of financial position date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

2012	On demand Rm	Within 1 year Rm	From 1 – 5 years Rm	More than 5 years Rm	Total Rm
Liabilities					
Bank overdrafts	158	–	–	–	158
Trade and other payables*	319	446	6	–	771
Interest-bearing liabilities	1	3 488	6 298	690	10 477
Financial liabilities	478	3 934	6 304	690	11 406
Non-financial liabilities	–	16	–	156	172
Total liabilities	478	3 950	6 304	846	11 578
2011					
Liabilities					
Bank overdrafts	183	–	–	–	183
Trade and other payables*	146	321	–	–	467
Interest-bearing liabilities	327	2 742	5 764	335	9 168
Financial Liabilities	656	3 063	5 764	335	9 818
Non-financial liabilities	–	16	–	134	150
Total liabilities	656	3 079	5 764	469	9 968

* *Revenue received in advance, leave pay accrual and deferred lease liability are not financial liabilities and therefore have been excluded from trade and other payables*

28 Financial risk management (continued)

28.4 Capital risk

The objective of the group's capital management strategy is to maximise shareholder value. To achieve this the group considers the capital required to support growth in its operating divisions to maintain credit ratings in various group entities and to comply with borrowing covenants and for unexpected shocks.

The group defines capital as equity, group loans and subordinated and structurally subordinated debt.

Equity comprises permanent paid up capital, share premium, revenue and other reserves together with certain loans from shareholders.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a strong capital position.

28.5 Insurance and assurance risk

Insurance and assurance risk is the risk assumed under any insurance contract that the insured event occurs. By the very nature of an insurance/assurance contract this risk is random and unpredictable. The exposure to assurance risk is limited through an underwriting strategy, limits and adopting appropriate risk assessment techniques. It is not the group's policy to reinsure risks that are within its risk appetite. The risk base of the group is not concentrated in any one region or sector of the economy.

Exposure to insurance risk

Assets underpinning the secured lending portfolio are insured with accredited insurers. The group is not exposed to any underwriting risk.

Exposure to assurance risk

The unsecured lending portfolio has life assurance policies with accredited insurers. The group is not exposed to underwriting risk.

28.6 Currency risk

Currency risk is the possibility of incurring a financial loss as a consequence of the depreciation in the measurement currency relative to a foreign currency prior to payment of a commitment in that foreign currency or the strengthening of the measurement currency prior to receiving payment in a foreign currency.

The foreign currencies to which the group has exposure are US Dollars and Euros. Where the timing of future cash flows can be predicted with relative certainty, this risk is managed by entering into forward exchange contracts at the time the risk arises.

The following significant exchange rates applied during the year:

	Average rate		Reporting date closing rate	
	2012	2011	2012	2011
US Dollars	8.1	7.1	8.3	7.9
Euros	10.5	9.7	10.7	10.9

Foreign amounts included in the financial statements at the end of the financial year:

	2012	2011	2012	2011
In millions of units of foreign currency				
US Dollars	3	<1	4	<1
Euros	23	15	23	15

The cross-currency swaps that are in place mitigate the foreign currency risk.

28.7 Sensitivity analysis

The group's exposures to various financial risks are set out below:

Interest rate risk

	Effect on profit before tax of 1% increase in rates Rm	Total carrying value of asset class Rm
30 September 2012		
Assets		
Loans and advances	32	8 780
Fixed rate loans and advances	–	5 627
Floating rate loans and advances	32	3 153
Other loans receivable	2	228
Trade and other receivables	<1	308
Cash and cash equivalents	11	1 132
	45	10 448
Liabilities		
Interest-bearing liabilities	54	8 353
Fixed rate liabilities	–	3 121
Floating rate liabilities	54	5 232
Trade and other payables	2	771
Bank overdrafts	2	158
	58	9 282
Net exposure	(13)	1 166
30 September 2011		
Assets		
Loans and advances	20	6 720
Fixed rate loans and advances	–	4 607
Floating rate loans and advances	20	2 113
Other loans receivable	<1	230
Trade and other receivables	<1	390
Cash and cash equivalents	5	696
	25	8 036
Liabilities		
Interest-bearing liabilities	32	7 469
Fixed rate liabilities	–	2 752
Floating rate liabilities	32	4 717
Trade and other payables	2	467
Bank overdrafts	2	183
	36	8 119
Net exposure	(11)	(83)

The effect of a 1% change in interest rates is shown above. As the group has no control over rate movements, it cannot predict the effect of future rate movements, if any.

28 Financial risk management (continued)

28.8 Fair value disclosure

The fair values of financial assets and liabilities have been disclosed below:

	Carrying value 2012 Rm	Fair value 2012 Rm	Carrying value 2011 Rm	Fair value 2011 Rm
Assets				
Loans and advances	8 780	8 830	6 720	6 743
Purchased book debts	347	353	308	335
Other loans receivable	228	228	230	230
Trade and other receivables*	308	308	390	390
Cash and cash equivalents	1 132	1 132	696	696
	10 795	10 851	8 344	8 394
Liabilities				
Interest-bearing liabilities	8 353	8 653	7 469	7 436
Fixed rate liabilities	3 121	3 393	2 752	2 934
Floating rate liabilities	5 232	5 260	4 717	4 502
Trade and other payables**	771	771	467	467
Bank overdrafts	158	158	183	183
	9 282	9 582	8 119	8 086
Net exposure	1 513	1 269	225	308

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

** *Revenue received in advance, leave pay accrual and deferred lease liability are not financial liabilities and therefore have been excluded from trade and other payables*

28.9 Hedge accounting

The ineffective portion of fair value movements of hedging instruments for 2012 was nil (2011: nil).

Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

	2012 Rm	2011 Rm
Balance at the beginning of the year	(3)	–
(Loss)/gain (net of tax) arising on changes in fair value of hedging instruments entered into for cash flow hedges	(4)	1
Interest rate swaps	>(1)	(1)
Currency swaps	(4)	2
Loss/(gain) (net of tax) arising on changes in fair value of hedging instruments reclassified to profit or loss	4	(4)
Currency swaps	4	(4)
Balance at the end of the year	(3)	(3)

28 Financial risk management (continued)

28.9 Hedge accounting (continued)

Losses/(gains) arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year are included in the following line items in the consolidated income statement:

	2012 Rm	2011 Rm
Interest and similar income	1	<1
Interest and similar expense	–	–
Non-interest revenue	–	–
Total operating costs	3	(4)
Losses/(gains) arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year	4	(4)

The time periods in which the hedged cash flows are expected to occur and affect the consolidated income statement are as follows:

2012	<1 year	1 – 5 years	> 5 years
Cash outflows	(82)	(242)	–
Cash inflows	80	241	–
Total cash flows	(2)	(1)	–
2011			
Cash outflows	(35)	(287)	(38)
Cash inflows	34	286	38
Total cash flows	(1)	(1)	–

28.10 Categorisation

28.10.1 Financial assets

	At fair value through profit or loss: Held for trading	Loans and receivables	Non-financial assets	Total
2012				
Assets				
Cash and cash equivalents	–	1 132	–	1 132
Tax receivables	–	–	28	28
Trade and other receivables	5	303	102	410
Inventories	–	–	203	203
Loans and advances	–	8 518	262	8 780
Purchased book debts	–	347	–	347
Other loans receivable	–	228	–	228
Intangible assets	–	–	36	36
Property and equipment	–	–	308	308
Goodwill	–	–	927	927
Deferred tax assets	–	–	130	130
Total assets	5	10 528	1 996	12 529

28 Financial risk management (continued)

28.10 Categorisation (continued)

28.10.1 Financial assets (continued)

	At fair value through profit or loss: Held for trading	Loans and receivables	Non-financial assets	Total
2011				
Assets				
Cash and cash equivalents	–	696	–	696
Tax receivables	–	–	64	64
Trade and other receivables	7	431	64	502
Inventories	–	–	156	156
Loans and advances	–	6 568	152	6 720
Purchased book debts	–	308	–	308
Other loans receivable	–	230	–	230
Intangible assets	–	–	40	40
Property and equipment	–	–	279	279
Goodwill	–	–	930	930
Deferred tax assets	–	–	131	131
Total assets	7	8 233	1 816	10 056

28.10.2 Financial liabilities and equity

	At fair value through profit or loss: Held for trading	Financial liabilities at amortised cost	Non- financial liabilities	Equity	Total
2012					
Equity and liabilities					
Liabilities					
Bank overdrafts	–	158	–	–	158
Tax payables	–	–	13	–	13
Trade and other payables	9	849	–	–	858
Provisions	–	3	–	–	3
Interest-bearing liabilities	–	8 353	–	–	8 353
Deferred tax liabilities	–	–	156	–	156
Total liabilities	9	9 363	169	–	9 541
Equity					
Ordinary share capital and premium	–	–	–	1 792	1 792
Reserves	–	–	–	(3)	(3)
Retained earnings	–	–	–	1 112	1 112
Equity attributable to ordinary equity holders of the parent	–	–	–	2 901	2 901
Non-controlling interests	–	–	–	87	87
Total equity	–	–	–	2 988	2 988
Total equity and liabilities	9	9 372	160	2 988	12 529

28 Financial risk management (continued)

28.10 Categorisation (continued)

28.10.2 Financial liabilities and equity (continued)

	At fair value through profit or loss: Held for trading	Financial liabilities at amortised cost	Non- financial liabilities	Equity	Total
2011					
Equity and liabilities					
Liabilities					
Bank overdrafts	–	183	–	–	183
Tax payables	–	–	14	–	14
Trade and other payables	5	540	–	–	545
Provisions	–	2	–	–	2
Interest-bearing liabilities	–	7 469	–	–	7 469
Deferred tax liabilities	–	–	134	–	134
Total liabilities	5	8 194	148	–	8 347
Equity					
Ordinary share capital and premium	–	–	–	908	908
Reserves	–	–	–	(3)	(3)
Retained earnings	–	–	–	731	731
Equity attributable to ordinary equity holders of the parent	–	–	–	1 636	1 636
Non-controlling interests				73	73
Total equity	–	–	–	1 709	1 709
Total equity and liabilities	5	8 194	148	1 709	10 056

28 Financial risk management (continued)

28.11 Level disclosures

	Level 1	Level 2	Level 3	Total
2012				
Financial assets at fair value through profit or loss				
Derivatives	–	5	–	5
Total	–	5	–	5
Financial liabilities at fair value through profit and loss				
Derivatives	–	9	–	9
Total	–	9	–	9
2011				
Financial assets at fair value through profit or loss				
Derivatives	–	7	–	7
Total	–	7	–	7
Financial liabilities at fair value through profit and loss				
Derivatives	–	5	–	5
Total	–	5	–	5

29 Related Parties

	2012 Rm	2011 Rm
29.1 Leases		
Blend Properties 17 Proprietary Limited (Blend) owns properties occupied by certain group subsidiaries. J Jawno, M Mendelowitz and R Rossi, who are directors of the company, are directors of Blend. Their family trusts each own 17.03% (2011: 12.50%) of the issued share capital of Blend. Blend acquired the interest of the directors in 342 Jan Smuts Avenue Proprietary Limited (related party) during the year.		
Transactions during the year		
Rent paid	23	12
29.2 Short-term funding		
Upperway Investments Proprietary Limited provided short-term funding to the company. J Jawno, M Mendelowitz and R Rossi, who are directors of the company, and their family trusts own all the issued shares of that company. The loan was repaid in full during the year.		
Transactions during the year		
Interest paid at 30-day JIBAR plus 900	2	–
29.3 Acquisitions and disposals		
The family trusts of J Jawno, S Kark, M Mendelowitz and R Rossi, who are directors of the company, are 51% participants in the consortium which acquired the shares in and claims against CUF Properties Proprietary Limited in the 2011 financial year.		

30 Subsequent events

No material events took place subsequent to year-end.

COMPANY STATEMENTS OF FINANCIAL POSITION

at 30 September

	Note	2012 Rm	2011 Rm
ASSETS			
Cash and cash equivalents	1	3	188
Trade and other receivables	2	1	24
Other loans receivable	3	–	185
Investment in subsidiaries	4	2 643	1 720
Deferred tax assets	5	10	5
Total assets		2 657	2 122
LIABILITIES			
Trade and other payables	6	17	13
Interest-bearing liabilities	7	449	902
Total liabilities		466	915
EQUITY			
Ordinary share capital and premium	8	1 792	908
Retained earnings		399	299
Total equity		2 191	1 207
Total equity and liabilities		2 657	2 122

COMPANY INCOME STATEMENTS

for the year ended 30 September

	Note	2012 Rm	2011 Rm
Interest and other similar income	9	51	48
Interest and other similar expense	9	(78)	(79)
Net interest income	9	(27)	(31)
Non-interest revenue	10	136	195
Total operating costs	11	(14)	(64)
Profit before tax		95	100
Income tax expense	12	5	(3)
Profit for the year		100	97

COMPANY STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 September

	2012 Rm	2011 Rm
Profit for the year	100	97
Other comprehensive income	–	–
Total comprehensive income for the year	100	97

COMPANY STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 September

	Number of ordinary shares million	Share capital and premium Rm	Retained earnings Rm	Total equity Rm
Balance at 30 September 2010	455	834	202	1 036
Total comprehensive income	–	–	97	97
Profit for the year	–	–	97	97
Issue of shares	20	134	–	134
Repurchase of shares	(3)	(23)	–	(23)
Distributions from share premium	–	(37)	–	(37)
Balance at 30 September 2011	472	908	299	1 207
Total comprehensive income	–	–	100	100
Profit for the year	–	–	100	100
Issue of shares	115	913	–	913
Repurchase of shares	(2)	(11)	–	(11)
Share issue costs	–	(18)	–	(18)
Balance at 30 September 2012	585	1 792	399	2 191

COMPANY STATEMENTS OF CASH FLOWS

for the year ended 30 September

	Note	2012 Rm	2011 Rm
Cash flow from operating activities			
Cash generated by operations	13	(39)	(31)
Dividends received		123	189
Cash flow from operating activities before changes in operating assets and liabilities		84	158
Decrease/(increase) in working capital		27	(21)
Trade and other receivables		23	(25)
Trade and other payables		4	4
Net cash generated by operating activities		111	137
Cash flow from investing activities			
Additional investment in subsidiaries and inter-company loans		(912)	(324)
Decrease/(increase) in other loans receivable		185	(24)
Net cash utilised by investing activities		(727)	(348)
Cash flow from financing activities			
Issue of shares for cash		913	134
Repurchase of shares		(11)	(23)
Share issue costs		(18)	–
Distributions from share premium		–	(37)
Net proceeds from raising and repayment of interest-bearing liabilities		(453)	225
Net cash raised by financing activities		431	299
Net increase in cash and cash equivalents		(185)	88
Cash and cash equivalents at the beginning of the year		188	100
Cash and cash equivalents at the end of the year		3	188

NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the year ended 30 September

		2012 Rm	2011 Rm
1	**Cash and cash equivalents**		
	Bank balances	2	5
	Call deposits	1	183
	Total cash and cash equivalents	3	188
	Bank overdrafts	–	–
	Net cash and cash equivalents	3	188
	Total overdraft facilities	190	10
2	**Trade and other receivables**		
	Prepayments	1	24
	Total trade and other receivables	1	24
3	**Other loans receivable**		
	Gross loans receivable	–	185
	Impairment provision	–	–
	Net other loans receivable	–	185
	Gross loans receivable by asset type		
	Loans to executives under the group share schemes	–	183
	Other loans receivable	–	2
	Gross other loans receivable	–	185
	Reconciliation of movements in the year		
	Balance at the beginning of the year	185	161
	Loans advanced	–	84
	Interest	–	11
	Ceded to subsidiary	(185)	–
	Repaid	–	(71)
	Other loans receivable	–	185
	Maturity analysis		
	Greater than one year	–	185
		–	185
4	**Investment in subsidiaries**		
	Shares at carrying value	1 527	1 168
	Amounts receivable	1 116	552
	Long term*	1 127	630
	Impairment	(11)	(78)
	Total investment	2 643	1 720
	Refer to note 16 for a schedule of subsidiaries.		
	Allowance for impairment		
	Balance at the beginning of the year	(78)	(20)
	Impairments in income statement	67	(58)
	Total impairment	(11)	(78)

* *These are unsecured loans with agreed interest and repayment terms*

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September

		2012 Rm	2011 Rm
5	**Deferred tax**		
	Deferred tax is presented on the statement of financial position as follows:		
	Deferred tax assets	10	5
	Net deferred tax assets	10	5
	The movements during the year are analysed as follows:		
	Net deferred tax assets at the beginning of the year	5	8
	Charge to income statement for the year	5	(3)
	Net deferred tax assets at the end of the year	10	5
6	**Trade and other payables**		
	Trade payables and accruals	15	7
	Other	2	6
	Trade and other payables	17	13
	The carrying value of trade and other payables approximates fair value.		
7	**Interest-bearing liabilities**		
	Loans	449	701
	Other interest-bearing liabilities	–	201
	Total interest-bearing liabilities	449	902
	Payable within 12 months	–	201
	Payable thereafter	449	701
	Total interest-bearing liabilities	449	902

2012	Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value Rm
	Fixed term	Subordinated	2008/05/29	3.0% above JIBAR	2015/05/29	ZAR	150
	Five-year	Subordinated	2011/07/01	13.10%	2016/07/01	ZAR	72
	Five-year	Subordinated	2011/07/01	12.30%	2016/07/01	ZAR	77
	Fixed term	Subordinated	2010/10/15	5.0% above JIBAR	2017/11/30	ZAR	150
							449
2011							
	Fixed term	Subordinated	2008/05/29	3.0% above JIBAR	2015/05/29	ZAR	150
	Five-year	Subordinated	2011/07/01	13.10%	2016/07/01	ZAR	72
	Five-year	Subordinated	2011/07/01	12.30%	2016/07/01	ZAR	77
	Fixed term	Subordinated	2010/10/15	5.0% above JIBAR	2017/11/30	ZAR	150
	Convertible	Subordinated	2011/09/01	6.0% above JIBAR	2016/08/31	ZAR	190
	Convertible	Subordinated	2011/08/31	6.0% above JIBAR	2016/08/31	ZAR	35
	Embedded derivative						25
	Other						2
							701
Other interest-bearing liabilities							
	Bayport Financial Services Proprietary Limited						201
							201
							902

	2012 Rm	2011 Rm
8 Ordinary share capital and share premium		
No par value shares		
Authorised		
1 000 000 000 ordinary shares		
Issued		
584 304 184 (2011: 471 176 222) ordinary shares		
Ordinary share capital	1 792	–
Ordinary share premium	–	908
Ordinary share capital and share premium	1 792	908
9 Interest		
Interest and other similar income is earned from:		
Cash and cash equivalents	10	9
Share schemes	–	11
Subsidiaries	41	28
Total interest and other similar income	51	48
Interest and other similar expenses are paid on:		
Bank overdrafts	(2)	(2)
Interest-bearing liabilities	(76)	(51)
Cumulative redeemable preference shares	–	(3)
Interest on additional payment to vendors of Bayport Financial Services Proprietary Limited	–	(23)
Total interest and other similar expense	(78)	(79)
Interest and other similar income	51	48
Interest and other similar expense	(78)	(79)
Net interest income	(27)	(31)
10 Non-interest revenue		
Non-interest revenue comprises:		
Investment income	123	189
Dividends received – subsidiaries	123	189
Other income	13	6
Total non-interest revenue	136	195
11 Total operating costs		
Total operating costs comprise:		
Impairment of loans receivable	67	(58)
Raised	–	(58)
Reversed	67	–
Audit fees	>(1)	>(1)
Audit fees – current year	>(1)	>(1)
Other fees	–	>(1)
Legal fees	(1)	(1)
Listing costs	(19)	–
Loss on sale of investment	(56)	–
Professional fees	<1	–
Directors' emoluments	(5)	(5)
Total operating costs	(14)	(64)

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 September

	2012 Rm	2011 Rm
12 Income tax expense		
South African normal taxation:		
Deferred taxation	3	–
Current year	3	–
Secondary taxation on companies	–	(3)
Deferred taxation	–	(3)
Capital gains tax	2	–
Deferred taxation	2	–
Total income tax expense	5	(3)
Tax rate reconciliation		
South African tax rate	28.0%	28.0%
Tax effects of:		
Income not subject to tax – dividends	(36.1%)	(53.0%)
Non-taxable income	(19.7%)	0.0%
Expenses not deductible for tax purposes	24.7%	14.4%
Tax losses not recognised	0.0%	6.4%
Prior year taxes	(2.0%)	7.0%
Effective tax rate	(5.1%)	2.8%
13 Cash generated by operations		
Profit before taxation	95	100
Adjusted for:		
Investment income	(123)	(189)
Loss on disposal of unlisted investment	56	–
Movement in provisions	(67)	58
Cash utilised by operations	(39)	(31)
14 Income taxes paid		
Charged in income statement	5	(3)
Deferred taxation	(5)	3
Income taxes paid	–	–
15 Related parties		
15.1 Short-term funding		
Upperway Investments Proprietary Limited provided short-term funding to the company. J Jawno, M Mendelowitz and R Rossi, who are directors of the company, and their family trusts own all the issued shares of that company. The loan was repaid in full during the year.		
Transactions during the year		
Interest paid at 30-day JIBAR plus 900	2	–
15.2 Subsidiaries		
Details of share ownership and loan balances are disclosed in note 16.		
The following income was received from subsidiaries:		
Interest		
TC Treasury Proprietary Limited	25	4
Bayport Financial Services 2010 Proprietary Limited	7	21
SA Taxi Securitisation Proprietary Limited	–	3
Ellehove Investments Proprietary Limited	8	–
Fees		
TC Corporate Support Proprietary Limited	13	6

16 Subsidiaries

	Nature of business and status	Issued share capital 2012 Rm	Issued share capital 2011 Rm	Effective percentage held 2012 %	Effective percentage held 2011 %	Investment (at cost less impairments) 2012 Rm	Investment (at cost less impairments) 2011 Rm	Loans 2012 Rm	Loans 2011 Rm
Transaction Capital Limited	T								
Asset-backed lending									
Rand Trust Financiers Proprietary Limited	*/T	<1	<1	100.0	90.0	44	38	–	1
Dubrovnik Properties Proprietary Limited	D	<1	<1	100.0	90.0				
Rand Trust Securitisation Proprietary Limited	D	<1	<1	100.0	90.0				
Rand Trust Securitisation (Ownership Trust)	#/D								
SA Taxi Finance Holdings Proprietary Limited	*/T	<1	<1	100.0	100.0	128	61	20	52
SA Taxi Development Finance Proprietary Limited	T	<1	<1	100.0	100.0				
Taximart Proprietary Limited	T	<1	<1	100.0	100.0				
SA Taxi Risk Management Proprietary Limited	T	<1	<1	100.0	100.0				
SA Taxi Securitisation Proprietary Limited	#/T	<1	<1	100.0	100.0				
SA Taxi Finance Solutions Proprietary Limited	#/T	<1	<1	100.0	100.0				
SA Taxi Finance Insurance Brokers Proprietary Limited	D	<1	<1	100.0	100.0				
Bompass Collections Proprietary Limited	D	<1	<1	100.0	100.0				
Sanderville Investments Proprietary Limited	*/D	<1	<1	100.0	100.0				
Unsecured lending									
Bayport Financial Services Proprietary Limited	*/D	<1	<1	100.0	100.0	4	172		
Bayport Financial Services 2010 Proprietary Limited	*/T	<1	<1	82.7	82.7	653	227	–	195
Bayport Securitisation Proprietary Limited	#/T	<1	<1	82.7	82.7			–	76
M Stores Proprietary Limited	T	<1	<1	74.4	74.4				
Baymobile Proprietary Limited	T	<1	<1	66.1	66.1				
Zenthyme Investments Proprietary Limited	*/T	<1	<1	100.0	100.0	<1	–		
Payment services									
Paycorp Holdings Proprietary Limited	*/T	<1	<1	100.0	100.0	431	431		
ATM Solutions Proprietary Limited	T	<1	<1	100.0	100.0				
ATM Solutions Mauritius Limited	D	<1	<1	100.0	100.0				
ATM Solutions (Namibia) Proprietary Limited	T	<1	<1	100.0	100.0				
DrawCard Proprietary Limited	T	<1	<1	90.0	90.0				
EFTPOS Proprietary Limited	T	<1	<1	90.0	90.0				
Reload Card Proprietary Limited	D	<1	<1	90.0	90.0				
ATM Securitisation Ownership Trust	#/T	<1	<1	100.0	100.0				

16 Subsidiaries (continued)

	Nature of business and status	Issued share capital 2012 Rm	Issued share capital 2011 Rm	Effective percentage held 2012 %	Effective percentage held 2011 %	Investment (at cost less impairments) 2012 Rm	Investment (at cost less impairments) 2011 Rm	Loans 2012 Rm	Loans 2011 Rm
Credit services									
MBD Credit Solutions Holdings Proprietary Limited	*/T	<1	<1	100.0	95.7	143	115		
Asset Solutions Company Proprietary Limited	T	<1	<1	100.0	95.7				
MBD Asset Solutions Proprietary Limited	T	<1	<1	100.0	95.7				
Baybridge System Proprietary Limited	D	<1	<1	100.0	95.7				
Capital Data Asset Recovery Management Proprietary Limited	T	<1	<1	100.0	95.7				
Capital Debt Recovery Proprietary Limited	D	<1	<1	100.0	95.7				
First Credit Proprietary Limited	D	<1	<1	100.0	95.7				
Legal and Trade Collections Proprietary Limited	D	<1	<1	100.0	95.7				
MBD Credit Solutions Proprietary Limited	T	<1	<1	100.0	95.7				
Collection and Financial Services Proprietary Limited	D	<1	<1	100.0	95.7				
Capital Debt Recovery Proprietary Limited Botswana	T	<1	<1	100.0	95.7				
CMS Capital Proprietary Limited	D	<1	<1	100.0	95.7				
Credit Management Solutions Proprietary Limited	D	<1	<1	100.0	95.7				
Credit Management Solutions Group Proprietary Limited	D	<1	<1	100.0	95.7				
Credit Management Solutions Trading Proprietary Limited	D	<1	<1	100.0	95.7				
BDB Data Bureau Proprietary Limited	T	<1	<1	100.0	95.7				
MBD Legal Collections Proprietary Limited	T	<1	<1	100.0	95.7				
Credit Health Proprietary Limited	T	<1	<1	100.0	95.7				
Origin Eight Financial Services Proprietary Limited	T	<1	<1	100.0	95.7				
Mortgage Capital Proprietary Limited	D	<1	<1	100.0	100.0			–	9
Specialised Mortgage Capital Proprietary Limited	T	<1	<1	100.0	100.0				
Company Unique Finance Proprietary Limited	T	<1	<1	100.0	100.0				
Afribrokers Proprietary Limited	T	<1	<1	100.0	100.0				
Principa Decisions Proprietary Limited (previously Processing Integration Consulting Solutions Proprietary Limited)	*/T	<1	<1	100.0	100.0	35	35		

	Nature of business and status	Issued share capital 2012 Rm	Issued share capital 2011 Rm	Effective percentage held 2012 %	Effective percentage held 2011 %	Investment (at cost less impairments) 2012 Rm	Investment (at cost less impairments) 2011 Rm	Loans 2012 Rm	Loans 2011 Rm
Corporate support									
TC Corporate Support Proprietary Limited	*/T	<1	<1	100	–				
TC Treasury Proprietary Limited	*/T	<1	<1	100	–			542	202
Transaction Capital Share Trust	#/T	<1	<1	100	–				
Transactional Capital General Share Scheme	#/T	<1	<1	100	100				
Nisela Investments Proprietary Limited	*	<1	<1	–	–			–	17
– Ordinary shares	*/D	<1	<1	100	49	89	–		
– Preference shares	*/D	<1	<1	–	–	–	89		
Aquarella Investments 471 Proprietary Limited	*/D	<1	<1	100	–				
TC Executive Holdings Proprietary Limited	*/D	<1	<1	100	–				
Transaction Capital Business Partners Proprietary Limited	*/T	<1	<1	100	100				
Red Sky Finance Proprietary Limited	*/D	<1	<1	100	–				
Ellehove Investments Proprietary Limited	T	<1	<1					565	–
Transaction Capital Securitisation Trust	#/T	<1	<1	100	–				
CMS Securitisation Proprietary Limited	#/D	<1	<1	100	–				
SA Taxi Securitisation Proprietary Limited	#/T	<1	<1	100	–				
Specialised Mortgage Capital Guarantee Proprietary Limited	#/D	<1	<1	100	–				
Specialised Mortgage Capital Warehouse Proprietary Limited	#/T	<1	<1	100	–				
CUF Security Proprietary Limited	#/D	<1	<1	100	–				
						1 527	1 168	1 127	552

* *Directly held*

\# *Consolidated special purpose entity*

T *Trading company*

D *Dormant company*

Amounts less than R500 000 are reflected as "<1"

SHAREHOLDER INFORMATION

NOTICE OF ANNUAL GENERAL MEETING

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Action required

If you are in any doubt as to what action you should take arising from this notice, please consult your broker, CSDP, banker, accountant, attorney or other professional advisor immediately.

If you have disposed of all of your shares in Transaction Capital, please forward this notice to the purchaser of such shares or to the broker, CSDP, banker, accountant, attorney or other agent through whom the disposal was effected.

Transaction Capital

TRANSACTION CAPITAL LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE: Code TCP ISIN: ZAE000167391
(the 'company')

NOTICE TO SHAREHOLDERS OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 30 SEPTEMBER 2012
AND CONVENED IN TERMS OF SECTION 61(7) OF THE COMPANIES ACT, NO. 71 OF 2008, AS AMENDED ('THE COMPANIES ACT')

Notice is hereby given that the annual general meeting of shareholders of the company will be held in the Lord of the Rings Meeting Room, Ground Floor, Transaction Capital House, 14 Pongola Crescent, Eastgate Extension 17, Sandton on Tuesday, 5 March 2013 at 08:30 for the purposes of transacting the following business and considering (and, if deemed fit, passing, with or without modification) the ordinary and special resolutions contained in this notice in the manner required by the Companies Act and subject to the Listings Requirements of the JSE Limited (the 'JSE'), (the 'JSE Listings Requirements').

Date of issue: 31 January 2013

Copies of the integrated annual report containing this notice are available in English only and may be obtained from 31 January 2013 until 4 March 2013, both days inclusive, during normal business hours from the registered office of the company and the offices of the transfer secretaries, the addresses of which are set out in the 'Administration' section of the integrated annual report.

A. AUDITED FINANCIAL STATEMENTS

1 To present the audited financial statements of the company and the group including the directors' report, the external auditor's report and the audit committee report, for the year ended 30 September 2012.

2 To consider the report by the chief executive officer.

B. ORDINARY AND SPECIAL RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions:

1 Ordinary resolution number 1

Re-election of directors

Resolved that:

1.1 The following directors, who retire in terms of the company's memorandum of incorporation, and who, being eligible, have offered themselves for re-election, be re-elected each by way of a separate vote in terms of section 68(2)(a) of the Companies Act:

1.1.1 S Kark

1.1.2 M Lamberti

1.1.3 P Langeni

1.1.4 C Seabrooke

1.2 The following directors, who were appointed to the board during the year, retire automatically at this meeting, and who, being eligible, have offered themselves for re-election, be elected each by way of a separate vote in terms of section 68(2)(a) of the Companies Act:

1.2.1 D Hurwitz

1.2.2 C Ntumba

1.2.3 D Woollam

The date of appointment, educational qualifications, other significant directorships and details of appointments to company and board committees are given on pages 10 to 13 of the integrated annual report, of which this notice forms part, for each director standing for election.

Explanation and effects of ordinary resolution number 1, re-election of directors:

In terms of clause 21.2 of the company's memorandum of incorporation one-third of the non-executive directors retire annually by rotation and all directors who have held office for three years since their last election or appointment also retire. The directors retiring at the forthcoming annual general meeting of shareholders have indicated their willingness to stand for re-election.

Directors who were appointed/co-opted subsequent to the last annual general meeting retire at the following meeting. These directors have indicated their willingness to stand for election.

The election of each director must be voted on separately.

The directors have reviewed the composition of the board and recommend the re-election of the directors which will enable the company to:

- responsibly maintain a mixture of business skills and experience relevant to the company and the group and balance the requirements of transformation, continuity and succession planning; and
- comply with corporate governance requirements, in respect of the balance of executive, non-executive and independent directors on the board.

2 Ordinary resolution number 2

Non-binding advisory vote on remuneration policy

Resolved that:

The company's remuneration policy as set out in the 'Remuneration report' included in the integrated annual report, of which this notice forms part, be and is hereby endorsed by way of a non-binding advisory vote.

Explanation and effect of ordinary resolution number 2, non-binding advisory vote on remuneration policy:
The company is required in terms of the King Code of Corporate Governance for South Africa ('King III') to put the company's remuneration policy to shareholders who can vote thereon in a non-binding advisory capacity.

3 Ordinary resolution number 3

Appointment of members of audit committee

Section 94(2) of the Companies Act

Resolved that:

The following independent non-executive directors of the company are each elected as a member of the audit committee, by way of a separate vote, until the next annual general meeting of the company:

3.1 D Woollam

3.2 P Langeni

3.3 C Ntumba

Explanation and effects of ordinary resolution number 3 appointing members of the audit committee:

All public companies are required to have an audit committee comprising at least three persons who are eligible in terms of section 94 of the Companies Act. The committee must be elected annually at the annual general meeting.

Each non-executive director will be voted upon by way of a separate resolution.

4 Ordinary resolution number 4

Appointment of auditors

Sections 90 and 94(7) of the Companies Act

Resolved that:

On the recommendation of the audit committee, Deloitte & Touche (with L Nunes as the lead audit partner) are re-appointed as the independent external auditors of the company until the conclusion of the next annual general meeting of the company.

Explanation and effect of resolution number 4, appointment of auditors, sections 90 and 94(7) of the Companies Act:

Independent external auditors of a public company are appointed annually by shareholders at the annual general meeting.

5 Ordinary resolution number 5

Issue of securities for acquisitions in circumstances other than those covered by special resolution number 4

Resolved that:

The authorised but unissued ordinary shares in the capital of the company be and are hereby placed under the control and authority of the board of directors of the company until the next annual general meeting, and the directors of the company be and are hereby authorised and empowered to issue such unissued ordinary shares as consideration for acquisitions in any way they may deem fit, subject to:

5.1 the memorandum of incorporation of the company, the Companies Act and the JSE Listings Requirements, where applicable;

5.2 any issue will only be for securities of a class already in issue or convertible into securities of a class already in issue; and

5.3 the directors' authority in terms hereof is limited to 58 430 000 shares, being 10% of the shares in issue as at the last practicable date.

Explanation and effect of ordinary resolution number 5, issue of securities:

For listed entities wishing to issue securities for acquisitions, it is necessary for the board not only to obtain the prior authority of the shareholders as may be required in terms of the memorandum of incorporation of the company, but it is also necessary to obtain the prior authority of shareholders in accordance with the JSE Listings Requirements. This ordinary resolution number 5 is accordingly to obtain a general authority from shareholders to issue securities for acquisitions in compliance with the JSE Listings Requirements.

6 Special resolution number 1

Approval of non-executive directors' fees

Sections 65(11), 66(8) and 66(9) of the Companies Act

Resolved that:

The following annual fees shall be paid to non-executive directors for their services as directors, quarterly in arrears, which have been determined by the board through the nominations and remuneration committee on a market-related basis (with no additional meeting attendance fees) and in accordance with the provisions set out below:

	Proposed maximum annual fees effective from 1 October 2013 R	Current annual fees effective from 1 October 2012 R
Board member		
Chairman	938 000	893 000
Other	263 000	263 000
Audit committee (in addition to board member fees)		
Chairman	497 000	473 000
Member/invitee	179 000	179 000
Other board committees (in addition to board member fees)		
Chairman	315 000	315 000
Member	137 000	137 000

Explanation and effect of special resolution number 1 approving non-executive directors' fees:

In terms of sections 65(11), 66(8) and 66(9) of the Companies Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by shareholders within the previous two years, and if this is not prohibited in terms of the company's memorandum of incorporation. The passing of this special resolution will have the effect of approving the remuneration and the basis therefor, of each of the non-executive directors of the company for the year ending 30 September 2014 in accordance with section 66(9) of the Companies Act.

7 Special resolution number 2

Authority to provide financial assistance to related and inter-related parties

Sections 44 and 45 of the Companies Act

Resolved that:

7.1 The board of directors of the company may, subject to compliance with the requirements of the company's memorandum of incorporation and the requirements of the Companies Act, authorise the company to provide direct or indirect financial assistance by way of loans, guarantees, the provision of security or otherwise, to:

7.1.1 any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the company, or for the purchase of any securities of the company or a related or inter-related company as contemplated in terms of section 44 of the Companies Act up to a limit of R1 billion per transaction provided that the aggregate net outstanding financial assistance provided at any time does not exceed R2 billion; and

7.1.2 any of its present or future directors, excluding non-executive directors, or prescribed officers (or to any person, company or corporation related or inter-related to any of them), or to any other person who is a participant in any of the company's share or other employee incentive schemes, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Companies Act provided, at all times, that the amount of financial assistance provided shall at no time exceed the amount authorised under the relevant scheme;

such authority to endure for a period of two years following the date on which this resolution is adopted or earlier renewal.

Explanation and effect of special resolution number 2, approving financial assistance:

The reason for special resolution number 2 is to obtain approvals from the shareholders to enable the company to provide financial assistance, when the need arises, in accordance with the provisions of sections 44 and 45 of the Companies Act. The effect of special resolution number 2 is that the company will have the necessary authority to provide financial assistance to the category of potential recipients as and when required but provided that the board will not approve a resolution to authorise such financial assistance unless the directors are satisfied that:

- immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
- the terms under which the financial assistance is proposed to be given in terms of section 44 are fair and reasonable to the company.

The general authority in special resolution number 2 will allow the company to continue making loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances. A general authorisation from shareholders avoids the need to refer each instance to shareholders for approval with the resulting time delays and expense. If approved, this general authority will expire at the end of two years from the date on which this resolution is passed. There is, however, the intention to renew the authority annually at the annual general meeting.

Notification

Shareholders are hereby notified in terms of section 45(5) of the Companies Act that the board has passed the corresponding resolutions to take effect on the passing of this special resolution by shareholders.

8 Special resolution number 3

General authority to repurchase securities

Resolved that:

The directors are hereby authorised as a general authority, to repurchase securities issued by the company on such terms and conditions as may be determined by them subject to the restrictions placed by the Companies Act and the following provisions of the JSE Listings Requirements:

- that the company and its subsidiaries are enabled by the memorandum of incorporation to repurchase such securities;
- that the repurchase of securities be effected through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the company and the counterparty;
- that this general authority be valid only until the next annual general meeting or for 15 months from the date of this resolution, whichever is the earlier date;
- that an announcement be made giving such details as may be required in terms of the JSE Listings Requirements when the company has cumulatively repurchased 3% of the initial number (the number of that class of securities in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter;
- at any point in time the company may only appoint one agent to effect any repurchase on the company's behalf;
- repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined by the JSE Listings Requirements unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
- the repurchase of securities shall not, in the aggregate, in any one financial year, exceed 20% of the company's issued capital and a maximum of 10% in aggregate of the company's issued capital may be repurchased in terms of the Companies Act, by the subsidiaries of the company, at the time this authority is given;
- the repurchase of securities may not be made at a price greater than 10% above the weighted average of the market value of the securities as determined over the five business days immediately preceding the date on which the transaction is effected;
- if the company enters into derivative transactions that may or will result in the repurchase of securities in terms of this general authority, such transactions will be subject to the requirements in the first, third, fifth, sixth and seventh bullets above, and the following requirements:

(a) the strike price of any put option written by the company less the value of the premium received by the company for that put option may not be greater than the fair value of a forward agreement based on a spot price not greater than the maximum price in the eighth bullet above;

(b) the strike price and any call option may be greater than the maximum price in the eighth bullet above at the time of entering into the derivative agreement, but the company may not exercise the call option if it is more than 10% "out the money"; and

(c) the strike price of the forward agreement may be greater than the maximum price but limited to the fair value of a forward agreement calculated from a spot price not greater than the maximum price;

- the company may not enter the market to proceed with the repurchase of its securities until the company's sponsor has confirmed in writing to the JSE that the company and its directors have complied with their responsibilities as set out in Schedule 25 of the JSE Listings Requirements; and
- the board of directors must pass a resolution that they authorised the repurchase and that the company passed the solvency and liquidity test as set out in section 4 of the Companies Act, and that since the test was done there have been no material changes to the financial position of the company and its consolidated subsidiaries and associates (the group).

  The directors are of the opinion that, after considering the effect of the maximum repurchase permitted and for a period of 12 months after the date of this resolution:

  – the assets of the company and the group, as fairly valued, equal or exceed the liabilities of the company and the group, as fairly valued; and

  – it appears that the company and the group will be able, in the ordinary course of business, to pay their debts as they become due in the ordinary course of business for a period of twelve months after the date on which the test is considered.

Explanation and effect of special resolution number 3, general authority to repurchase securities:

The explanation for special resolution number 3 is to grant the company a general authority to facilitate the acquisition by the company of the company's own securities. The effect of special resolution number 3 is that the company is authorised to repurchase its own securities.

At present, the directors have no specific intention with regard to the utilisation of the general authority which is the subject of special resolution number 3.

9 Special resolution number 4

General authority to allot and issue authorised but unissued securities for cash

Section 41 of the Companies Act and 5.52 of the JSE Listings Requirements as read with clause 19.9 of the memorandum of incorporation

Resolved that:

The directors are hereby authorised, as a general authority, to allot and issue the authorised but unissued securities for cash, upon such terms and conditions and to such persons as they in their discretion may determine, subject to the provisions of section 41 of the Companies Act, and subject to the JSE Listings Requirements, provided that:

- the securities be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- securities may only be issued to public shareholders as defined in the JSE Listings Requirements, and not to related parties;
- the securities which are the subject of general issues for cash:
  - in the aggregate in any one financial year may not exceed 15% of the applicant's equity securities in issue of that class (for purposes of determining the securities comprising the 15% number in any one year, account must be taken of the dilution effect, in the year of issue of options/convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities);
  - of a particular class, will be aggregated with any securities that are compulsorily convertible into securities of that class and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible;
  - as regards the number of securities which may be issued (the 15% number), same shall be based on the number of securities of that class in issue added to those that may be issued in future (arising from the conversion of options/convertible securities), at the date of such application:

  - less any securities of the class issued, or to be issued in future arising from options/convertible securities issued, during the current financial year;
  - plus any securities of that class to be issued pursuant to:
    - a rights issue which has been announced, is irrevocable and is fully underwritten; or
    - an acquisition (in respect of which final terms have been announced) which acquisition issue securities may be included as though they were securities in issue at the date of application;
- the maximum discount at which such securities may be issued or sold, as the case may be, is 10% of the weighted average traded price of such securities on the JSE over the 30 business days preceding the date that the price of the issue is agreed between the company and the party subscribing for the securities;
- such authorisation be valid only until the next annual general meeting or for 15 months from the date of the passing this resolution, whichever is the earlier date;
- a SENS announcement giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per security (and if applicable, diluted earnings and diluted headline earnings per security), be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to the issue; and
- this authority includes any options/convertible securities that are convertible into an existing class of equity securities.

Explanation and effect of special resolution number 4, general authority to allot and issue authorised but unissued securities:

The explanation for special resolution number 4 is to authorise and approve the company's allotment and issue of authorised but unissued securities upon such terms and conditions and to such persons as they in their discretion may determine subject to limitations and other provisions contained in the Companies Act and the JSE Listings Requirements.

Note on voting on special resolution number 4: in terms of the JSE Listings Requirements in order to be adopted, this resolution is ordinarily passed as an ordinary resolution adopted by achieving a 75% majority of the votes cast. In terms of clause 19.9 of the company's memorandum of incorporation, for so long as the company is listed on the JSE, if any of the JSE Listings Requirements require an ordinary resolution to be passed with a 75% (seventy-five percent) majority, the resolution shall instead be required to be passed by a special resolution. Accordingly this general authority to issue securities for cash is being obtained as a special resolution.

10 Ordinary resolution number 6

Authority to act

Resolved that:

Any director of the company or the company secretary, all with the power of substitution, be and is hereby authorised to carry out and to do all such things and matters as may be or are necessary in connection with the above aforesaid resolutions including without limitation being authorised to make, amend and sign all and any such necessary documents, letters, applications, announcements and affidavits as may be required for purposes of and in connection with the resolutions and including Companies and Intellectual Property Commission forms that are required.

Explanation and effect of ordinary resolution number 6, authority to act:

Ordinary resolution number 6 grants authority to any director or the company secretary to carry out and do all such things as may be necessary in connection with ordinary and special resolutions above.

C. OTHER BUSINESS

To transact any other business that may be transacted at an annual general meeting.

D. REPORT RELATING TO THE SOCIAL AND ETHICS COMMITTEE TO THE ANNUAL GENERAL MEETING

This report is contained in the integrated annual report, of which this notice forms part, on page 119. The chairperson of the committee will be available at the meeting to answer any questions thereon.

E. TRADING UPDATE

A verbal trading update, to be presented by the CEO at the meeting, will simultaneously be released on SENS.

ADDITIONAL INFORMATION, RECORD DATES, VOTING, PROXIES AND ELECTRONIC PARTICIPATION

Additional information

For the purpose of considering special resolutions numbers 3 and 4, and in compliance with paragraph 11.26 of the JSE Listings Requirements, the information listed below has been included in the integrated annual report, in which this notice of annual general meeting is included, at the places indicated:

- directors and members of the executive committee – refer to pages 10 and 14 of this report;
- major shareholders – refer to page 30;
- directors' interests in securities – refer to page 13;
- share capital of the company – refer to page 154; and
- preliminary expenses and issue expenses – refer to page 156 to 159.

The directors, whose names are set out on pages 10 and 13, collectively and individually, accept full responsibility for the accuracy of the above information as contemplated in paragraph 11.26 of the JSE Listings Requirements, for the purpose of special resolutions numbers 3 and 4, and certify that to the best of their knowledge and belief, there are no other facts, the omission of which, would make any statement false or misleading, and that they have made all reasonable enquiries in this regard.

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the company is aware), which may have or have had a material effect on the company's financial position over the last 12 months.

After the last practicable date prior to publishing this notice, being 25 January 2013, there have been no material changes in the financial or trading position of the company and its subsidiaries that have occurred since 30 September 2012.

Record dates

The record date on which shareholders must be recorded as such in the register of shareholders of the company for the purposes of receiving notice of this general meeting is Friday, 25 January 2013.

The record date on which shareholders must be recorded as such in the register of shareholders of the company for the purposes of being entitled to attend and vote at the general meeting is Friday, 22 February 2013. The last date to trade in the company's shares for the purpose of being entitled to attend and vote at the annual general meeting is Friday, 15 February 2013.

Attendance, voting and proxies

1 In terms of the JSE Listings Requirements, as read with the Companies Act, 75% of the votes cast by equities securities holders present or represented by proxy at the annual general meeting must be cast in favour of the above special resolutions for them to be approved.

2 In terms of the company's memorandum of incorporation, on a show of hands each shareholder, or proxy as the case may be, entitled to vote shall have one vote, irrespective of the number of securities held by that person or proxy, as the case may be. On a poll every person entitled to vote shall have the number of votes determined in accordance with the voting rights associated with the securities in question which, for clarity, shall be one vote for every ordinary share held.

3 In terms of the Companies Act and, save where the contrary is specified in this notice, a majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of the ordinary resolution for it to be approved.

4 Shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own-name' registration are entitled, at any time, to appoint any individual, including an individual who is not a shareholder of the company, as a proxy to participate in, and speak at and vote at, the annual general meeting on behalf of the shareholder. A form of proxy is attached to this notice.

5 The person so appointed need not be a shareholder. Forms of proxy must be forwarded to reach the registered office of the company at Transaction Capital House, 14 Pongola Crescent, Eastgate Extension 17, Sandton or the company's transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor 70 Marshall Street, Johannesburg, 2001, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, so as to be received by them by no later than 08:30 on Monday, 4 March 2013 and may be handed to the chairman of the annual general meeting at any time before the proxy exercises any rights of the shareholder at the annual general meeting.

6 Forms of proxy must only be completed by shareholders who have dematerialised their shares with 'own-name' registration or who have not dematerialised their shares.

SHAREHOLDER INFORMATION
NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

7 Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with 'own-name' registration, who are unable to attend the annual general meeting but wish to be represented thereat, must contact their CSDP or broker (as the case may be) in the manner and time stipulated in the agreement entered into by such shareholder and the CSDP or broker (as the case may be) to furnish the CSDP or broker (as the case may be) with their voting instructions, and in the event that such shareholders wish to attend the annual general meeting, to obtain the necessary letter of representation from their CSDP or broker (as the case may be).

8 The memorandum of incorporation of the company, in accordance with sub-section 62(3)(e)(i) of the Companies Act, restricts the number of proxies that may be appointed to one per shareholder and in accordance with the provisions of sub-section 58(3)(b) restricts the ability for a proxy to delegate his/her authority to another person.

9 Before any person may attend or participate in the annual general meeting, the person must present reasonably satisfactory identification in terms of section 63(1)(d) of the Companies Act. The company will regard presentation of any original of a meeting participant's valid driver's licence, identity document or passport to be satisfactory identification.

Electronic participation

Shareholders will be given the right, as authorised in the memorandum of incorporation, to participate by way of electronic communication at the annual general meeting. Shareholders or their duly appointed proxies who wish to participate by way of electronic communication must apply to the transfer secretaries using the application form attached to this notice by no later than 08:30 on Wednesday, 27 February 2013.

By order of the board of directors of the company.

P J. Katzenellenbogen
Company secretary
Transaction Capital Limited
31 January 2013

Registered office
Transaction Capital House
Sandhavon Office Park
14 Pongola Crescent
Eastgate Extension 17
Sandton, 2196

Transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
South Africa

FORM OF PROXY

TRANSACTION CAPITAL LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE: Code TCP ISIN: ZAE000167391
(the 'company')

FORM OF PROXY

For use by certificated shareholders and own-name dematerialised shareholders only.

I/We (Full names in BLOCK LETTERS) ____________________

of (address in BLOCK LETTERS) ____________________

being (a) shareholder(s) of the company holding ____________________ ordinary shares in the company hereby appoint:

(i) (full names in BLOCK LETTERS) ____________________

of (address in BLOCK LETTERS) ____________________ or, failing him/her,

(ii) (full names in BLOCK LETTERS) ____________________

of (address in BLOCK LETTERS) ____________________

or, failing him/her, the chairman of the annual general meeting, as my/our proxy to participate in, speak and vote (whether by polling or by show of hands) for me/us and on my/our behalf at the annual general meeting of the company to be held at the Lord of the Rings Meeting Room, Ground Floor, Transaction Capital House, 14 Pongola Crescent, Eastgate Extension 17, Sandton on Tuesday, 5 March 2013 at 08:30, and at any adjournment(s) thereof, and to vote or abstain from voting on the ordinary and special resolutions to be proposed at such meeting as follows:

Resolutions

Ordinary resolution number 1 – Re-election of directors – each to be voted on as a separate resolution:	In favour	Against	Abstain
• S Kark			
• M Lamberti			
• P Langeni			
• C Seabrooke			
• D Hurwitz			
• C Ntumba			
• D Woollam			
Ordinary resolution number 2 – Non-binding advisory vote on remuneration policy			
Ordinary resolution number 3 – Appointment of members of audit committee – each to be voted on as a separate resolution:			
• D Woollam			
• P Langeni			
• C Ntumba			
Ordinary resolution number 4 – Appointment of auditors			
Ordinary resolution number 5 – Issue of securities in circumstances other than those covered by special resolution 4			
Special resolution number 1 – Approval of non-executive directors' fees			
Special resolution number 2 – Authority to provide financial assistance to related and inter-related parties			
Special resolution number 3 – General authority to repurchase securities			
Special resolution number 4 – General authority to allot and issue authorised but unissued securities for cash			
Ordinary resolution number 6 – Authority to act			

Please indicate with an 'x' in the appropriate spaces above how you wish your votes to be cast.

If you return this form duly signed without any specific directions indicated with an 'x' in the appropriate spaces above, the proxy will be entitled to vote or abstain as he/she thinks fit in his/her discretion.

A proxy may not delegate his/her authority to act on your behalf to another person.

Signed at ____________________ on ____________________ 2013

Name in BLOCK LETTERS: ____________________ Signature: ____________________

Please refer to the notes on the reverse.

SHAREHOLDER INFORMATION NOTES TO FORM OF PROXY

(INCLUDING A SUMMARY OF RIGHTS, STATED IN BOLD, IN TERMS OF SECTION 58 OF THE ACT)

1 Each shareholder may attend the annual general meeting in person.

2 **At any time, a shareholder of a company may appoint any individual as a proxy to participate in, and speak at and vote at, the annual general meeting on behalf of the shareholder.**

3 An individual appointed as a proxy need not also be a shareholder of the company.

4 The proxy appointment must be in writing, dated and signed by the shareholder.

5 **A shareholder can appoint one or more proxies for the purposes of representing that shareholder at the annual general meeting of the company. Forms of proxy must be forwarded to the company secretary at the registered office of the company,** Transaction Capital House, 14 Pongola Crescent, Eastgate Extension 17, Sandton (the 'Registered Office') or the company's transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, so as to be received by them by no later than 08:30 on Monday, 4 March 2013 and may be handed to the chairman of the annual general meeting at any time before the proxy exercises any rights of the shareholder at the annual general meeting.

6 The appointment of one or more proxies in accordance with the form of proxy to which these notes are attached will lapse and cease to be of force and effect immediately after the annual general meeting of the company to be held at the Registered Office at 08:30 on Tuesday, 5 March 2013 or at any adjournment(s) thereof, unless it is revoked earlier in accordance with notes 7 and 8 below.

7 **A shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy/ies to the company at the Registered Office, for attention of the company secretary, to be received before the replacement proxy exercises any rights of the shareholder at the annual general meeting of the company or any adjournment(s) thereof.**

8 The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy/ies' authority to act on behalf of the shareholder as of the later of: (i) the date stated in the revocation instrument, if any or (ii) the date on which the revocation instrument was delivered as required in note 7(ii) above.

9 **If the instrument appointing a proxy or proxies has been delivered to the company in accordance with the provisions of note 5 above, then, until that appointment lapses in accordance with the provisions of note 6, any notice that is required in terms of the Companies Act, 71 of 2008, as amended from time to time (the 'Act') or the company's memorandum of incorporation to be delivered by the company to the shareholder must be delivered by the company to:**

a. the shareholder; or

b. the proxy or proxies, if the shareholder has: (i) directed the company to do so, in writing and (ii) paid any reasonable fee charged by the company for doing so.

10 Section 63(1) of the Act requires that meeting participants provide reasonably satisfactory identification. The company will regard presentation of an original of a meeting participant's valid drivers licence, identity document or passport to be satisfactory identification.

11 Documentary evidence establishing the authority of a person who participates in or speaks or votes at the annual general meeting on behalf of a shareholder in a representative capacity, or who signs the form of proxy in a representative capacity (for example, a certified copy of a duly passed directors' resolution in the case of a shareholder which is a company, a certified copy of a duly passed members' resolution in the case of a shareholder which is a close corporation and a certified copy of a duly passed trustees' resolution in the case of a shareholder who/which is a trust) must be presented to the person presiding at the annual general meeting or attached to the form of proxy (as the case may be), and shall thereafter be retained by the company.

12 It is recorded that, in accordance with section 63(7) of the Act, a polled vote must be held on any particular matter to be voted on at a meeting if a demand for such a vote is made by at least five persons having the right to vote on that matter, either as a shareholder or a proxy representing a shareholder or a person who is, or persons who together are, entitled, as a shareholder or proxy representing a shareholder, to exercise at least 10% of the voting rights entitled to be voted on that matter.

13 It is recorded that, in accordance with section 63(6) of the Act, if voting on a particular matter is by polling, a shareholder or a proxy for a shareholder has the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder.

14 Any insertion, deletion, alteration or correction made to the form of proxy must be initialled by the signatory/ies. Any insertion, deletion, alteration or correction made to the form of proxy but not complying with the aforegoing will be deemed not to have been validly effected.

15 **A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.**

16 The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the annual general meeting.

17 A shareholder's instructions to the proxy must be indicated by the insertion of an 'x' or the relevant number of votes exercisable by that shareholder in the appropriate box provided. An 'x' in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above or to provide any voting instructions will be deemed to authorise the proxy to vote or to abstain from voting at the meeting as he/she/it deems fit in his/her discretion. When there are joint holders of shares, any one holder may sign this form of proxy, and the vote of the senior shareholder (for which purpose seniority will be determined by the order in which the names of the shareholders appear in the company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.

18 The completion and lodging of this form of proxy will not preclude the shareholder who appoints one or more proxy/ies from participating in the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy/ies appointed in terms of this form of proxy should such shareholder wish to do so. The appointment of any proxy/ies is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.

ELECTRONIC PARTICIPATION AT ANNUAL GENERAL MEETING

TRANSACTION CAPITAL LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE: Code TCP ISIN: ZAE000167391
(the 'company')

ELECTRONIC PARTICIPATION AT ANNUAL GENERAL MEETING

Shareholders have the right, as authorised in the memorandum of incorporation, to participate by way of electronic communication at the annual general meeting. Shareholders or their duly appointed proxies who wish to participate by way of electronic communication must apply to the transfer secretaries using this application form by no later than 08:30 on Wednesday, 27 February 2013.

Participants may **not** vote electronically and must use the attached form of proxy for this purpose or contact their CSDP if they are not able to attend the annual general meeting in person and vote in person.

Shareholders will be advised by email or text message prior to the annual general meeting of the relevant telephone number and code to allow them to dial in.

The company will bear the cost of establishing the electronic communication whilst the cost of the shareholder dialling in will be for his/her account.

Information required for participation by electronic communication

Full names of shareholder or authorised representative (for company or other legal entity): ____________________

____

Identity number or registration number of entity: ____________________

Email address: ____________________

Cell phone number: ____________________ Telephone number including dialling code: ____________________

Name of CSDP or broker if shares are dematerialised: ____________________

CSDP or broker contact number: ____________________

Documents required

1 A proxy may only participate provided that a duly completed form of proxy has been submitted in accordance with the instructions on that form and also attached to this application.

2 Documentary evidence establishing the authority of the named person acting in a representative capacity to participate in the annual general meeting must be attached to this application.

3 A CSDP or broker registered in the company's sub-register participating on behalf of the beneficial owner of shares is requested to identify the beneficial owner on whose behalf they are acting and to attach a copy of the instructions from such owner.

4 Holders of dematerialised shares must request their broker or CSDP to issue them with the necessary authority to attend. The authorisation must be attached to this application.

5 A copy of the identity document of the person attending the annual general meeting by electronic participation must be attached to this application.

Signed at ____________________ on ____________________ 2013

Name in BLOCK LETTERS: ____________________ Signature: ____________________

Assisted by (where applicable): ____________________

Applications to participate by electronic communication will only be considered if this form is completed in full and signed by the shareholder, proxy or representative. The company may in its sole discretion accept any incomplete forms.

SHAREHOLDER INFORMATION
NOTES

www.transactioncapital.co.za

ADMINISTRATION

Share code: TCP
ISIN: ZAE000167391
JSE Limited sector: Financial Services
Listing date: 7 June 2012
Year-end: 30 September
Company registration number: 2002/031730/06
Country of incorporation: South Africa

Directors

Executive

Mark Lamberti (Chief executive officer)
Jonathan Jawno (Deputy chief executive officer)
David Hurwitz (Chief financial officer)
Michael Mendelowitz (Chief investment officer)
Steven Kark
Roberto Rossi

Independent non-executive

Christopher Seabrooke (Chairperson)
Phumzile Langeni
David Woollam
Dumisani Tabata
Brenda Madumise
Cedric Ntumba

Non-executive

Shaun Zagnoev

Company secretary and registered office

Peter Katzenellenbogen
14 Pongola Crescent
Sandhavon Office Park
Eastgate Extension 17
Sandton, 2199
(PO Box 41888, Craighall, 2024)

Sponsor

Deutsche Securities (SA) Proprietary Limited
(A non-bank member of the Deutsche Bank Group)
(Registration number 1995/011798/07)
3 Exchange Square
87 Maude Street
Sandton, 2196
(Private Bag X9933, Sandton, 2146)

Legal advisors

Edward Nathan Sonnenbergs Inc.
(Registration number 2006/01800/21)
150 West Street
Sandton, 2196
(PO Box 783347, Sandton, 2146)

Transfer secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Independent auditors

Deloitte & Touche
(Practice number 902276)
Deloitte Place
The Woodlands, 20 Woodlands Drive
Woodmead
Sandton, 2196
(Private Bag X6, Gallo Manor, 2052)

FORMULAS AND DEFINITIONS

Item	Definition
Average equity attributable to ordinary equity holders of the parent	Sum of equity attributable to ordinary equity holders of the parent at the end of each month from September to September divided by 13
Average gross loans and advances	Sum of gross loans and advances at the end of each month from September to September divided by 13
Average interest-bearing liabilities	Sum of interest-bearing liabilities at the end of each month from September to September divided by 13
Average tangible assets	Sum of tangible assets at the end of each month from September to September divided by 13
Average tangible equity attributable to ordinary equity holders of the parent	Sum of equity attributable to ordinary equity holders of the parent less goodwill and intangible assets at the end of each month from September to September divided by 13
Average total assets	Sum of total assets at the end of each month from September to September divided by 13
Average cost of borrowing	Interest expense expressed as a percentage of average interest-bearing liabilities
Capital adequacy	Total equity plus subordinated debt capital less goodwill expressed as a percentage of total assets less goodwill and cash and cash equivalents
Cost-to-income ratio	Total operating costs expressed as a percentage of net interest income plus non-interest revenue
Credit loss ratio	Impairment of loans and advances expressed as a percentage of average gross loans and advances
EBITDA	Profit before net interest income, tax, depreciation and amortisation of intangible assets (specifically excluding amortisation of purchased book debts) for the credit services and payment services segments only
Effective tax rate	Income tax expense expressed as a percentage of profit before tax
Entry-level vehicles	Vehicles brands: CAM, CMC, Jinbei, King Long, Polar Sun, Foton, Force Traveller, Peugeot
Gearing	Total assets divided by equity attributable to ordinary equity holders of the parent expressed in times
Gross loans and advances	Gross loans and advances specifically exclude the value of the written-off book brought back on to the balance sheet
Headline earnings	Headline earnings is defined and calculated as per the guidance issued by The South African Institute of Chartered Accountants (SAICA) in Circular 3/2009 of August 2009. Headline earnings consist of basic earnings attributable to ordinary shareholders adjusted for goodwill impairments, capital profits and losses and other non-headline items
Headline earnings from continuing operations	Headline earnings adjusted for non-headline items arising from discontinued operations as defined in SAICA Circular 3/2009
Headline earnings per share	Headline earnings divided by weighted average number of ordinary shares in issue
Headline earnings per share from continuing operations	Headline earnings from continuing operations divided by weighted average number of ordinary shares in issue
Net asset value per share	Equity attributable to ordinary equity holders of the parent divided by number of ordinary shares in issue
Net interest margin	Net interest income as a percentage of average gross loans and advances
Non-performing loan coverage	Impairment provision expressed as a percentage of non-performing loans
Non-performing loan ratio	Non-performing loans expressed as a percentage of gross loans and advances

FORMULAS AND DEFINITIONS (CONTINUED)

Item	Definition
Non-performing loans	(a) the balance outstanding of loans and advances with a contractual delinquency greater than three months including repossessed stock on hand and (b) reduced by the balance of such outstanding loans and advances for which three consecutive payments have been received in the three month period preceding the measurement date
Normalised headline earnings	Headline earnings adjusted for non-headline items arising from discontinued operations as defined in SAICA Circular 3/2009 and the cost of listing equity and debt instruments on an exchange
Normalised headline earnings per share	Normalised headline earnings divided by weighted average number of ordinary shares in issue
Premium vehicles	Non-entry level vehicles
Provision coverage	Impairment provision expressed as a percentage of gross loans and advances
Return on average assets	Profit from continuing operations expressed as a percentage of average total assets
Return on average tangible assets	Profit from continuing operations expressed as a percentage of average tangible assets
Return on average equity	Profit from continuing operations attributable to ordinary equity holders of the parent expressed as a percentage of average equity attributable to ordinary equity holders of the parent
Return on average tangible equity	Profit from continuing operations attributable to ordinary equity holders of the parent expressed as a percentage of average tangible equity attributable to ordinary equity holders of the parent
Structurally subordinated debt	Senior debt issued by a holding company within the group
Subordinated debt	Debt subordinated by agreement with the lender plus structurally subordinated debt
Tangible assets	Total assets less goodwill and intangible assets
Tangible net asset value per share	Equity attributable to ordinary equity holders of the parent less goodwill and intangible assets divided by number of ordinary shares in issue
Total income	Interest and other similar income plus non-interest revenue
Weighted average number of ordinary shares in issue	The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group less treasury shares