THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 4 of this Circular apply throughout this Circular including this cover page. If you are in any doubt as to the action you should take, please consult your broker, CSDP, banker, attorney, accountant or other professional advisor.

Action required

This Circular is important and should be read with particular attention to the "Action Required by Shareholders" section of this Circular, which sets out the action required of Shareholders with regard to this Circular. If you are in any doubt as to what action you should take, please consult your broker, CSDP, banker, attorney, accountant or other professional advisor immediately.

If you have disposed of all your Transaction Capital Shares, then this Circular should be forwarded to the purchaser to whom, or the broker, CSDP or other agent through whom you disposed of your Transaction Capital Shares.

Transaction Capital does not accept any responsibility and will not be held liable for any failure on the part of the broker or CSDP of any holder of Dematerialised Shares to notify such Shareholder of this Circular and the General Meeting.

Transaction Capital

Transaction Capital Limited

(Incorporated in the Republic of South Africa)
Registration number 2002/031730/06
JSE share code: TCP ISIN: ZAE000167391

CIRCULAR TO SHAREHOLDERS

relating to the Category 1 transaction and related party transaction arising from the Proposed Transaction and including a:

- **notice of General Meeting to be held at the Registered Office at 08:30 on Friday, 13 December 2013; and**
- **form of proxy (yellow) (for use by Certificated Shareholders and "own name" Dematerialised Shareholders only).**

Sponsor to Transaction Capital	**Independent Auditors and Reporting Accountant**	**Independent Professional Expert**	**Legal Advisors to the Company**
Deutsche Bank Deutsche Securities (SA) Proprietary Limited (A non-bank member of the Deutsche Bank Group)	Deloitte.	Grant Thornton An instinct for growth™	ens.co.za

Transfer Secretaries	**Tax advisor to Transactional Capital**	**Corporate advisor to BML**	**South African legal advisor to BML**	**International legal advisor to BML**
Computershare	WERKSMANS ATTORNEYS	hyde park capital	BG Bowman Gilfillan	BLP BERWIN LEIGHTON PAISNER

Date of issue: Thursday, 14 November 2013

This Circular is available in English only. Copies may be obtained from the Registered Office. An electronic version of this Circular will be made available on the Company's website (www.transactioncapital.co.za) from Thursday, 14 November 2013.

CORPORATE INFORMATION AND ADVISORS

Directors

Independent Non-executive:
Christopher Seabrooke *(Chairperson)*
Phumzile Langeni
Dumisani Tabata
David Woollam
Cedric Ntumba
Shaun Zagnoev

Non-executive:
Steven Kark

Executive:
Mark Lamberti *(CEO)*
Jonathan Jawno (*Deputy CEO)*
David Hurwitz *(CFO)*
Michael Mendelowitz
Roberto Rossi

Registered Office and Company Secretary

Peter Katzenellenbogen *(BCom, CA(SA))*

Transaction Capital Limited
(Registration number 2002/031730/06)
Sandhavon Office Park
14 Pongola Crescent, Eastgate Extension 17
Sandton, 2199
(PO Box 41888, Craighall, 2024)
South Africa

Sponsor to Transaction Capital

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), South Africa

Independent Professional Expert to the Board

Grant Thornton Advisory Services
Proprietary Limited
(Registration number 2002/022635/07)
137 Daisy Street, Sandown, 2196
(Private Bag X28, Benmore, 2196), South Africa

Legal Advisor to Transaction Capital

Edward Nathan Sonnenbergs Inc.
(Registration number 2006/01800/21)
150 West Street, Sandton, 2196
(PO Box 783347, Sandton, 2146), South Africa

Transfer secretaries to Transaction Capital
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor, 70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107), South Africa

Independent auditors and reporting accountant to Transaction Capital

Deloitte & Touche
(Practice number 902276)
Deloitte Place, The Woodlands, 20 Woodlands Drive
Woodmead, Sandton, 2196
(Private Bag X6, Gallo Manor, 2052), South Africa

Tax advisor to Transaction Capital

Werksmans Inc.
(Registration number 1990/007215/21)
155 – 5th Street, Sandown, Sandton, 2196
(Private Bag 10015, Sandton, 2146)
South Africa

South African legal advisor to BML

Bowman Gilfillan Attorneys
(Registration number 1998/021409/21)
165 West Street, Sandton, 2196
(PO Box 785812, Sandton, 2146)
South Africa

Corporate advisor to BML

Hyde Park Capital Proprietary Limited
(Registration number 1998/019935/07)
Ground Floor, Twickenham Building
The Campus, 57 Sloane Street
Bryanston, 2021
(PO Box 651846, Benmore, 2010)
South Africa

International legal advisor to BML

Berwin Leighton Paisner LLP
(Registered number OC315919)
Adelaide House, London Bridge
London, EC4R 9HA, United Kingdom

Date and place of incorporation

18 December 2002, Pretoria

TABLE OF CONTENTS

ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 4 of this Circular apply to this section on "Action Required by Shareholders".

Please take careful note of the following provisions regarding the action required by Shareholders:

If you are in any doubt as to what action to take, please consult your broker, CSDP, banker, attorney, accountant or other professional advisor immediately.

The General Meeting will be held at 08:30 on Friday, 13 December 2013 or at any other adjourned or postponed date and time determined in accordance with the provisions of sections 64(4) and 64(11)(a)(i) of the Companies Act, at the Registered Office. Transaction Capital Shareholders are advised to take careful note of the following provisions relating to the action required by Transaction Capital Shareholders relating to the proposed resolutions.

ACTION REQUIRED TO BE TAKEN BY TRANSACTION CAPITAL SHAREHOLDERS

1. **If you have Dematerialised your Transaction Capital Shares other than with "own name" registration:**

   1.1 **Voting at the General Meeting**

   - Your CSDP or broker should contact you to ascertain how you wish to cast your vote (or abstain from casting your vote) at the General Meeting and thereafter to cast your vote (or abstain from casting your vote) in accordance with your instructions.
   - If you have not been contacted by your CSDP or broker, it is advisable for you to contact your CSDP or broker and furnish it with your voting instructions.
   - If your CSDP or broker does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your CSDP or broker.
   - You must **not** complete the attached form of proxy *(yellow)*.

   1.2 **Attendance and representation at the General Meeting**

   In accordance with the mandate between you and your CSDP or broker, you must advise your CSDP or broker if you wish to attend the General Meeting and your CSDP or broker will issue the necessary letter of representation or proxy *(yellow)* to you.

2. **If you have not Dematerialised your Transaction Capital Shares or have Dematerialised your Transaction Capital Shares with "own name" registration:**

   2.1 **Voting and attendance at the General Meeting**

   - You may attend the General Meeting in person and may vote (or abstain from voting) at the General Meeting.
   - Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached form of proxy *(yellow)* in accordance with the instructions it contains and returning it to the Transfer Secretaries to be received preferably by no later than 08:30 on Thursday, 12 December 2013.
   - If any proxy is not delivered timeously to the address of the Transfer Secretaries as set out in the "Corporate Information and Advisors" section of this Circular, it may be handed up to the chairman of the General Meeting at any time before the proxy exercises any rights of the Shareholder at the General Meeting.
   - If you wish to Dematerialise your Transaction Capital Shares, please contact your CSDP or broker.

3. **If you have disposed of all of your Transaction Capital Shares, this Circular should be handed to the purchaser of such Transaction Capital Shares or the broker, CSDP or other agent which disposed of your Transaction Capital Shares for you.**

IMPORTANT DATES AND TIMES

The definitions and interpretations commencing on page 4 of this Circular apply to this section on important dates and times.

	2013
Record Date for the purposes of receiving the notice of General Meeting	Friday, 8 November
Circular distributed to Transaction Capital Shareholders on	Thursday, 14 November
Last day to trade in order to attend, participate and vote at the General Meeting	Friday, 29 November
Record Date to determine which Transaction Capital Shareholders may attend, participate and vote at the General Meeting	Friday, 6 December
Last day for receipt of forms of proxy for the General Meeting by the Transfer Secretaries by no later than 08:30 on (see notes 3 and 4)	Thursday, 12 December
General Meeting to be held at 08:30 on	Friday, 13 December
Results of the General Meeting to be released on SENS on	Friday, 13 December
Results of the General Meeting to be published in the South African press on	Tuesday, 17 December

Notes:

1. The above dates and times are subject to change. Any material changes will be released on SENS and published in the South African press.
2. Any reference to time is a reference to South African time.
3. If any form of proxy is not delivered timeously to the address of the Transfer Secretaries as set out in the "Corporate Information and Advisors" section of the Circular, it may be handed to the chairman of the General Meeting at any time before the proxy exercises any rights of the Shareholder at the General Meeting.
4. If the General Meeting is adjourned or postponed, an appropriate announcement will be released on SENS and published in the South African press. In such circumstances a form of proxy must be received preferably by no later than 24 hours prior to the time of the adjournment or postponement of the General Meeting (excluding Saturdays, Sundays and official public holidays in South Africa) at the offices of the Transfer Secretaries, provided that if any form of proxy is not delivered timeously it may be handed to the chairman of the adjourned or postponed General Meeting at any time before the proxy exercises any rights of the Shareholder at such adjourned or postponed General Meeting.

DEFINITIONS AND INTERPRETATIONS

Throughout this Circular and its annexures, unless otherwise stated or the context otherwise indicates, words and expressions in the first column will have the meanings stated opposite them in the second column, words and expressions in the singular include the plural and *vice versa*, words importing natural persons include juristic persons, corporations and associations of persons and *vice versa*, and any reference to one gender includes the other genders:

"Agreement"	the written agreement entered into between BFS, Zenthyme, Transaction Capital and BML on the Signature Date, pursuant to and in terms of which BFS and Zenthyme will, subject to the fulfilment or waiver of the Conditions Precedent, and after implementation of the Minority Buy-Out Agreement, become wholly-owned subsidiaries of BML, against receipt of the Consideration by Transaction Capital;
"Bayport"	the business conducted by the BFS Group;
"Bayport Securitisation Ownership Trust"	Bayport Securitisation Ownership Trust (Master's reference number IT1869/08), a trust incorporated in accordance with the laws of South Africa;
"BaySec"	Bayport Securitisation (RF) Limited (Registration number 2008/003557/06), a public company incorporated in accordance with the laws of South Africa. 100% of the ordinary shares in BaySec are owned by the Bayport Securitisation Ownership Trust and 100% of the preference shares in BaySec are owned by BFS;
"BFS"	Bayport Financial Services 2010 Proprietary Limited (Registration number 2009/018403/07), a private company duly incorporated in accordance with the laws of South Africa, which, as at the Signature Date, was 82.65% owned by Transaction Capital;
"BFS Group"	collectively, BFS and its Subsidiaries and other consolidated entities as set out in Annexure A of the Agreement;
"BML"	Bayport Management Limited (Registration number 54787 C1/GBL), a company duly incorporated in accordance with the laws of Mauritius, the ordinary shares of which are listed on the Stock Exchange of Mauritius;
"Business Day"	any day other than a Saturday, Sunday or statutory public holiday in South Africa;
"Certificated Shareholder"	a Transaction Capital Shareholder holding Certificated Shares;
"Certificated Share/s"	Transaction Capital Shares represented by a Document(s) of Title, which shares have not been surrendered for Dematerialisation;
"Chola"	Justin Chola (Zambian Passport No.ZM036322);
"Circular"	this circular to Transaction Capital Shareholders, dated 14 November 2013, incorporating a notice of General Meeting and a form of proxy (*yellow*);
"Companies Act"	the South African Companies Act, 71 of 2008 (as amended, replaced or re-enacted from time to time);
"Competition Act"	the South African Competition Act, 89 of 1998 (as amended, replaced or re-enacted from time to time);
"Conditions Precedent"	the conditions precedent to the Proposed Transaction set out in clause 3 of the Agreement, including the conditions precedent set out in paragraph 4 of this Circular which remained unfulfilled as at the Last Practicable Date;
"Consideration"	the consideration required to be paid to Transaction Capital under the Agreement, as set out in paragraph 3.4 of this Circular;
"CSDP"	a Participant, or a person that holds in custody and administers securities or an interest in securities and has been accepted as a participant by the Central Securities Depository in terms of the Financial Markets Act;

"Dematerialisation"	the process by which certificated shares are converted to or held in an electronic form as uncertificated shares and recorded in the sub-register of shareholders maintained by a CSDP and "Dematerialised" shall have a corresponding meaning;
"Dematerialised Shareholder"	a Transaction Capital Shareholder holding Dematerialised Shares;
"Dematerialised Shares"	Transaction Capital Shares which have been Dematerialised;
"Directors" or the "Board"	the directors of Transaction Capital as listed on page 9 of this Circular;
"Documents of Title"	Transaction Capital share certificates, duly completed share transfer forms, balance receipts or any other Documents of Title to Certificated Shares acceptable to Transaction Capital;
"Effective Date"	the last day of the calendar month during which the last of the Conditions Precedent (other than the MAC Condition Precedent) is fulfilled or waived, as the case may be, it being recorded for the avoidance of doubt that if the last Condition Precedent is fulfilled or waived, as the case may be, on the last day of a calendar month then the Effective Date shall be that day;
"Ellehove"	Ellehove Investments Proprietary Limited (Registration number 2006/030036/07), a private company duly incorporated in accordance with the laws of South Africa, which as at the Signature Date, was a wholly-owned Subsidiary of Transaction Capital;
"Financial Markets Act"	the South African Financial Markets Act, 19 of 2012 (as amended, replaced or re-enacted from time to time);
"Freeman"	Martin Zonny Freeman (Identity No. 670624 5023 003);
"General Meeting"	the meeting of Transaction Capital Shareholders to take place at the Registered Office at 08:30 on Friday, 13 December 2013, or at any other adjourned or postponed date and time determined in accordance with the provisions of sections 64(4) and 64(11)(a)(i) of the Companies Act. The meeting has been convened in terms of the notice of General Meeting attached to this Circular;
"Grant Thornton" or "Independent Professional Expert"	Grant Thornton Advisory Services Proprietary Limited, (Registration number 2002/022635/07), a private company duly incorporated in accordance with the laws of South Africa and the independent professional expert to the Board, as approved by the JSE;
"Govender"	Suganthran Govender (Identity No. 660711 5151 082);
"Groups"	collectively, the BFS Group and Zenthyme or, if the context is appropriate, either one of them;
"Implementation Date of the Agreement"	the 5th Business Day (or such shorter period of time as may be agreed by BML and Transaction Capital in writing) after the later of: (i) the Effective Date; (ii) the final determination of any dispute pertaining to the MAC Condition Precedent, and (iii) the date on which Takwa subscribes and pays for shares in BML, in accordance with the terms of the Takwa Subscription Agreement;
"Implementation Date of the Minority Buy-Out Agreement"	the Business Day immediately preceding the Implementation Date of the Agreement;
"Income Tax Act"	the South African Income Tax Act, 58 of 1962 (as amended, replaced or re-enacted from time to time);
"Independent Reporting Accountants"	Deloitte & Touche, Registered Auditors;
"JSE"	any of the securities exchanges operated by the JSE Limited (Registration number 2005/022939/06), a company duly registered with limited liability under the laws of South Africa being licensed to operate an exchange in terms of the Financial Markets Act;
"Kurland"	Grant Colin Kurland (Identity No. 710305 5037 084);

"Last Practicable Date"	the last practicable date prior to the finalisation of this Circular, being Thursday, 7 November 2013;
"Listing"	the listing of the Shares of Transaction Capital on the Main Board of the JSE on Tuesday, 7 June 2012;
"Listings Requirements"	the Listings Requirements of the JSE (as amended or replaced from time to time);
"Material Adverse Change"	a material (which for these purposes means equal to or exceeding 20%) sustainable adverse change in the financial position (including, without limitation, the balance sheet and/or the profit and loss account), trading position, business, operations or prospects of the Groups taken as a whole occurring during the MAC Period, excluding any such material adverse change resulting from: • trading losses of the Group in the ordinary course of business; and/or • changes in stock markets, interest rates, exchange rates, or other general economic or political conditions; and/or • information (including any fact, matter, circumstance and/or risk) which is, as at the Signature Date, within the actual knowledge of key management of BFS identified in the Agreement, including without limitation: ° any change in law, regulation, guideline, codes of conduct, and the like or in their interpretation or administration by the South African courts, or by any other fiscal, monetary or regulatory authority (including the Financial Services Board established in terms of the Financial Services Board Act, 1990, and/or the National Credit Regulator established in terms of the National Credit Act, 34 of 2005), whether or not having the force of law; ° any change in law, regulation, guideline, codes of conduct, and the like which affects the business of BFS and/or Zenthyme, such as, but not limited to, any change pertaining to emolument attachment orders, credit life insurance premiums, profit sharing in relation to insurance schemes and the like, which may arise as a result of: (i) any such fact, matter, circumstance and/or risk and/or (ii) the meeting that took place between representatives of major retail banks, the Banking Association of South Africa, the National Treasury, the South African Reserve Bank and the Financial Services Board on 19 October 2012, save for a change resulting in the abolishment of the use of garnishee orders against credit defaulters such that any such change in law, regulation, guideline, code of conduct and the like shall constitute a material adverse change if it affects the financial position (including, without limitation, the balance sheet and/or the profit and loss account), trading position, business, operations or prospects of the Groups taken as a whole by 20% or more;
"MAC Condition Precedent"	no Material Adverse Change has occurred during the MAC Period. If by the expiry of the MAC Period: • neither Transaction Capital nor BML has advised the other in writing of any Material Adverse Change the MAC Condition Precedent shall be deemed to have fallen away; • either Transaction Capital or BML has advised the other of a Material Adverse Change but Transaction Capital and BML have elected in writing to proceed with the Proposed Transaction, notwithstanding such Material Adverse Change, then the MAC Condition Precedent shall be deemed to have fallen away;
"MAC Period"	the period between the Signature Date and the day which is 3 Business Days immediately preceding the Effective Date;

"Minorities"	collectively, the Stone Family Trust, Kurland, Freeman, Chola and Govender or, if the context is appropriate, any one of them, all of whom are shareholders in BFS and Zenthyme and are parties to the Minority Buy-Out Agreement;
"Minority Buy-Out Agreement"	the written sale of shares agreement entered into between the Minorities, BFS and Zenthyme on the Signature Date on the same terms and conditions (including the price), *mutatis mutandis*, contained in the Agreement, in terms of which agreement Transaction Capital will acquire the Minorities' Shares from the Minorities for the Minority Buy-Out Consideration such that pursuant to the delivery of the share certificates and other documents envisaged in the Minority Buy-Out Agreement and the update to the share register of BFS and Zenthyme, Transaction Capital will be the sole registered and beneficial shareholder of BFS and Zenthyme and on the basis that delivery of the Minorities' Shares will occur on the Implementation Date of the Minority Buy-Out Agreement while payment for such Minorities' Shares will occur on the first Business Day following receipt by Transaction Capital of the Consideration;
"Minority Buy-Out Consideration"	the aggregate consideration required to be paid by Transaction Capital to the Minorities under the Minority Buy-Out Agreement, being ZAR279 728 040 plus an amount equal to 17,35% of the notional interest envisaged in paragraph 3.4.1 of this Circular;
"Minorities' Shares"	the shares in BFS and Zenthyme held by the Minorities which are to be acquired by Transaction Capital in terms of the Minority Buy-Out Agreement, namely: • 2 602 500 issued no par value ordinary shares in BFS, constituting 17,35% of the entire issued shares of BFS; and • 694 000 issued no par value ordinary shares in Zenthyme, constituting 17,35% of the entire issued shares of Zenthyme;
"Participant"	a participant as defined in the Financial Markets Act;
"Paycorp"	Paycorp Holdings Proprietary Limited (Registration number 2002/020217/07), a private company duly incorporated in accordance with the laws of South Africa, which as at the Signature Date, was a wholly-owned Subsidiary of Transaction Capital;
"Paycorp Disposal"	the disposal by Transaction Capital of its interest in Paycorp as set out in the announcement to Shareholders released on SENS on 7 August 2013;
"PE"	Price Earnings;
"Proposed Transaction"	the transactions set out in: • the Minority Buy-Out Agreement; and • the Agreement, which upon implementation will result in BFS and Zenthyme becoming wholly-owned Subsidiaries of BML;
"R" or "Rand" or "ZAR"	South African Rand, the lawful currency of South Africa;
"Registered Office"	Transaction Capital House, Sandhavon Office Park, 14 Pongola Crescent, Eastgate Extension 17, Sandton, 2199, South Africa;
"Related Parties and Associates"	the relevant related parties and the associates of related parties, who hold Transaction Capital Shares, being the Kimberly Investment Trust, the Rutland Trust, the Sugar Tube Trust, the Stone Family Trust, Chola and Kurland, and "Related Party" shall refer to any or each of them, as the context may indicate;
"SENS"	the Stock Exchange News Service of the JSE;
"Signature Date"	22 October 2013, being the date of signature of the Agreement and the Minority Buy-Out Agreement;

"South Africa"	the Republic of South Africa;
"Stone"	Stuart Stone (Identity No. 690211 5260 086);
"Stone Family Trust"	the trustees for the time being of the Stuart Stone Family Trust (Master's reference number IT38/98), a trust duly registered in accordance with the laws of South Africa;
"Strate"	Strate Limited (Registration number 1998/022242/06), a public company incorporated in South Africa and registered as a central securities depository in terms of the Financial Markets Act responsible for the electronic custody and settlement system;
"Subsidiary"	a subsidiary, as defined in section 3 of the Companies Act;
"Takwa"	Takwa Holdco Limited (Registration number 118997), a private company duly incorporated in accordance with the laws of Mauritius and a wholly-owned Subsidiary of Helios Investment Partners;
"Takwa Subscription Agreement"	the written subscription agreement entered into between Takwa, BML and other parties on the Signature Date in terms of which Takwa will subscribe for shares in BML representing approximately 23,4% of BML to enable BML to discharge a portion of the consideration required to be paid by it under the Agreement, on the terms and conditions contained therein;
"TC Treasury"	TC Treasury Proprietary Limited (Registration number 2007/001197/07), a private company duly incorporated in accordance with the laws of South Africa, which as at the Signature Date, was a wholly-owned Subsidiary of Transaction Capital;
"Terms Announcement"	the terms announcement released by the Company on SENS on Wednesday, 23 October 2013 and published in the South African press on Thursday, 24 October 2013;
"Transaction Capital" or the "Company"	Transaction Capital Limited (Registration number 2002/031730/06), a public company duly incorporated in accordance with the laws of the Republic of South Africa, the ordinary shares of which are listed on the JSE;
"Transaction Capital Group"	Transaction Capital and its Subsidiaries;
"Transaction Capital Shareholders" or "Shareholders"	holders of Transaction Capital Shares;
"Transaction Capital Shares" or "Shares" or "Ordinary Shares"	issued ordinary shares of no par value in the Company, all of which are listed on the JSE;
"Transfer Secretaries"	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company incorporated in South Africa; and
"Zenthyme"	Zenthyme Investments Proprietary Limited (Registration number 2009/018665/07), a private company duly incorporated in accordance with the laws of South Africa which, as at the Signature Date, was 82.65% owned by Transaction Capital.

Transaction Capital Limited

(Incorporated in the Republic of South Africa)
Registration number 2002/031730/06
JSE share code: TCP ISIN: ZAE000167391

Directors

Independent non-executive

Christopher Seabrooke *(Chairman)*
Phumzile Langeni
Dumisani Tabata
David Woollam
Cedric Ntumba
Shaun Zagnoev

Non-executive

Steven Kark

Executive

Mark Lamberti *(Chief Executive Officer)*
Jonathan Jawno (*Deputy Chief Executive Officer)*
David Hurwitz *(Chief Financial Officer)*
Michael Mendelowitz
Roberto Rossi

CIRCULAR TO SHAREHOLDERS

1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

1.1 As was released on SENS on Wednesday, 23 October 2013 and published in the South African press on Thursday, 24 October 2013 that:

1.1.1 Transaction Capital currently owns 82.65% of BFS and Zenthyme;

1.1.2 the Company has entered into the Minority Buy-Out Agreement in terms of which agreement Transaction Capital will, subject to the fulfilment or waiver of the Conditions Precedent, acquire from the Minorities all the issued shares in BFS and Zenthyme held by the Minorities on the same terms and conditions (including the price per share in BFS and Zenthyme), *mutatis mutandis,* contained in the Agreement such that on implementation of the Minority Buy-Out Agreement, BFS and Zenthyme will become wholly-owned Subsidiaries of Transaction Capital and on the basis that delivery of the Minorities' Shares will occur on the Implementation Date of the Minority Buy-Out Agreement while payment of the Minority Buy-Out Consideration by Transaction Capital to the Minorities for such shares will occur on the first Business Day following receipt by Transaction Capital of the Consideration;

1.1.3 Contemporaneously with the signature of the Minority Buy-Out Agreement, Transaction Capital entered into the Agreement pursuant to and in terms of which BFS and Zenthyme will, subject to the fulfilment or waiver of the Conditions Precedent, and after implementation of the Minority Buy-Out Agreement, become wholly owned subsidiaries of BML.

1.2 The Minority Buy-Out Agreement and the Agreement are conditional on one another and are accordingly indivisibly linked.

1.3 Having regard to the involvement of related parties, as envisaged in the Listings Requirements, in the Proposed Transaction (as more fully set out in paragraph 3 of this Circular) the Proposed Transaction has been classified as a related party transaction, as defined in the Listings Requirements.

1.4 The Directors are therefore proposing resolutions to be passed by the Transaction Capital Shareholders, approving the Proposed Transaction, being the related party transaction.

1.5 The Proposed Transaction has also been Categorised as a Category 1 transaction.

1.6 The purpose of this Circular is accordingly to furnish Shareholders with information relating to the proposed resolutions, in accordance with the Listings Requirements, and to convene a General Meeting at which Shareholders will be requested to approve the proposed resolutions contained in the notice of General Meeting attached to and forming part of this Circular.

2. RATIONALE FOR THE PROPOSED TRANSACTION

2.1 The origin of Bayport was the establishment by Stone and Kurland of a mass market unsecured credit provider in 2001.

2.2 Operating as BML, the founders expanded into four African countries and in 2005, on expiry of their restraint from operating in the country, entered the South African market and established BFS.

2.3 In 2010, consistent with its strategic objective to acquire and grow niched financial services businesses, Transaction Capital acquired 82.65% of BFS for an enterprise value of ZAR650 000 000, with the balance of the shareholding remaining with the founders and management. At the time this presented the potential for a later acquisition of BML by Transaction Capital and the re-integration of the two businesses under the management of the founding partners.

2.4 The following developments since then have persuaded Transaction Capital to alter this view:

2.4.1 negative sentiment around the unsecured lending sector has caused the market to ignore the specific outperformance of BFS, which has grown steadily, improving its differentiated strategy, executive calibre, governance and quality of earnings under Transaction Capital's stewardship and the leadership team assembled by Stone;

2.4.2 BML has expanded steadily into six African countries and Colombia, while developing the management infrastructure required to manage and control a global emerging market lender. This endeavour has been supported by a diverse group of international debt capital investors through BML's listed bond issuances on the Swedish Stock Exchange, and by new equity from Investment AB Kinnevik, the renowned Swedish emerging market investor, and from funds advised by Helios Investment Partners, one of the largest pan-African private equity investment firms which recently committed to a US$100 000 000 equity investment into BML. Together these two major investors will own over 50% of BML; and

2.4.3 BML has concluded that the growth and progress of the combined entity will be facilitated by its independence, with a focused management team accountable directly to its international and local equity and debt investors for performance.

2.5 The feasibility of Transaction Capital acquiring BML has been further challenged by the following factors that would dilute Transaction Capital Shareholder value:

2.5.1 <u>Relative Valuations</u>: By virtue of its footprint and performance in high growth African economies, BML has higher earnings and a higher rating than BFS.

2.5.2 <u>Cost of Equity:</u> raising new equity at Transaction Capital's current PE multiple would be dilutive.

2.5.3 <u>Unsecured lending contribution</u>: Given the recent Paycorp Disposal, the acquisition of BML would increase Transaction Capital's participation in unsecured lending to over 65% of headline earnings. Notwithstanding the consequent international diversification, Transaction Capital's mainly South African Shareholders would view this as a diminution of risk adjusted returns.

2.6 Following due consideration of the above issues, the Board elected to forego its initial ambition to acquire BML and to consider the sale of BFS and Zenthyme to BML.

2.7 This decision is consistent with Transaction Capital's frequently espoused view that it is obliged to consider disposing of a Subsidiary if the performance of that Subsidiary can be enhanced by another owner, as reflected in a fair price.

2.8 The enhancement of performance by BML will result from the combined entity realising strategic, operational and financial synergies as an independent global group, under the uninterrupted management of Kurland and Stone as the chief executives of BML and BFS respectively, while funding organic and acquisitive growth with the support of local and international debt and equity investors, all well established in emerging markets.

2.9 The Proposed Transaction has been concluded at an enterprise value of approximately ZAR1 610 000 000, or ZAR1 330 000 000 for Transaction Capital's 82.65% share of BFS and Zenthyme, representing 1.5 times book value (based on the net asset value as at 31 March 2013) and a 7.15 PE ratio (based on headline earnings for the rolling 12-month period ended 31 March 2013), both considered acceptable by the Board.

3. SALIENT FEATURES OF THE PROPOSED TRANSACTION

3.1 Particulars of the Proposed Transaction

3.1.1 The subject matter of the Proposed Transaction is all the issued ordinary shares in BFS and Zenthyme.

3.1.2 Upon implementation of the Proposed Transaction:

3.1.2.1 BFS and Zenthyme will become wholly-owned subsidiaries of BML;

3.1.2.2 Transaction Capital will receive the Consideration; and

3.1.2.3 after Transaction Capital receives the Consideration the Minorities will receive the Minority Buy-Out Consideration.

3.2 Overview of the business of BFS and Zenthyme

The business conducted through BFS (and its Subsidiaries) and Zenthyme includes the provision of unsecured credit and related products, cellular handset and airtime subscription agreements and related products, to historically under-served low to middle income individuals in South Africa. The business provides clients with personalised and direct access to credit, by originating retail loans through a wide distribution network of approximately 2 211 mobile, commission earning independent agents; operating out of 56 branches and 33 kiosks at selected South African Post Office outlets nationwide and backed by three call centres. BFS primarily funds itself via BaySec and its JSE-listed ZAR10 000 000 000 Asset Backed Note Programme.

On implementation of the Proposed Transaction, Mr David Woollam will be appointed non-executive chairman of BFS.

3.3 Overview of the business of BML

BML is a leading provider of unsecured credit and financial solutions to the formally employed mass markets in emerging markets in Africa (Zambia, Ghana, Uganda, Tanzania, Botswana and Mozambique) and Latin America (Colombia). Today, BML services over 270 000 customers (total loan portfolio of approximately US$400 million) through 289 branches, with the support of 3 300 employees. BML has further developed a broad global debt and equity investor base (as envisaged in paragraph 2.4.2 of this Circular) and wide relationships with multi-national and domestic banks and insurance and pension funds in its markets of operation and in Scandinavia.

3.4 The Consideration

3.4.1 The Consideration to be received by Transaction Capital for the disposal of its 100% interest in BFS and Zenthyme (after implementation of the Minority Buy-Out Agreement) amounts to ZAR1 612 265 361 plus an amount equal to notional interest (calculated thereon from 1 January 2014 until the day immediately preceding the Implementation Date of the Agreement at a rate of 0.9%, calculated daily and compounded monthly in arrears) (the "Consideration") and will be settled in cash by BML on the Implementation Date of the Agreement.

3.4.2 Ellehove and TC Treasury will retain claims on loan account against BFS amounting to ZAR215 000 000 in aggregate on, *inter alia,* the following terms and conditions:

3.4.2.1 such claims shall be subordinated in favour of BML bond holders and other senior funders of BML, as envisaged in the loan agreements between BFS and each of Ellehove and TC Treasury;

3.4.2.2 such claims and any accrued but unpaid interest thereon shall be repaid on the 2nd anniversary of the Effective Date; and

3.4.2.3 such claims and any outstanding accrued but unpaid interest thereon may be prepaid by BFS prior to the expiry of the 2nd anniversary of the Effective Date without penalty.

3.5 Effective Date of the Proposed Transaction

The Effective Date of the Proposed Transaction is the last day of the calendar month during which the last of the Conditions Precedent (other than MAC Condition Precedent) is fulfilled or waived, as the case may be.

3.6 The other significant terms of the Proposed Transaction

Transaction Capital has provided BML with warranties in respect of the Groups customary for a transaction of this nature, subject to customary limitations as to the period during which claims may be brought and customary thresholds for the capping of claims.

BFS acquired the business of Bayport Financial Services (Proprietary) Limited in the 2010 financial year in terms of section 45 of the Income Tax Act. As a consequence of the Proposed Transaction, BFS will no longer form part of the Transaction Capital Group and accordingly capital gains tax will become payable by BFS in accordance with the provisions of section 45 of the Income Tax Act.

In the circumstances, Transaction Capital has provided BML with an indemnity against all loss, liability, damage or expense (excluding any fines, interest and penalties which may arise as a result of any act or omission of BFS, including a delay in the payment of the capital gains tax payable by BFS) which BFS may suffer or sustain should the total capital gains tax payable by BFS exceed ZAR87 734 639, which indemnity is provided on the terms and conditions set out in the Agreement. However, should the total capital gains tax payable by BFS be less than ZAR87 734 639, then BML undertakes to refund the difference between ZAR87 734 639 and such lesser amount to Transaction Capital, within 2 Business Days after payment of such reduced capital gains tax by BFS.

3.7 Categorisation

The Proposed Transaction is categorised as a Category 1 transaction for Transaction Capital in terms of the Listings Requirements, and is therefore subject to Transaction Capital Shareholders' approval as detailed in the notice of General Meeting.

4. CONDITIONS PRECEDENT TO THE PROPOSED TRANSACTION

4.1 The Proposed Transaction is subject to the fulfillment or waiver (where appropriate) of the Conditions Precedent set forth in clause 3 of the Agreement. The following Conditions Precedent remained outstanding as at the Last Practicable Date:

4.1.1 the Takwa Subscription Agreement becomes unconditional in all respects in accordance with its terms, save for any condition relating to the Agreement becoming unconditional (and, for the avoidance of doubt, if Takwa does not so subscribe and pay, implementation of the Agreement shall not occur), it being further recorded that Takwa requires 12 business days (as defined in the Takwa Subscription Agreement) from the date on which the Takwa Subscription Agreement becomes unconditional to subscribe for shares in BML;

4.1.2 BFS obtains the prior written consent of at least 75% of the note holders of BaySec to the change of shareholding in BFS arising from the implementation of the Proposed Transaction;

4.1.3 to the extent required, the parties obtain all statutory and/or regulatory approvals (or deemed approvals) or waivers, as the case may be, required for implementation of the Proposed Transaction from, *inter alios,* the South African competition authorities (as may be required or provided for in terms of the Competition Act) and the South African Reserve Bank;

4.1.4 insofar as may be necessary, the board of directors and/or the shareholders of each of BFS, Zenthyme and Transaction Capital pass such resolutions, including, without limitation, such resolutions as may be required in terms of the Listings Requirements and the Companies Act, to authorise and implement the Proposed Transaction; and

4.1.5 the MAC Condition Precedent.

4.2 In addition, if the Proposed Transaction is not implemented in accordance with its terms by the later of 31 March 2014 and the final determination of any dispute as to whether a Material Adverse Change has occurred, then unless otherwise agreed by the parties to the Agreement in writing, the Agreement will terminate.

5. APPLICATION OF THE NET CONSIDERATION ARISING UPON IMPLEMENTATION OF THE PROPOSED TRANSACTION

The Consideration (which Transaction Capital will receive on the Implementation Date of the Agreement) less the Minority Buy-Out Consideration required to be paid by Transaction Capital to the Minorities under the Minority Buy-Out Agreement will be applied to the Transaction Capital Group's strategy of investing in the organic and acquisitive growth of non-deposit taking niched financial services businesses, and/or capital management initiatives, with a view to delivering acceptable risk-adjusted returns to Shareholders.

6. DETAILS OF RELATED PARTIES AND ASSOCIATES AND FAIRNESS OPINION

6.1 The Proposed Transaction is a related party transaction, as envisaged in the Listings Requirements.

6.2 The relevant Related Parties and Associates *vis-à-vis* Transaction Capital are:

6.2.1 the Kimberly Investment Trust;

6.2.2 the Rutland Trust;

6.2.3 the Sugar Tube Trust;

6.2.4 the Stone Family Trust;

6.2.5 Chola; and

6.2.6 Kurland.

6.3 The votes of the Related Parties and Associates are dealt with in paragraph 7 of this Circular.

6.4 The details of the Related Parties and Associates are as follows:

6.4.1 Messrs Jawno, Mendelowitz and Rossi are directors of Transaction Capital and BFS. Messrs Jawno, Mendelowitz and Rossi are also contingent discretionary beneficiaries of the Kimberly Investment Trust, the Rutland Trust and the Sugar Tube Trust, respectively. Each trust holds 14.11% of the issued Ordinary Shares in Transaction Capital and is accordingly a material Shareholder of Transaction Capital;

6.4.2 Mr Jawno is also a director of BML;

6.4.3 Messrs Jawno, Mendelowitz and Rossi are also contingent discretionary beneficiaries of certain other trusts which hold an indirect interest in BML. Accordingly, Messrs Jawno, Mendelowitz and Rossi also have contingent indirect interests in BML. On an aggregation Messrs Jawno, Mendelowitz, Rossi and Stone are indirectly beneficially interested in 38.41% of the equity securities in BML;

6.4.4 Stone, who is a director of BFS and BML, is also a contingent discretionary beneficiary of the Stone Family Trust, which trust holds a 1.20% interest in Transaction Capital. Stone also has a contingent indirect interest in BML through another trust which owns 15.86% of BML. The Stone Family Trust is also a vendor in the Minority Buy-Out Agreement;

6.4.5 Kurland, who is a director of BFS and BML, holds a 1.15% interest in Transaction Capital and has a contingent indirect interest in BML through a trust which owns 15.86% of BML. Kurland is also a vendor in the Minority Buy-Out Agreement; and

6.4.6 Chola, who is a director of BFS and BML, holds a 0.04% interest in Transaction Capital and is a shareholder in BML. Chola is also a vendor in the Minority Buy-Out Agreement.

6.5 As the Proposed Transaction is a related party transaction in terms of paragraph 10.4(f) of the Listings Requirements, the Board must obtain a fairness opinion from an independent professional expert which confirms the fairness of the Proposed Transaction insofar as the Shareholders are concerned.

6.6 The fairness opinion, which has been prepared by Grant Thornton, is attached to this Circular as Annexure 6.

6.7 The opinion of the Board, having considered the fairness opinion, is that the Proposed Transaction is fair insofar as Shareholders are concerned.

7. ATTENDANCE AND PARTICIPATION BY THE RELATED PARTIES AND ASSOCIATES AT THE GENERAL MEETING

The Related Parties and Associates who are entitled to attend and participate at the General Meeting, may, if they are present in person or by proxy, be taken into account for the purposes of determining a quorum at the General Meeting. However, in terms of paragraph 10.9(f) of the Listings Requirements, the votes of the Related Parties and Associates, will not be taken into account in determining the results of the voting at the General Meeting in relation to any resolution in connection with the related party transaction, namely the Proposed Transaction. Accordingly, the votes of the Related Parties and Associates will not be taken into account in determining the results of Ordinary Resolution Number 1 and Ordinary Resolution Number 2, referred to in the notice of General Meeting.

8. *PRO FORMA* FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The *pro forma* financial effects of the Proposed Transaction set out below have been prepared to assist Transaction Capital's Shareholders in assessing the impact of the Proposed Transaction on the Transaction Capital Group's historical diluted earnings per Share ("EPS"), diluted headline earnings per Share ("HEPS"), net asset value per ordinary shares and net tangible asset value per ordinary share. The *pro forma* financial effects are the responsibility of the directors of Transaction Capital and are provided for illustrative purposes only. The *pro forma* financial effects have been prepared on the basis that the Proposed Transaction had been fully implemented on 1 October 2012 for purposes of the Income Statement and at 31 March 2013 for purposes of the Statement of Financial Position. It does not purport to be indicative of what the consolidated financial results would have been had the Proposed Transaction been implemented on a different date. The material assumptions are set out in the notes following the table below.

Due to their nature, the *pro forma* financial effects may not fairly present the financial position, changes in equity, results of operations or cash flows of the Transaction Capital Group after the implementation of the Proposed Transaction.

	Before the Proposed Transaction[1]	**Impact of the Paycorp Disposal[2]**	**Impact of the Proposed Transaction[3]**	**Impact after both the Paycorp Disposal and the Proposed Transaction**	**Percentage change**
EPS (ZA cents)					
– Basic	39.9	70.5	59.1	169.4	324.6%
– Diluted	39.9	70.5	59.1	169.4	324.6%
HEPS (ZA cents)					
– Basic	39.9	(2.2)	(13.6)	24.1	(39.6%)
– Diluted	39.9	(2.2)	(13.6)	24.1	(39.6%)
Net asset value per Ordinary Share (ZA cents)	527.6	71.7	57.3	656.6	24.5%
Net tangible asset value per Ordinary Share (ZA cents)	362.9	131.1	128.7	622.7	71.6%
Weighted average number of Shares in issue* (million)					
– Diluted	583.8	583.8	583.8	583.8	–
– Basic	583.8	583.8	583.8	583.8	–
Headline earnings (ZAR million)	233	(13)	(79)	141	(39.6%)

[1] The "Before the Proposed Transaction" financial information has been extracted, with the exception of net tangible asset value per Share without adjustment, from the Transaction Capital Group's published unaudited interim results for the six months ended 31 March 2013.

[2] The updated *pro forma* "Impact of the Paycorp Disposal" financial information comprises the financial information adjusted for the following principal assumptions:

- value of net assets that are the subject of the transaction: R170 million as at 31 March 2013; and
- profits attributable to the net assets that are the subject of the transaction: R28 million for the 6 months ended 31 March 2013.

[3] The *pro forma* "Impact of the Proposed Transaction" financial information comprises the financial information adjusted for the following principal assumptions:

- value of net assets that are the subject of the transaction: R1 057 million as at 31 March 2013, Transaction Capital's share thereof being R874 million; and
- profits attributable to the net assets that are the subject of the transaction: R89 million for the 6 months ended 31 March 2013.

The detailed *pro formas* are set out in Annexure 1 and the Reporting Accountants' report on the *pro formas* is set out in Annexure 2 to this Circular.

9. DIRECTORS

9.1 Interests of Directors

The direct and indirect beneficial and non-beneficial interest of the Directors in the share capital of Transaction Capital as at 30 September 2013 is set out below:

	Number of Shares '000	**Percentage shareholding**
Executive Directors		
Non-beneficial holdings (indirect)#		
D Hurwitz	6 605	1
J Jawno	82 207	14
S Kark^	29 182	5
M Lamberti	40 000	7
M Mendelowitz	82 207	14
R Rossi	82 207	14
Non-executive Directors		
Non-beneficial holdings (indirect)#		
P Langeni	88	≤1
B Madumise*	–	–
C Ntumba	–	–
C Seabrooke	1 200	≤1
D Tabata	–	–
S Zagnoev ~	52 443	9
Beneficial holdings (direct)		
D Woollam	1 150	≤1
	377 289	
Issued Shares	582 581	
Percentage of issued shares	64.8	

* B Madumise resigned during the last 18 months.

Indirect non-beneficial holdings comprise Shares held in discretionary trusts or other entities not directly owned by the Directors.

^ Non-executive effective from 1 November 2013.

~ On behalf of Ethos.

The direct and indirect beneficial and non-beneficial interest of the Directors in the share capital of Transaction Capital as at the Last Practicable Date is set out below:

	Number of Shares '000	Percentage shareholding
Executive Directors		
Non-beneficial holdings (Indirect)#		
D Hurwitz	6 605	1
J Jawno	82 207	14
M Lamberti	40 000	7
M Mendelowitz	82 207	14
R Rossi	82 207	14
Non-executive Directors		
Non-beneficial holdings (Indirect)#		
S Kark^	29 182	5
P Langeni	88	<1
B Madumise*	–	–
C Ntumba	–	–
C Seabrooke	1 200	<1
D Tabata	–	–
S Zagnoev~	52 443	9
Beneficial holdings (Direct)		
D Woollam	1 150	<1
	377 289	
Issued Shares	582 581	
Percentage of issued shares	64.8	

* B Madumise resigned during the last 18 months.

\# Indirect non-beneficial holdings comprise Shares held in discretionary trusts or other entities not directly owned by the Directors.

^ Non-executive effective from 1 November 2013.

~ On behalf of Ethos.

There have been no changes to the Directors' interests as disclosed above between the date of the last financial year-end and the Last Practicable Date.

9.2 Directors' interests in transactions

Save as contemplated in this Circular, no Director of Transaction Capital nor any director of any of its Subsidiaries including previous directors who resigned in the last 18 months, has or had any beneficial interest, directly or indirectly, in any transaction which is, or was, material to the business of Transaction Capital and which was effected by Transaction Capital during the current financial year or the immediately preceding financial year or in respect of any previous financial year which remains in any respect outstanding or unperformed.

9.3 Directors' remuneration

The total remuneration and benefits paid to the Directors for the year ended 30 September 2012 and aggregate amounts of each such remuneration and benefits are set out below:

Director	Service	Salary and allowance	Bonuses and performance payments
	R'000	R'000	R'000
Executive Directors			
D Hurwitz		1 245	3 471
T Jacobs#		1 025	–
J Jawno		2 362	1 600
S Kark^		2 518	–
M Lamberti		4 560	6 375
R Rossi	105	1 333	–
M Mendelowitz	63	1 686	667
Total	168	14 729	12 113
Non-executive Directors			
D Konar#	233		
P Langeni	615		
B Madumise*	350		
C Ntumba	140		
C Seabrooke	1 295		
R Shuter#	355		
D Tabata	550		
D Woollam	894		
S Zagnoev	380		
Total	4 812		

* Resigned during the last 18 months.

\# Resigned more than 18 months ago.

^ Non-executive effective from 1 November 2013.

The remuneration and benefits paid to the executive Directors are received from the Subsidiaries of Transaction Capital and the remuneration paid to the non-executive Directors is received from Transaction Capital.

10. MAJOR SHAREHOLDERS

As at the Last Practicable Date, the following Shareholders, other than Directors, have, directly or indirectly, a beneficial interest of 5% or more in the share capital of Transaction Capital:

Shareholder	Direct Interest	Indirect interest	Total	Percentage shareholding
	'000	'000	'000	%
Ethos Technology Fund 1 and Ethos Private Equity Fund V comprised of various private equity investors	52 443	–	52 443	9.00
Old Mutual Life Assurance Company SA Ltd	49 441	–	49 441	8.49
Total	101 884	–	101 884	17.49

11. FINANCIAL INFORMATION

11.1 Accountant Reports

The Independent Reporting Accountants' report on the *pro forma* financial information of Transaction Capital is attached to this Circular as Annexure 2.

11.2 Report on Historical Financial Information

The Independent Reporting Accountants' report on the historical financial information of BFS Group incorporating Zenthyme is attached to this Circular as Annexure 5.

11.3 Working Capital Statement

11.3.1 The Board has considered the effects of the Proposed Transaction and is of the opinion that:

11.3.1.1 Transaction Capital and its Subsidiaries will be able to pay their debts in the ordinary course of business for a period of 12 months after the date of issue of this Circular;

11.3.1.2 the assets of Transaction Capital and its Subsidiaries will be in excess of their liabilities for a period of 12 months after the date of issue of this Circular. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the published results of the Company for the 12 months ended 30 September 2012;

11.3.1.3 the share capital and reserves of Transaction Capital and its Subsidiaries will be adequate for ordinary business purposes for a period of at least 12 months after the date of issue of this Circular; and

11.3.1.4 the working capital available to Transaction Capital and its Subsidiaries will be sufficient for their requirements for a period of at least 12 months after the date of issue of this Circular.

11.4 Material loans

Details of Transaction Capital's material loans are set out in Annexure 7 to this Circular.

12. OPINION AND RECOMMENDATION

12.1 As mentioned in paragraph 6 of this Circular, having considered the report prepared by Grant Thornton in respect of the fairness of the Proposed Transaction, as attached hereto as Annexure 6, the Board is of the opinion that the Proposed Transaction is fair insofar as Shareholders are concerned.

12.2 The Board recommends that Shareholders vote in favour of the resolutions as set out in the notice of General Meeting. The Directors, other than those Related Parties and Associates who are Directors of the Company, intend voting their Shares in favour of the resolutions.

12.3 The Directors of Transaction Capital remain committed to the Transaction Capital Group's espoused strategy of investing in the organic and acquisitive growth of non-deposit-taking niched financial services businesses, with a view to rendering acceptable risk adjusted returns to Shareholders. Subsequent to the disposal of BFS and Zenthyme, the remaining asset-backed lending and credit services divisions, and the proceeds of the recent disposals, provide a solid platform for the execution of this strategy and the growth of earnings, albeit off a lower base.

12.4 The Agreement is conditional upon, *inter alia*, the Transaction Capital Shareholders passing such resolutions as may be necessary to approve the Proposed Transaction, including without limitation, such resolutions as may be required in terms of the Listings Requirements. In terms of paragraph 10.4(d) of the Listings Requirements, if the Company proposes to enter into a related party transaction, the Company is required to obtain the approval, by way of an ordinary resolution, of the Transaction Capital Shareholders either prior to the Proposed Transaction being entered into, or if it is expressed to be conditional on such approval, prior to implementation of the Proposed Transaction. Consequently, as the Proposed Transaction has been classified as a related party transaction, the passing of Ordinary Resolution Number 1 is required to fulfil a Condition Precedent to the Agreement which together with the Minority Buy-Out Agreement embodies the terms and conditions of the Proposed Transaction. It is accordingly proposed that the Shareholders pass Ordinary Resolution Number 1 in order to approve and implement the Proposed Transaction.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names appear on page 9 of this Circular, have considered all statements of fact and opinion in this Circular;

- collectively and individually, accept full responsibility for the accuracy of the information given;
- certify that, to the best of their knowledge and belief, there are no facts the omission of which would make any statement false or misleading;
- have made all reasonable enquiries to ascertain such facts; and
- certify that, to the best of their knowledge and belief, this Circular contains all information required by law and the Listings Requirements.

14. EXPENSES

The total expenses relating to this Circular and the Proposed Transaction are outlined below:

Party	Estimated cost (R'000)
Computershare – Transfer Secretaries	3
Deloitte & Touche – Independent Reporting Accountants	1 300
Deutsche Securities (SA) Pty Ltd –Transaction Sponsor	500
Edward Nathan Sonnenbergs Inc. – Legal Advisor	1 350
Grant Thornton – Independent Professional Expert	290
Ince – Publishing and Printing	176
JSE Documentation Fee	35
Strate – Electronic Settlement Agent	50
Werksmans Inc – Tax Advisor	250
Total	3 954

The fees set out above are exclusive of Value-Added Tax in terms of the Value-Added Tax, Act, 89 of 1991.

Transaction Capital has not incurred any preliminary expenses or issue expenses within the preceding three years in relation to the Proposed Transaction.

15. LITIGATION STATEMENT

The Directors are not aware of any legal or arbitration proceedings (including any such proceedings that are pending or threatened), which may have or have had a material effect on the financial position of the Transaction Capital Group during the 12 months preceding the date of this Circular.

16. MATERIAL CHANGES

Other than as set out in this Circular with respect to the Proposed Transaction and the recent Paycorp Disposal details of which are provided in Annexure 8 to this Circular, there have been no material changes in the financial or trading position of Transaction Capital and its Subsidiaries that have occurred since the end of the last financial period, being the six-month period ended 31 March 2013, for which unaudited interim financial statements have been published, until the Last Practicable Date.

17. MATERIAL CONTRACTS

Save for the Paycorp Disposal and the entering into of the Agreement and the Minority Buy-Out Agreement, neither Transaction Capital nor any of its Subsidiaries has entered, either verbally or in writing, into any material contracts, being restrictive funding arrangements and/or a contract entered into otherwise than in the ordinary course of business carried on, or proposed to be carried on, during the two years preceding the date of this Circular, or entered into at any time and contains an obligation or settlement that is material to Transaction Capital or its Subsidiaries at the date of this Circular, other than as set out below and other than the material contracts and restrictive funding arrangements of which details are provided in Annexure 8 to this Circular.

As at the Last Practicable Date, Transaction Capital and its Subsidiaries have not entered into any agreements relating to the payment of technical, administrative or secretarial fees nor are they party to any material restraint of trade payments or any agreements in terms of royalties.

Save for Steven Kark and Shaun Zagnoev, each of the Directors and other members of the Executive Committee has concluded service contracts with the Company on terms and conditions that are broadly within market standards for such appointments. Summaries of those service agreements entered into during the three years preceding the Last Practicable Date are available for inspection as set out in paragraph 20 of this Circular. The principal terms of the service agreements are set out below:

Name	**Position**	**Date of appointment to current role**	**Notice period**	**Restraint**
Mark Lamberti	Chief executive officer	1 June 2008	Fixed term to 30 November 2013	N/A
Charl Francis van der Walt	Chief executive officer of MBD CS	1 October 2005	Not less than two calendar months	24 months calculated from the termination date
Jonathan Jawno	Deputy chief executive officer	21 June 2010	Six months	N/A
David Hurwitz	Chief financial officer including the portfolio of Chief risk officer	1 April 2012	Six months	N/A
Michael Mendelowitz	Chief investment officer	1 December 2011	Six months	N/A
Roberto Rossi	Chief legal officer	1 February 2013	Three months	N/A
Terry Kier	Chief executive officer of SA Taxi	1 July 2010	Six months	N/A
Stuart Stone	Chief executive officer of BFS	1 October 2009	Six months	Three years
Phumzile Langeni	Non-executive director	11 June 2009*	At any time by way of notice	N/A
Christopher Seabrooke	Non-executive director	11 June 2009*	At any time by way of notice	N/A
Dumisani Tabata	Non-executive director	1 February 2010*	At any time by way of notice	N/A
David Woollam	Non-executive director	22 February 2012	At any time by way of notice	N/A
Cedric Ntumba	Non-executive director	5 June 2012	At any time by way of notice	N/A

* or such later date on which compliance with the relevant statutory provisions (i.e. receipt by the Company of certain statutory forms) is observed.

18. MATERIAL ACQUISITIONS

The information regarding the material acquisitions made by Transaction Capital is set out in Annexure 9 to this Circular.

19. EXPERTS' CONSENTS

Each of Berwin Leighton Paisner LLP, Bowman Gilfillan Attorneys, Deutsche Bank Securities (SA) Proprietary Limited, Edward Nathan Sonnenbergs Inc., Grant Thornton, Hyde Park Capital, the Independent Reporting Accountants, Werksmans Inc. and the Transfer Secretaries, has provided its written consent to act in the capacity stated and to its name being used in this Circular and has not withdrawn its consent prior to the date of this Circular.

The Independent Reporting Accountants have given their consent in writing and have not withdrawn their consent to their name being included in this Circular and to the issue of this Circular including the Independent Reporting Accountants' report in the form and context in which it is included.

The Independent Professional Expert has given its consent in writing and has not withdrawn its consent to its name being included in this Circular and to the issue of this Circular including the Independent Professional Expert's opinion in the form and context in which it is included.

20. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal business hours at the Registered Office from the date of this Circular up to and including the date of the General Meeting:

- a signed copy of this Circular;
- the existing Memoranda of Incorporation of the Company and its Subsidiaries;
- the written consents as set out in paragraph 19 above;
- the Agreement and the Minority Buy-Out Agreement;
- all material contracts as set out in Annexure 8 to this Circular;
- all copies of service agreements with Directors, managers or secretaries, underwriters, vendors and promoters entered into during the last three years;
- the opinion of the Independent Professional Expert;
- all reports, letters, audited annual financial statements, income statements, valuations and statements by experts, any part of which is extracted from or referred to in this Circular;
- the audited financial statements of BFS Group incorporating Zenthyme for the preceding three years together with all notes;
- the review opinion of Paycorp by the Independent Reporting Accountants for the six-month period ended 31 March 2013;
- the audited annual financial statements of the Company for the preceding three years together with all notes, certificates or information required by the Companies Act; and
- the unaudited interim financial statements of the Company for the six months ended 31 March 2013.

By order of the Board and signed on behalf of each member of the Board

Transaction Capital Limited

Peter Katzenellenbogen
Company Secretary

14 November 2013
Sandton

PRO FORMA FINANCIAL INFORMATION OF TRANSACTION CAPITAL

The definitions and interpretation commencing on page 4 of this Circular apply *mutatis mutandis* to this Annexure 1 to this Circular. The *pro forma* statement of financial position as at 31 March 2013, income statement and statement of comprehensive income of Transaction Capital for the six months ended 31 March 2013 set out below have been prepared to show the impact of the Proposed Transaction.

The *pro forma* statement of financial position, income statement and statement of comprehensive income have been prepared for illustrative purposes only and, because of their nature, may not fairly present Transaction Capital's financial position, changes in equity, results of operations or cash flows, nor the effect and impact of the Proposed Transaction going forward. The directors of the Company are responsible for the compilation, contents and preparation of financial information giving effect to the Proposed Transaction. Their responsibility includes determining that the *pro forma* financial information has been properly compiled on the basis stated, the basis is consistent with the accounting policies of Transaction Capital and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed pursuant to the Listings Requirements.

The *pro forma* consolidated statement of financial position, *pro forma* consolidated income statement and the *pro forma* consolidated statement of comprehensive income are presented in a manner consistent in all respects with IFRS, the Revised SAICA Guide on *Pro Forma* Financial Information and the basis on which the historical financial information has been prepared in terms of accounting policies of Transaction Capital.

The *pro forma* statement of financial position, income statement and statement of comprehensive income as set out below should be read in conjunction with the Independent Reporting Accountants' report set out in Annexure 2 to this Circular.

Such report is included solely to comply with the requirements of the Listings Requirements. The rules and regulations related to the preparation of *pro forma* financial information in other jurisdictions may vary significantly from the requirements applicable in South Africa.

The interim financial information has been adjusted for the Category 2 transaction, the Paycorp Disposal, a post-reporting period event with an effective date of 1 November 2013, to ensure that the *pro forma* financial information is most representative of the financial affairs of the Transaction Capital Group after the Proposed Transaction.

The *pro forma* statement of financial position set out below presents the effects of the Proposed Transaction on the consolidated financial position of Transaction Capital as at 31 March 2013 based on the assumption that the Proposed Transaction was effective on 31 March 2013.

The *pro forma* income statement and statement of comprehensive income set out below presents the effects of the Proposed Transaction on the consolidated results of Transaction Capital for the six months ended 31 March 2013 based on the assumption that the Proposed Transaction was implemented on 1 October 2012.

Transaction Capital
Consolidated Statement of Financial Position at 31 March 2013

	Before[1]	Note	Paycorp Disposal[2]	Adjusted for Paycorp Disposal	Proposed Transaction – Minority buy out[6]	Note	Proposed Transaction – Sale of BFS Group incorporating Zenthyme[2]	*Pro forma* after Proposed Transaction
	Rm	Note	Rm	Rm	Rm	Note	Rm	Rm
Assets								
Cash and cash equivalents	1 260	3	338	1 598	(280)	4	868	2 186
Inventories	170		(33)	137	–		(137)	–
Loans and advances	9 594		–	9 594	–		(4 386)	5 208
Purchased book debts	420		–	420	–		–	420
Other assets	1 073		(53)	1 020	–		38	1 058
Intangible assets	34		(14)	20	–		(14)	6
Property and equipment	331		(240)	91	–		(46)	45
Goodwill	927	3	(333)	594	–	4	(403)	191
Total assets	13 809		(335)	13 474	(280)		(4 080)	9 114
Liabilities								
Bank overdrafts	233		(45)	188	–	4	(188)	–
Interest-bearing liabilities	9 458	3	(531)	8 927	–		(4 152)	4 775
Senior debt	7 720		(79)	7 641	–		(3 378)	4 263
Subordinated debt	1 738		(452)	1 286	–		(774)	512
Other liabilities	934	3	(177)	757	–		(248)	509
Total liabilities	10 625		(753)	9 872	–		(4 588)	5 284
Equity								
Ordinary share capital and premium	1 787	3	–	1 787	–	4	–	1 787
Retained earnings	1 292	3	417	1 709	(97)	4	431	2 043
Equity attributable to ordinary equity holders of the parent	3 079	3	417	3 496	(97)	4	431	3 830
Non-controlling interests	105	3	1	106	(183)	4	77	–
Total equity	3 184		418	3 602	(280)		508	3 830
Total equity and liabilities	13 809		(335)	13 474	(280)		(4 080)	9 114
Net asset value per share								
Number of shares (millions)	583.4			583.4				583.4
Net assets value per share (cents)	527.6		71.7	599.3	(16.6)		73.9	656.6
Tangible net asset value per share (cents)	362.9		131.1	494.0	(16.6)		145.4	622.7

Notes and assumptions:

1. The "Before" statement of financial position is the unaudited published interim consolidated financial statements of Transaction Capital Group at 31 March 2013.
2. The de-consolidation of Paycorp and BFS Group incorporating Zenthyme is based on the reviewed interim consolidated financial statements of Paycorp and BFS Group incorporating Zenthyme at 31 March 2013 and the proceeds, elimination of minorities and recognition of the related profit on disposal of these subsidiary groups.
3. The profit on the Paycorp Disposal amounts to R417 million, after directly attributable costs relating to the transaction of R16 million. The net proceeds from the Paycorp Disposal have been utilised to offset R452 million of Transaction Capital debt and the balance is included in the cash and cash equivalents. The consideration received was increased to give effect to the effective date of 1 November 2013.
4. The profit on the Proposed Transaction attributable to Transaction Capital amounts to a net R334 million after directly attributable costs relating to the transaction of R4 million. The net proceeds from the Proposed Transaction have been utilised to offset all bank overdrafts within the Transaction Capital Group and the balance is included in cash and cash equivalents.
5. Except for the Paycorp Disposal as disclosed above, there are no post-balance sheet events giving rise to further adjustments to the *pro forma* financial information.
6. Please refer to sections 3.1 (Particulars of the Proposed Transaction) and 3.4 (The Consideration) of the Circular.
7. The *pro forma* consolidated statement of financial position is based on the assumption that the Paycorp Disposal and the Proposed Transaction were effective 31 March 2013.

Transaction Capital

Consolidated Income Statement for the six months ended 31 March 2013

	Before [1]		Paycorp Disposal[2]	Adjusted for Paycorp Disposal	Proposed Transaction – Minority Buy out[8]		Proposed Transaction – Sale of BFS Group incorporating Zenthyme[2]	*Pro forma* after Proposed Transaction
	Rm	Note	Rm	Rm	Rm	Note	Rm	Rm
Interest and other similar income	1 322		(1)	1 321	–	5	(718)	603
Interest and other similar expense	(471)	3	32	(439)	–	6	204	(235)
Net interest income	851		31	882	–		(514)	368
Impairment of loans and advances	(492)		–	(492)	–		438	(54)
Risk adjusted net interest income	359		31	390	–		(76)	314
Non-interest revenue	1 182		(262)	920	–		(473)	447
Total operating costs	(1 236)	4	213	(1 023)	–	7	453	(570)
Profit before tax	305		(18)	287	–		(96)	191
Income tax expense	(54)		5	(49)	–		(1)	(50)
Profit from continuing operations	251		(13)	238	–		(97)	141
Profit on sale of subsidiary	–		424	424	(114)		538	848
Profit for the period	251		411	662	(114)		441	989
Profit for the period attributable to:								
Ordinary equity holders of the parent	233		411	644	(114)		459	989
Non-controlling interests	18		–	18	–		(18)	–
	251		411	662	(114)		441	989
Earnings per share from continuing operations (cents)								
Basic	39.9		70.5	110.4	(19.5)		78.6	169.4
Diluted basic	39.9		70.5	110.4	(19.5)		78.6	169.4
Headline	39.9		(2.2)	37.7	–		(13.6)	24.1
Diluted headline	39.9		(2.2)	37.7	–		(13.6)	24.1
Weighted average number of shares (million)	583.8		583.8	583.8	583.8		583.8	583.8
Headline earnings are determined as follows								
Profit attributable to ordinary equity holders of the parent	233		411.4	644	(114)		459	989
Adjusted for: Profit from sale of subsidiary	–		(424)	(424)	114		(538)	(848)
Headline earnings	233		(13)	220	–		(79)	141

	Before [1]		Paycorp Disposal[2]	Adjusted for Paycorp Disposal	Proposed Transaction – Minority Buy out[8]		Proposed Transaction – Sale of BFS Group incorporating Zenthyme[2]	Pro–forma after Proposed Transaction
Consolidated Statements of Comprehensive Income	**Rm**	**Note**	**Rm**	**Rm**	**Rm**	**Note**	**Rm**	**Rm**
for the six months ended 31 March 2013								
Profit for the period	251		411	662	(114)		441	989
Other comprehensive income								
Movement in other comprehensive income	3		–	3	–		–	3
Fair value gains arising during the period	29		–	29	–		–	29
Amount removed from other comprehensive income and recognised in the profit and loss	(18)		–	(18)	–		–	(18)
Deferred tax	(8)		–	(8)	–		–	(8)
Total comprehensive income for the period	254		411	665	(114)		441	992
Total comprehensive income attributable to:								
Ordinary equity holders of the parent	236		411	647	(114)		459	992
Non-controlling interests	18		–	18	–		(18)	–
	254		411	665	(114)		441	992

Notes and assumptions

1. The "Before" statement of financial position is the unaudited published interim consolidated financial statements of Transaction Capital Group at 31 March 2013.
2. The income statements of Paycorp and BFS Group incorporating Zenthyme have been extracted, without adjustment, from the reviewed interim consolidated financial statements of Paycorp and BFS Group incorporating Zenthyme at 31 March 2013.

	Adjustments of a continuing nature	**Amount (Rm)**	**Taxation (Rm)**
	Paycorp Disposal		
3.	Interest expense reduction due to redemption of Transaction Capital debt – average interest rate of 12% p.a.	27	(8)
4.	Net increase in operating costs due to reduced management fees recovered	(6)	2
	Proposed Transaction		
5.	Interest received on loans from Transaction Capital subsidiaries to BFS Group at Jibar + 700 basis points p.a.	17	(5)
6.	Interest expense reduction due to redemption of bank overdrafts in Transaction Capital Group – the actual cost incurred for the 6 months period excluding Paycorp and BFS Group	7	(2)
7.	Net increase in operating costs due to reduced management fees recovered	(19)	5

8. Please refer to section 3.1 (Particulars of the Proposed Transaction) & 3.4 (The Consideration) of the Circular.
9. The *pro forma* consolidated income statement is based on the assumption that the transaction was effective 1 October 2012.

INDEPENDENT REPORTING ACCOUNTANT'S REASONABLE ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION OF TRANSACTION CAPITAL

"The Directors
Transaction Capital Limited
Sandhavon Office Park
14 Pongola Crescent
Eastgate Extension 17
Sandton

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANT'S REASONABLE ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

We have completed our assurance engagement to report on the compilation of *pro forma* consolidated financial information of Transaction Capital Limited and its subsidiaries ("the Group") by the directors. The *pro forma* financial information, as set out in paragraph 8 and Annexure 1 to the Circular, consists of the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the corporate action or event, described in paragraph 1, on the Group's financial position as at 31 March 2013, as if the corporate action or event had taken place at 31 March 2013, and the Group's financial performance for the period then ended, as if the corporate action or event had taken place at 1 October 2012. As part of this process, information about the Group's financial position and financial performance has been extracted by the directors from the Group's unaudited financial results for the period ended 31 March 2013.

Directors' Responsibility for the *Pro forma* Financial Information

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 8 of the Circular.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information included in a circular. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in a prospectus is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2013 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in paragraph 8 of the Circular.

Deloitte & Touche
Per: Lito Nunes
Partner
11 November 2013

Deloitte & Touche
Private Bag X6
Gallo Manor
2052

National Executive: (LL Bam Chief Executive) AE Swiegers (Chief Operating Officer) GM Pinnock (Audit)

DL Kennedy (Risk Advisory) NB Kader (Tax) TP Pillay (Consulting) K Black (Clients and Industries)

JK Mazzocco (Talent & Transformation) CR Beukman (Finance) M Jordan (Strategy) S Gwala (Special Projects)

TJ Brown (Chairman of the Board) MJ Comber (Deputy Chairman of the Board)

A full list of partners and directors is available on request.

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code.

Member of Deloitte Touche Tohmatsu Limited."

HISTORICAL FINANCIAL INFORMATION OF THE BFS GROUP INCORPORATING ZENTHYME

AUDITED HISTORICAL FINANCIAL INFORMATION OF THE BFS GROUP

The historical consolidated financial information of the BFS Group incorporating Zenthyme for the years ended 30 September 2010, 30 September 2011 and 30 September 2012 is set out below.

The Directors of BFS are responsible for the preparation of the consolidated financial information contained in this Annexure to the Circular.

The results of Zenthyme are included in the consolidated results presented in this report, as required by IFRS. Although the BFS Group does not have a direct holding in Zenthyme it is exposed to variable returns from its involvement with Zenthyme and has the ability to affect these returns through its power over Zenthyme.

Thus it is deemed to control Zenthyme in terms of IFRS.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 30 September 2012

	Notes	**2012 R'000**	2011 R'000	2010 R'000
Assets				
Cash	23	**270 016**	131 231	126 745
Tax assets		**8 022**	11 589	10 314
Trade and other receivables	1	**95 873**	85 538	60 439
Inventories	2	**172 382**	131 822	66 334
Loans and advances	3	**3 921 023**	2 632 864	1 743 463
Deferred tax assets	4	**21 778**	14 966	20 448
Other investments	5	**10**	6 488	1 971
Intangible assets	6	**19 059**	28 680	39 295
Property and equipment	7	**42 475**	30 244	17 477
Goodwill	8	**445 560**	446 912	448 437
Total assets		**4 996 198**	3 520 334	2 534 923
Liabilities				
Bank overdrafts	23	**68**	24	3 382
Tax liabilities		**11 553**	10 853	29 020
Provisions	9	**–**	–	383
Trade and other payables	10	**227 517**	127 840	90 918
Deferred tax liabilities	4	**15 791**	5 603	–
Interest-bearing liabilities	11	**3 697 989**	3 017 026	2 113 391
Total liabilities		**3 952 918**	3 161 346	2 237 094
Equity				
Ordinary share capital and premium	12	**790 491**	275 005	275 004
Retained earnings		**253 701**	84 890	22 825
Equity attributable to ordinary equity holders of the parent		**1 044 192**	359 895	297 829
Non-controlling interests	13	**(912)**	(907)	–
Total equity		**1 043 280**	358 988	297 829
Total equity and liabilities		**4 996 198**	3 520 334	2 534 923
Net asset value per share				
Number of shares ('000)		**15 000**	8 000	7 414
Net asset value per share (cents)		**6 955.2**	4 487.4	4 017.1
Tangible net asset value per share (cents)		**3 857.7**	(1 457.6)	(2561.4)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 September 2012

	Notes	2012 R'000	2011 R'000	2010 R'000
Interest and other similar income		**1 149 102**	797 578	185 557
Interest and other similar expenses		**(347 143)**	(298 337)	(66 695)
Net interest income	14	**801 959**	499 241	118 862
Impairment of loans and advances	3	**(493 196)**	(322 853)	(68 745)
Risk adjusted net interest income		**308 763**	176 388	50 117
Non-interest revenue	15	**723 741**	609 400	145 853
Direct costs	16	**(310 731)**	(262 911)	(29 106)
Non-interest gross profit		**413 010**	346 489	116 747
Indirect costs	17	**(494 698)**	(352 970)	(112 905)
Profit before tax		**227 075**	169 907	53 959
Tax	18	**(35 713)**	(37 185)	(11 242)
Profit for the year		**191 362**	132 722	42 717
Other comprehensive income		**–**	–	–
Total comprehensive income for the year		**191 362**	132 722	42 717
Total comprehensive income attributable to:				
Ordinary equity holders of the parent		**191 367**	133 629	42 717
Non-controlling interests		**(5)**	(907)	–
		191 362	132 722	42 717
Earnings per share				
Basic (cents)		**1 694**	1 733	576
Diluted (cents)		**1 694**	1 733	576
Headline (cents)		**1 706**	1 753	576
Weighted average number of shares in issue ('000)		**11 298**	7 711	7 414

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 September 2012

	Number of ordinary shares R'000	Ordinary share capital R'000	Share premium R'000	Retained earnings R'000	Equity attributable to ordinary equityholders of the parent R'000	Non-controlling interests R'000	Total equity R'000
Balances at 30 September 2009	100	–	–	–	–	–	–
Total comprehensive income	–	–	–	42 717	42 717	–	42 717
– Profit for the year	–	–	–	42 717	42 717	–	42 717
Dividends paid to ordinary shareholders	–	–	–	(19 892)	(19 892)	–	(19 892)
Shares issued	7 314	7	274 997	–	275 004	–	275 004
Balances at 30 September 2010	7 414	7	274 997	22 825	297 829	–	297 829
Total comprehensive income	–	–	–	133 629	133 629	(907)	132 722
– Profit for the year	–	–	–	133 629	133 629	(907)	132 722
Dividends paid to ordinary shareholders	–	–	–	(71 564)	(71 564)	–	(71 564)
Shares issued	586	1	–	–	1	–	1
Balances at 30 September 2011	8 000	8	274 997	84 890	359 895	(907)	358 988
Total comprehensive income	–	–	–	191 367	191 367	(5)	191 362
– Profit for the year	–	–	–	191 367	191 367	(5)	191 362
Dividends paid to ordinary shareholders	–	–	–	(22 556)	(22 556)	–	(22 556)
Shares issued	7 000	515 486	–	–	515 486	–	515 486
Conversion of shares to no par value	–	274 997	(274 997)	–	–	–	–
Balances at 30 September 2012	**15 000**	**790 491**	**–**	**253 701**	**1 044 192**	**(912)**	**1 043 280**

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 30 September 2012

	Notes	2012 R'000	2011 R'000	2010 R'000
Cash flows from operating activities				
Cash generated by operations	19	**527 755**	304 070	62 667
Income taxes paid	20	**(28 070)**	(45 542)	(30 274)
Dividends received		**107 703**	71 564	12 012
Cash flows from operating activities before changes in operating assets and liabilities		**607 388**	330 092	44 405
(Increase)/decrease in operating assets and liabilities		**(981 955)**	(168 159)	180 434
Increase in loans and advances		**(1 673 127)**	(1 047 022)	(498 021)
Net funding of loans and advances		**691 172**	878 863	678 455
Decrease/(increase) in working capital		**48 782**	(53 664)	(8 961)
Increase in inventories		**(40 560)**	(65 488)	(18 720)
Increase in trade and other receivables		**(10 335)**	(25 099)	(9 258)
Increase/(decrease) in trade and other payables		**99 677**	36 923	19 017
Net cash from operating activities		**(325 785)**	108 269	215 878
Cash flows from investing activities				
Acquisition of property and equipment		**(29 175)**	(23 703)	(2 255)
Acquisition of intangible assets		**(6 466)**	(5 159)	(15 758)
Disposal of property and equipment		**59**	–	27
Disposal of intangible assets		**700**	–	–
Decrease in unlisted investments		**6 478**	–	–
Business combinations		**–**	–	(329 641)
Net cash utilised by investing activities		**(28 404)**	(28 862)	(347 627)
Cash flows from financing activities				
Issue of shares		**515 486**	1	275 004
Dividends paid to ordinary shareholders	21	**(22 556)**	(71 564)	(19 892)
Net cash generated from/(utilised by) financing activities		**492 930**	(71 563)	255 112
Net increase in cash for the year		**138 741**	7 844	123 363
Cash at beginning of the year		**131 207**	123 363	–
Cash at end of the year	23	**269 948**	131 207	123 363

ACCOUNTING POLICIES

for the year ended 30 September 2012

The financial statements of the BFS Group incorporating Zenthyme 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 BFS Group financial statements have been prepared on the historical cost basis, except for the derivative financial instruments which are measured at fair value.

The BFS Group statement of financial position is 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 BFS 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); and
- intangible assets are accounted for using the cost model (accounting policy 6).

All monetary information and figures presented in these consolidated annual financial statements are stated in thousands of South African Rand (R'000), unless otherwise indicated.

The principal accounting policies are set out below:

1. Basis of consolidation

Subsidiary companies and other controlled entities

The consolidated annual 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.

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 a particular asset, 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 BFS Group and the SPE's risks and rewards, the BFS Group concludes that it controls the SPE including SPEs that are owned by trusts.

The assessment of whether the BFS Group has control over an SPE is carried out at inception and normally no further re-assessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the BFS Group and the SPE. Day-to-day changes in market conditions normally do not lead to a re-assessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the BFS Group and a SPE and in such instances the BFS Group determines whether the change warrants a re-assessment of control based on the specific facts and circumstances. Where the BFS Group's voluntary actions change the relationship between the BFS Group and a SPE, the BFS Group performs a re-assessment of control over the SPE.

Business combinations

Business combinations are accounted for in accordance with the acquisition method of accounting.

Subsidiaries are consolidated from the dates on which the BFS 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.

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 relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised. Where a business combination is achieved in stages, the BFS Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the BFS Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss.

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 and IAS 19: Employee Benefits, respectively;
- assets (or disposal BFS Groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations 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 BFS 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 BFS 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 BFS Group's accounting policy for goodwill.

2. 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.

Judgements made by management

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments, as follows:

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.

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, tax rates and competitive forces.

Impairment of assets

Goodwill is considered for impairment at least annually. 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.

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. Loans and receivables 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.

Loans and receivables 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 BFS Groups of financial assets with similar repayment terms.
- Data indicating that there is a measurable decrease in the estimated future cash flows from a BFS 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 BFS Group including:
  - adverse changes in the payment status of borrowers in the BFS Group; or
  - national or local economic conditions that correlate with defaults on the assets in the BFS 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 BFS Group assesses whether objective evidence of impairment exists for BFS Groups of financial assets with similar repayment terms. If there is objective evidence that an impairment loss on loans and advances 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.

3. Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses.

Property and equipment is initially recognised at cost. Directly attributable costs are included in the initial measurement. 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 the estimated economic lives commencing from date they are available for use over the following periods:

Vehicles	5 years
Office and computer equipment	2 – 6 years
Leasehold improvements	2 – 5 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. 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 as income or expense.

4. Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less accumulated impairment.

5. Goodwill

The BFS 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 profit or loss.

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 profit or loss. 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.

6. Intangible assets

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.

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. Computer and telephony software is amortised over 2 years. Intangible assets are amortised over their estimated economic lives (generally 5 – 10 years). Useful lives are reviewed at each financial year-end.

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 and reversals of write down of inventory is recognised in indirect costs through profit and loss. The reversals of the write downs (i.e. no revaluations) are limited to the writedown 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 BFS Group recognises financial assets and financial liabilities at the trade date when it becomes a party to the contractual provisions of the instrument.

Initial recognition and measurement

Financial assets and financial liabilities are initially measured at fair value when the related contractual rights or obligations exist. 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 profit or loss.

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 BFS Group generally does not reclassify financial instruments between different categories subsequent to initial recognition.

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 BFS 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.

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 profit or loss in the period in which they arise.

Financial assets and financial liabilities that are held for trading purposes include marketable securities, fixed income securities and other derivative instruments. They are classified as "held for trading" which is included in the category "at fair value through profit or loss". An investment is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the short term; or
- it is a part of an identified portfolio of financial assets 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 liabilities other than a financial asset 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 BFS 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: Financial Instruments: Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Realised and unrealised gains and losses arising from changes in the fair value of investments classified as at fair value through profit or loss are included in the statement of comprehensive income in the period in which they arise.

Fair value for identical assets and liabilities in an active market is determined using quoted prices.

Fair value of assets and liabilities which do not have quoted prices that are observable are determined either directly (as prices) or indirectly (that is derived from prices). The fair value of other assets and liabilities are not based on observable market data.

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 rate 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.

Trade and other receivables

Trade receivables originated by the BFS Group are initially recorded at fair value. A provision for impairment is established when there is objective evidence that the BFS Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows discounted at the market rate of interest for similar borrowers. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income within direct costs. When the trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

Subsequent recoveries of amounts previously written off are credited against direct costs in the statement of comprehensive income. The carrying amount of trade and other receivables approximates fair value as the effect of time value of money is immaterial.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the BFS Group provides money, goods or services directly to a debtor with no intention to trade the receivable. Loans and advances comprise personal unsecured loans.

Advances are classified as loans and receivables and are measured at amortised cost using the effective interest rate method, less any impairment losses through the use of an allowance account. Origination fees and service fees that are integral to the effective interest rate are capitalised to the value of the loan and amortised to the statement of comprehensive income over the contractual life of the loan using the effective interest rate method. Beyond the original contractual term of the loan, the service fee is recognised in the statement of comprehensive income as it is charged to the customer on a monthly basis.

Loans and advances are disclosed net of deferred origination fees, and impairment provisions.

The BFS Group reviews the carrying amounts of its loans and advances to determine whether there is any indication that those loans and advances have become impaired using objective evidence at a loan level. A loan or receivable 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 loss event(s) 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 debtor;
- 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 BFS Group, including;
  - adverse changes in the payment status of borrowers in the BFS Group (e.g. an increased number of delayed payments); or
  - national or local economic conditions that correlate with defaults on the assets in the BFS 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 BFS Group).

For the purposes of a collective evaluation of the impairment, financial assets are grouped on the basis of similar credit risk characteristics (e.g. on the basis of the BFS Group's grading process that considers asset type, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for BFS Groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a BFS Group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the BFS Group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for BFS Groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the BFS Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the BFS Group to reduce any differences between loss estimates and actual loss experience.

The recoverable amount is the sum of the estimated future cash flows, discounted to their present value using a discount rate that reflects the portfolio of advances' original effective interest rate.

If the recoverable amount of the advance is estimated to be less than the carrying amount, the carrying amount of the advance is reduced to its recoverable amount by raising an impairment provision (through the use of a separate allowance account), which is recognised as an expense in the statement of comprehensive income. Advances, which are deemed uncollectible, are written off either fully or partially against the impairment allowance account.

Where the impairment loss subsequently reverses, the carrying amount of the advance 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 statement of comprehensive income.

Loans previously written off which subsequently result in certain minimum cash flows being received are written back onto the statement of financial position in the advances portfolio. The write back of a previously written off loan means the recording of the recoverable outstanding amount of the loan on the statement of financial position at amortised cost without an allowance account, at the time it meets the definition of an asset and certain predetermined performance criteria. This recoverable amount is determined by discounting the estimated future cash flows at the original effective interest rate. The estimated future cash flows are based on the historic cash collected on these loans since they were written off and on similar loans that were, subsequent to being written off, brought back onto the statement of financial position in prior reporting periods. Subsequent to this initial recording, an impairment allowance account is used in subsequent reporting periods to recognise any amount of the loan, the recovery of which is regarded as being doubtful or irrecoverable.

Cash collected on loans, which have previously been written off and which remain off the statement of financial position, is recognised in the statement of comprehensive income as bad debts recovered as and when the cash is received.

Loans are treated as past due when an instalment payment is overdue and remains unpaid as at the reporting date. In these instances, the full outstanding amount is considered overdue even if part of it is not yet due. The number of days past due is referenced to the earliest due date of the loan. The past due analysis is performed for disclosure purposes.

Financial assets that would otherwise be past due or impaired that have been renegotiated, are classified as neither past due nor impaired assets. Renegotiated advances are advances where, due to deterioration in the counterparty's financial condition, the BFS Group granted a concession where original terms and conditions of the facility were amended. Where the advances were reclassified as neither past due nor impaired, the adherence to the new terms and conditions are closely monitored. These assets are considered as part of the collective evaluation of impairment where financial assets are grouped on the basis of similar credit risk characteristics.

Financial liabilities

Financial liabilities are initially recognised at the fair value, and subsequently carried at amortised cost using the effective interest rate method. Where the time value of money is not considered to be material, instruments are not discounted as their nominal values approximate amortised cost.

Financial liabilities comprise interest-bearing liabilities including bank overdrafts and trade payables.

Cash

Cash comprises bank balances, call deposits and bank overdrafts.

Cash is measured at fair value.

Amortised cost

Amortised cost is calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the instrument. All fees, transaction costs and other premiums or discounts are included in the calculation.

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.

Derecognition

Financial assets (or a portion thereof) are derecognised when the BFS Group realises the rights to the benefits specified in the contract, the rights expire or the BFS 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 statement of comprehensive income.

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 statement of comprehensive income.

9. Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the BFS 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 and finance charges on loans and suspensive sale credit agreements.

Revenue excludes non-operating income and value-added tax.

Interest revenue

Interest income is recognised in the statement of comprehensive income for all instruments measured at amortised cost using the effective interest rate method.

The effective interest rate 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 BFS 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 BFS Group defers any related operating costs which are directly attributable to individual transactions.

While origination fees and services fees are regarded as integral parts of the effective interest rate, they are not accounted for as interest income, but as non-interest revenue.

In instances where a loan is in arrears for greater than three months and no qualifying payment has been received in the last three months, an assessment is made regarding the recoverability of the loan or group of loans and if necessary, based on available evidence at that date, the accrual of interest from that date is suspended and not recognised in the statement of comprehensive income.

Sales of goods

Revenue from sales is recognised when the significant risks and rewards of ownership are transferred to the buyer and it is probable that the economic benefits, which can be measured reliably, will flow to the BFS Group.

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.

Origination fees received and related incremental costs incurred on the granting of a loan are recognised over the life of the loan on the time proportion basis.

Origination fees on loans granted

These fees are charged upfront, are capitalised into the loan, and are primarily based on the cost of granting the loan to the individual. In accordance with IAS 18: Revenue, these origination fees are considered an integral part of the loan agreement and therefore recognised as an integral part of the effective interest rate and are accounted for over the shorter of the original contractual term and the actual term of the loan using the effective interest rate method. The deferred portion of the fees is recorded in the statement of financial position as a provision for deferred administration fees. The BFS Group does not defer any related operating costs, as these are all internal costs which are not directly attributable to individual transactions and as such are primarily absorbed infrastructure costs.

Monthly servicing fees

These are fees which form an integral part of the effective interest rate and are charged to customers on a monthly basis. These fees are recognised as part of the effective interest rate over the shorter of the original contractual term and the actual term of the loans and receivables.

Non-operating income

Dividends are recognised in profit or loss when the right to receive payment is established.

10. Direct costs

Direct costs comprise the cost of inventories expensed during the year, personnel costs and overheads directly attributable to the provision of goods and services in revenue generation.

11. Interest expense

Interest expense comprise interest on borrowings, dividends on redeemable preference shares, debentures 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 rate method except to the extent in which these meet the criteria for capitalisation against a qualifying asset in which case it is capitalised as part of the cost of the asset.

12. Tax

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.

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 tax rates that have been enacted or substantially enacted at financial year-end. The effect on deferred tax of any changes in tax rates is charged to the statement of comprehensive income, 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 other comprehensive income, is also credited or charged directly to other comprehensive income and is subsequently recognised in profit or loss 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 tax authority.

Indirect tax

Indirect tax in the form of non-claimable value-added tax (VAT) on expenses is disclosed as indirect tax in the statement of comprehensive income. 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 statement of comprehensive income. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of the receivables or payables in the statement of financial position.

13. Lease accounting

Leases of assets where the BFS Group assumes substantially all the risks and rewards of ownership, are classified as finance leases.

All other leases are classified as operating leases.

14. Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount. They are recognised when the BFS 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 annual financial statements.

15. Impairment of assets other than financial instruments

The BFS 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 the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the BFS Group estimates the recoverable amount of the cash-generating unit 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 of an asset (cash-generating unit) ("CGU") is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) 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). For impairment testing purposes only, goodwill is allocated to the CGU expected to benefit from the synergies of the combination. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings other than investment property, in which case the impairment loss is treated as a revaluation decrease to the extent that it reverses a previous revaluation. Where an impairment loss (other than an impairment of goodwill) subsequently reverses, the carrying amount of the asset (CGU) 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 for the asset (CGU) 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.

16. Employee benefits

Retirement funds

The BFS 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.

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.

Termination benefits

The BFS Group recognises termination benefits as a liability in the statement of financial position and as an expense in profit or loss when it has a present obligation relating to termination. The BFS 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.

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.

17. New and amended accounting standards and interpretations

The BFS 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 pre-paid contributions.
Improvements to IFRSs	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 BFS Group's consolidated financial statements.

18. New standards issued but not yet effective

The following new standards, amendments and interpretations which are in issue but not yet effective:

IFRS 1:	First-time Adoption of International Financial Reporting Standards (various amendments)
IFRS 7:	The amendments to this IFRS include enhancing the disclosures about offsetting of financial assets and financial liabilities and the deferral of the mandatory effective date of IFRS 9: Financial Instruments.
IFRS 10:	Consolidated Financial Statements – which replace all the guidance on control and consolidation in IAS27 and SIC-12.
IFRS 11:	Joint Arrangements – Accounting for joint arrangements.
IFRS 12:	Disclosure of Interests in Other Entities – sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11.
IFRS 13:	Fair Value Measurement – provides guidance on how to determine fair value and the required disclosure.
IAS 1:	Presentation of Financial Statements – the amendment revises the way other comprehensive income is presented.
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 will normally be through sale.
IAS 19:	Accounting for Defined Benefit Plans.
IAS 27:	Separate Financial Statements – the standard now deals solely with separate financial statements rather than both consolidated and separate financial statements.
IAS 28:	Investments in Associates and Joint Ventures – the standard now provides further guidance on how the equity method of accounting is to be applied.
IAS 31:	Investment in Joint Ventures – is replaced by IFRS 11.
IAS 32:	Financial Instrument Presentation.

Improvements to IFRSs (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 tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12: Income Taxes
- 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 company's financial statements.

	2012 R'000	2011 R'000	2010 R'000
1. TRADE AND OTHER RECEIVABLES			
Prepayments	**78 216**	63 797	41 694
Trade receivables	**18 977**	19 962	22 292
Other	**7 057**	8 102	1 007
Allowance for impairment provision	**(8 377)**	(6 323)	(4 554)
	95 873	85 538	60 439

The above values approximate fair values. Trade and other receivables are denominated in South African Rand.

	2012 R'000	2011 R'000	2010 R'000
Allowance for impairment:			
Balance at beginning of the year	**(6 323)**	(4 554)	–
Impairment recognised in profit or loss	**(2 054)**	(1 769)	(1 262)
Utilisation of impairment	**–**	–	(184)
Business combination	**–**	–	(3 108)
	(8 377)	(6 323)	(4 554)

No collateral is held for trade and other receivables. Receivables are tested for impairment by reference to trade terms, payment history, subsequent receipts and arrangements with the debtors.

	2012 R'000	2011 R'000	2010 R'000
Trade and other receivables past due but not impaired:			
Amounts 30 days overdue	**1 297**	5 434	2 866
Amounts 30 to 60 days overdue	**982**	2 174	–
Amounts 60 to 90 days overdue	**1 481**	1 483	–
Amounts 90 to 120 days overdue	**776**	716	–
Amounts in excess of 120 days overdue	**2 162**	2 502	–
Trade and other receivables past due but not impaired	**6 698**	12 309	2 866
Related credit risk exposure and enhancements:			
Trade receivables less allowance for impairment	**10 600**	13 639	17 738
2. INVENTORIES			
Merchandise	**15 684**	15 629	10 863
Prepaid vouchers	**161 823**	120 356	55 471
Impairment provision	**(5 125)**	(4 163)	–
	172 382	131 822	66 334
Write down of inventories during the year	**595**	7 445	1 693

The carrying values of each inventory category have been tested for impairment against net realisable value.

	2012 R'000	2011 R'000	2010 R'000
3. LOANS AND ADVANCES			
Gross loans and advances	**4 675 999**	3 023 570	1 976 548
Allowance for impairment	**(775 674)**	(390 706)	(233 085)
Carrying value of written-off book	**20 698**	–	–
	3 921 023	2 632 864	1 743 463
Gross loans and advances			
Unsecured loans	**4 753 538**	3 087 287	2 034 896
Deferred origination fees	**(77 539)**	(63 717)	(58 348)
	4 675 999	3 023 570	1 976 548

The above values approximate fair values. Loans are ceded as security for notes issued by Bayport Securitisation (RF) Limited.

	2012 R'000	2011 R'000	2010 R'000
Allowance for impairment:			
Balance at beginning of year	**(390 706)**	(233 085)	–
Net impairments recognised in profit and loss	**(493 196)**	(322 853)	(68 745)
Impairments of loans and advances	**(509 622)**	(339 340)	(71 365)
Reversal of impairments recognised in profit and loss in prior years	**16 426**	16 487	2 620
Reversal of written-off book	**(20 698)**	–	–
Business combination	**–**	–	(199 799)
Utilisation of allowance for impairment	**128 926**	165 232	35 459
Allowance for impairment	**(775 674)**	(390 706)	(233 085)
Maximum exposure to credit losses of loans and advances	**3 921 023**	2 632 864	1 743 463

The allowance for impairment on loans and advances is calculated by considering breach of contract, i.e. payment delinquency or default, as well as recency of payments and likelihood of rehabilitation.

	2012 R'000	2011 R'000	2010 R'000
Loans and advances past due but not impaired:			
Amounts 30 days overdue	**223 216**	155 814	107 984
Amounts 30 to 60 days overdue	**64 036**	51 683	–
Amounts 60 to 90 days overdue	**46 390**	37 176	–
Amounts in excess of 90 days overdue	**513 522**	335 518	–
	847 164	580 191	107 984
Amounts in current	**2 308**	1 038	3 527
Amounts 30 days overdue	**36 318**	23 831	10 708
Amounts 30 to 60 days overdue	**50 322**	31 518	11 831
Amounts 60 to 90 days overdue	**53 727**	33 777	13 993
Amounts in excess of 90 days overdue	**627 402**	291 267	186 344
Specific impairment	**770 077**	381 431	226 403
Incurred but not reported impairment	**5 597**	9 275	6 682
Total allowance for impairment	**775 674**	390 706	233 085

	2012 R'000	2011 R'000	2010 R'000
4. DEFERRED TAX ASSETS/ (LIABILITIES)			
Deferred tax is presented on the statement of financial position as follows:			
Deferred tax assets	**21 778**	14 966	20 448
Deferred tax liabilities	**(15 791)**	(5 603)	–
	5 987	9 363	20 448
The movements during the year are analysed as follows:			
Net deferred tax assets at the beginning of the year	**9 363**	20 448	–
Recognised in profit or loss for the year	**(3 376)**	(11 085)	32 753
Business combinations	**–**	–	(12 305)
Net deferred tax assets at the end of the year	**5 987**	9 363	20 448

	Opening balance R'000	Tax charge R'000	Business combination R'000	Closing balance R'000
2012				
Impairment of loans and advances	10 001	1 941	–	11 942
Timing differences of expenditure	759	6 987	–	7 746
Deferred (revenue)/expense	(1 809)	1 463	–	(346)
Estimated tax losses	3 959	(974)	–	2 985
Subscription and rebate adjustments	(3 547)	2 054	–	(1 493)
Fair value adjustment	–	(14 847)	–	(14 847)
Net deferred tax assets	9 363	(3 376)	–	5 987
2011				
Other provisions	246	(246)	–	–
Impairment of loans and advances	6 988	3 013	–	10 001
Timing differences of expenditure	655	104	–	759
Deferred (revenue)/expense	6 143	(7 952)	–	(1 809)
Secondary tax on companies	2	(2)	–	–
Estimated tax losses	1 047	2 912	–	3 959
Subscription and rebate adjustments	5 367	(8 914)	–	(3 547)
Net deferred tax assets	20 448	(11 085)	–	9 363
2010				
Other provisions	–	8	238	246
Impairment of loans and advances	–	4 177	2 811	6 988
Timing differences of expenditure	–	175	480	655
Deferred expense	–	309	5 834	6 143
Secondary tax on companies	–	(980)	982	2
Estimated tax losses	–	1 214	(167)	1 047
Subscription and rebate adjustments	–	27 850	(22 483)	5 367
Net deferred tax assets	–	32 753	(12 305)	20 448

	2012 R'000	2011 R'000	2010 R'000
5. OTHER INVESTMENTS			
At cost	**10**	10	10
Fair value	**–**	6 478	1 961
	10	6 488	1 971

Other investments consist of 50 "AB" ordinary shares in Hollard Business Associates (Pty) Ltd. Fair value represents the receivable of future dividends.

	Computer and telephony software R'000	Distribution channel R'000	Other R'000	Total R'000
6. INTANGIBLE ASSETS				
Cost				
At 30 September 2009	–	–	–	–
Additions	15 758	24 447	–	40 205
Business combinations	11 091	–	500	11 591
At 30 September 2010	26 849	24 447	500	51 796
Additions	5 159	–	–	5 159
Prior year allocation adjustment	(1 059)	–	–	(1 059)
At 30 September 2011	30 949	24 447	500	55 896
Disposals	–	–	(500)	(500)
Additions	6 466	–	–	6 466
Reclassifications	307	–	–	307
At 30 September 2012	37 722	24 447	–	62 169
Accumulated amortisation				
At 30 September 2009	–	–	–	–
Amortisation expense	10 188	2 313	–	12 501
At 30 September 2010	10 188	2 313	–	12 501
Amortisation expense	6 528	9 245	–	15 773
Prior year allocation adjustment	(1 058)	–	–	(1 058)
30 September 2011	15 658	11 558	–	27 216
Amortisation expense	7 437	8 424	–	15 861
Reclassifications	33	–	–	33
At 30 September 2012	23 128	19 982	–	43 110
2010				
Cost	26 849	24 447	500	51 796
Accumulated amortisation	(10 188)	(2 313)	–	(12 501)
Net carrying value at 30 September 2010	16 661	22 134	500	39 295
2011				
Cost	30 949	24 447	500	55 896
Accumulated amortisation	(15 658)	(11 558)	–	(27 216)
Net carrying value at 30 September 2011	15 291	12 889	500	28 680
2012				
Cost	37 722	24 447	–	62 169
Accumulated amortisation	(23 128)	(19 982)	–	(43 110)
Net carrying value at 30 September 2012	**14 594**	**4 465**	**–**	**19 059**

	Vehicles R'000	Office/ Computer equipment R'000	Leasehold improvements R'000	Total R'000
7. PROPERTY AND EQUIPMENT				
Cost				
At 30 September 2009	–	–	–	–
Additions	–	1 881	376	2 257
Business combinations	1 428	26 100	5 653	33 181
At 30 September 2010	1 428	27 981	6 029	35 438
Additions	573	17 204	5 926	23 703
Disposals	(264)	(660)	(3 508)	(4 432)
At 30 September 2011	1 737	44 525	8 447	54 709
Reclassifications	–	(307)	–	(307)
Additions	309	18 688	10 178	29 175
Disposals	(311)	(87)	(10)	(408)
At 30 September 2012	1 735	62 819	18 615	83 169
Accumulated depreciation				
At 30 September 2009	–	–	–	–
Depreciation expense	51	1 584	375	2 010
Business combinations	863	11 811	3 277	15 951
At 30 September 2010	914	13 395	3 652	17 961
Depreciation expense	253	8 000	1 999	10 252
Disposals	(244)	(352)	(3 152)	(3 748)
At 30 September 2011	923	21 043	2 499	24 465
Reclassifications	–	(351)	319	(32)
Depreciation expense	229	11 558	4 676	16 463
Disposals	(158)	(44)	–	(202)
At 30 September 2012	994	32 206	7 494	40 694
2010				
Cost	1 428	27 981	6 029	35 438
Accumulated depreciation	(914)	(13 995)	(3 652)	(17 961)
Net carrying value at 30 September 2010	514	14 586	2 377	17 477
2011				
Cost	1 737	44 525	8 447	54 709
Accumulated depreciation	(923)	(21 043)	(2 499)	(24 465)
Net carrying value at 30 September 2011	814	23 482	5 948	30 244
2012				
Cost	1 735	62 819	18 615	83 169
Accumulated depreciation	(994)	(32 206)	(7 494)	(40 694)
Net carrying value at 30 September 2012	741	30 613	11 121	42 475

	R'000
8. GOODWILL	
Cost	
At 31 December 2009	–
Business combinations	448 437
At 30 September 2010 to 2012	448 437
Accumulated impairment	
At 30 September 2009	–
Impairment loss	–
At 30 September 2010	–
Impairment loss	1 525
At 30 September 2011	1 525
Impairment loss	1 352
At 30 September 2012	2 877
2010	
Cost	448 437
Accumulated impairment	–
Net carrying value at 30 September 2010	448 437
2011	
Cost	448 437
Accumulated impairment	(1 525)
Net carrying value at 30 September 2011	446 912
2012	
Cost	448 437
Accumulated impairment	(2 877)
Net carrying value at 30 September 2012	**445 560**

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 CGU's prepare forecasts using a growth rate based on the specific industries in which they operate. 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 and rates based on current market trends of the time value of money. Growth rates are based on industry indicators and current and expected business trends.

	2012 R'000	2011 R'000	2010 R'000
Composition of goodwill per CGU			
Purchase of Bayport Financial Services (Pty) Ltd assets and liabilities	**445 560**	445 560	445 560
Purchase of assets and liabilities by M-stores (Pty) Ltd	**–**	1 352	2 877
	445 560	446 912	448 437

	2012 R'000	2011 R'000	2010 R'000
9. PROVISIONS			
At beginning of year	**–**	383	383
Amounts utilised	**–**	(383)	–
At end of year	**–**	–	383

	2012 R'000	2011 R'000	2010 R'000
10. TRADE AND OTHER PAYABLES			
Trade payables and accruals	**183 965**	97 284	81 472
Leave pay accrual	**7 883**	4 856	2 968
Bonus accrual	**35 635**	25 576	6 478
Other	**34**	124	–
	227 517	127 840	90 918

The above values approximate fair values. Trade and other payables are denominated in South African Rand.

	2012 R'000	2011 R'000	2010 R'000
11. INTEREST-BEARING LIABILITIES			
Notes and loans	**3 198 304**	2 377 459	1 662 710
Shareholder/subordinated loans	**469 579**	374 581	232 230
Other interest-bearing liabilities	**30 106**	264 986	218 451
Total interest-bearing liabilities	**3 697 989**	3 017 026	2 113 391
Payable within 12 months	**1 287 755**	1 209 692	94 869
Payable thereafter	**2 410 234**	1 807 334	2 018 522
	3 697 989	3 017 026	2 113 391
Shareholder/subordinated loans			
Loans with other shareholders of the company	**518**	40 643	25 810
Loans with Transaction Capital Limited	**469 061**	285 316	173 129
Subordinated loans	**–**	48 622	33 291
	469 579	374 581	232 230
Other interest-bearing liabilities			
Bayport Financial Services (Pty) Ltd payable	**–**	243 273	218 451
Other loan	**30 106**	21 713	–
	30 106	264 986	218 451

The company and the group are not in breach or default of any provisions of the terms or conditions of the agreements governing borrowings.

	R'000	Interest	Maturity
11. INTEREST-BEARING LIABILITIES (continued)			
2012			
Notes and loans			
Fixed rate loans	1 340 402	10.225% to 15.55%	30 September 2015 to 31 December 2017
Variable rate loans	1 857 902	Prime plus 0.32% to 3m Jibar plus 7.75%	31 December 2012 to 15 August 2019
	3 198 304		

The following has been pledged as security:

– The class D notes issued by Bayport Securitisation (RF) Ltd to Bayport Financial Services 2010 (Pty) Ltd.
– Shares held in M-Stores (Pty) Ltd.
– Pledge and cession of the Group's title and interest in loan agreements; as well as the bank accounts of Bayport Securitisation (RF) Ltd.

	R'000	Interest	Maturity
Shareholder/subordinated loans			
Fixed rate loans	42 213	Interest free	On demand
Variable rate loans	427 366	Prime less 1.5% to Prime	1 October 2012 to 28 June 2013
	469 579		
2011			
Fixed rate loans	912 138	11.005% to 15.55%	31 March 2014 to 30 December 2017
Variable rate loans	1 465 321	Prime plus 0.32% to 3m Jibar plus 7.75%	31 December 2011 to 29 January 2018
	2 377 459		

The following has been pledged as security for senior debt:

– The Junior Debentures issued by Bayport Securitisation (RF) Ltd to Bayport Financial Services 2010 (Pty) Ltd.
– Shares held in M-Stores (Pty) Ltd.
– Pledge and cession of the Group's title and interest in loan agreements; as well as the bank accounts of Bayport Securitisation (RF) Ltd.

	R'000	Interest	Maturity
Shareholder/subordinated loans			
Fixed rate loans	48 622	BESA plus 7.5% to BESA plus 10%	31 May 2013 to 30 September 2014
Variable rate loans	325 959	3 month Jibar plus 5.5% to Prime plus 1.5%	No fixed repayment terms
	374 581		

	R'000	Interest	Maturity
11. INTEREST-BEARING LIABILITIES (continued)			
2010			
Fixed rate loans	512 710	11.45% to 15.55%	1 June 2013 to 30 September 2016
Variable rate loans	1 150 000	Jibar plus 4.75% plus 7.5%	31 December 2013 to 31 December 2016
	1 662 710		

The following has been pledged as security for senior debt:

- The Junior Debentures issued by Bayport Securitisation (RF) Ltd to Bayport Financial Services 2010 (Pty) Ltd.
- Shares held in M-Stores (Pty) Ltd.
- Pledge and cession of the group's title and interest in loan agreements; as well as the bank accounts of Bayport Securitisation (RF) Ltd.

	R'000	Interest	Maturity
Shareholder/subordinated loans			
Fixed rate loans	33 291	15.51% to 18.69%	1 March 2013 to 1 June 2013
Variable rate loans	198 939	Jibar plus 3% to Jibar 5.5%	No fixed repayment terms
	232 230		

	2012 R'000	2011 R'000	2010 R'000
12. ORDINARY SHARE CAPITAL AND SHARE PREMIUM			
Authorised			
20 000 000 (2011: 10 000 000 ordinary shares) of R0.001 no par value ordinary shares	**–**	100	100
Issued			
15 000 000 (2011: 8 000 000) ordinary shares of R0,001 per share no par value ordinary shares	**790 491**	8	7
Ordinary share capital	**790 491**	8	7
Share premium	**–**	274 997	274 997
	790 491	275 005	275 004

The unissued share capital is under the control of the directors until the annual general meeting. During the year, the company converted its par value shares to no par value.

	Number of shares	Number of shares	Number of shares
Ordinary shares issued during the year:			
At the beginning of the year	8 000 000	7 413 738	100 000
Shares issued	7 000 000	586 262	3 606 869
Shares subdivided at 2:1	–	–	3 706 869
At the end of the year	15 000 000	8 000 000	7 413 738

	2012 R'000	2011 R'000	2010 R'000
13. NON-CONTROLLING INTERESTS			
Balance at beginning of the year	**(907)**	–	–
Share of loss for the year	**(5)**	(907)	–
	(912)	(907)	–
14. NET INTEREST INCOME			
Interest and other similar income is earned from:			
Cash	**6 065**	5 948	781
Loans and advances	**1 143 037**	791 569	184 761
Other	**–**	61	15
	1 149 102	797 578	185 557
Interest and other similar expenses are paid on:			
Bank overdrafts	**(214)**	(52)	(330)
Interest-bearing liabilities	**(312 083)**	(248 835)	(60 529)
Bayport Financial Services (Pty) Ltd agterskot interest	**(6 727)**	(24 772)	(5 836)
Transaction Capital Limited inter-company interest	**(28 119)**	(21 207)	–
Other	**–**	(3 471)	–
	(347 143)	(298 337)	(66 695)
Net interest income	**801 959**	499 241	118 862
15. NON-INTEREST REVENUE			
Sales	**334 019**	297 745	74 158
Service fees	**280 763**	231 547	59 683
Dividends received	**107 703**	76 081	12 012
Other	**1 256**	4 027	–
	723 741	609 400	145 853
16. DIRECT COSTS			
Cost of inventories expensed	**143 675**	111 952	8 580
Commissions	**80 020**	64 050	10 555
Bank charges	**24 604**	20 683	1 528
Data purchase	**43 198**	17 754	–
Legal fees (net of recoveries)	**9 866**	16 622	8 443
Stock obsolescence and bad debt provision	**(799)**	11 217	–
Other	**10 167**	20 633	–
	310 731	262 911	29 106

	2012 R'000	2011 R'000	2010 R'000
17. INDIRECT COSTS			
Included in indirect costs are the following:			
Amortisation of intangible assets	**15 861**	15 773	12 501
Auditors' remuneration	**4 380**	2 823	3 113
Audit fees	**3 827**	2 823	3 078
Other fees	**552**	–	35
Consulting fees	**23 475**	14 852	1 587
Depreciation	**16 463**	10 252	2 010
Equipment costs: maintenance	**–**	–	(90)
Information technology	**9 932**	11 980	3 262
(Profit)/loss on sale of property and equipment and intangible assets	**(53)**	684	(11)
Marketing costs and public relations	**5 789**	4 134	4 423
Operating lease rentals – premises	**23 087**	14 081	2 838
Printing and stationery	**11 717**	4 954	1 325
Professional fees	**3 268**	3 862	6
Impairment of trade and other receivables	**2 053**	1 769	1 262
Goodwill impairment	**1 352**	1 525	–
Employment costs	**239 468**	163 920	40 106
Telephone and postage	**36 744**	30 447	6 978
Transaction Capital Limited corporate charges	**38 622**	26 316	–
Included in employment costs of the company above are:			
Directors' emoluments	**27 686**	18 400	4 876
Executive services	**15 219**	8 038	1 576
Bonuses	**12 467**	10 362	3 300
Number of employees at 30 September	**1 195**	945	836

	2012 R'000	2011 R'000	2010 R'000
18. TAX			
South African tax			
Current year	**32 421**	30 030	43 995
Prior years	**(84)**	(3 930)	–
Deferred tax			
Current year	**3 661**	3 754	(32 753)
Prior years	**(293)**	7 331	–
Capital gains tax			
Current year	**8**	–	–
	35 713	37 185	11 242
Tax rate reconciliation:	**%**	%	%
South African tax rate	**28**	28	28
Income not subject to tax:			
– Dividends	**(13)**	(12)	(6)
– Other	**1**	–	(4)
Expenses not deductible for tax	**–**	4	3
Prior year taxes	**–**	2	–
Effective tax rate	**16**	22	21

	2012 R'000	2011 R'000	2010 R'000
19. CASH GENERATED BY OPERATIONS			
Profit before tax	**227 075**	169 907	53 959
Adjusted for:			
Dividends received	**(107 703)**	(76 081)	(12 012)
Depreciation	**16 463**	10 252	2 010
Amortisation of intangible assets	**15 861**	15 773	12 501
Impairment of loans and advances	**384 968**	157 621	–
(Profit)/loss on disposal of property, plant and equipment and intangible assets	**(53)**	684	(11)
Decrease in provisions	**–**	(383)	384
Goodwill impairment	**1 352**	1 525	–
Agterskot interest	**6 727**	24 772	5 836
Other non-cash flow items	**(16 935)**	–	–
	527 755	304 070	62 667

	2012 R'000	2011 R'000	2010 R'000
20. INCOME TAXES PAID/(RECEIVED)			
Amounts (receivable)/payable at beginning of the year	**(736)**	18 706	–
Charged to profit and loss	**35 713**	37 185	11 242
Deferred tax	**(3 376)**	(11 085)	32 753
Business combination	**–**	–	7 207
Other movements	**–**	–	(2 222)
Amounts (payable)/ receivable at end of the year	**(3 531)**	736	(18 706)
	28 070	45 542	30 274

	2012 R'000	2011 R'000	2010 R'000
21. DIVIDENDS PAID TO ORDINARY SHAREHOLDERS			
Amounts payable at beginning of the year	**–**	–	–
Ordinary dividends for the year	**22 556**	71 564	19 892
Amounts payable at the end of the year	**–**	–	–
	22 556	71 564	19 892

22. BUSINESS COMBINATIONS

The company purchased the assets and liabilities of Bayport Financial Service Proprietary Limited effective 1 July 2010 for a consideration of R400 million in the prior year. A further consideration (agterskot) of R250 million is payable contingent on the achievement of certain agreed targets. The profits of the group would have increased by R17 698 000 had the acquisition taken place at 1 January 2010. The costs related to this acquisition have been expensed as indirect costs in the statement of comprehensive income.

	2010 R'000
Property and equipment	17 248
Intangible assets	38 914
Investments	–
Inventories	47 614
Loans and advances	1 245 443
Trade and other receivables	53 143
Cash and cash equivalents	70 359
Interest-bearing liabilities	(1 138 500)
Deferred tax liabilities	(10 083)
Trade and other payables	(71 900)
Short-term loans	(77 975)
Tax liabilities	(7 207)
Fair value of assets and liabilities acquired	167 056
Non-controlling interests	–
	167 056
Goodwill	445 560
Purchase consideration	612 616
Present value of agterskot payment/contingent consideration	(212 616)
Cash and cash equivalents acquired	(70 359)
Outflow on acquisition (net of cash acquired)	329 641
Purchase consideration funded as follows:	
Shareholder loans	400 000
Agterskot payment	212 616
Cash and cash equivalents	(70 359)
Overdraft	–
	542 257

Goodwill arising from this transaction can be attributed to anticipated synergies as well as the assembled workforce and will not be deductible for tax purposes.

	2012 R'000	2011 R'000	2010 R'000
23. CASH			
Bank balances	**238 337**	40 519	24 532
Call deposits	**31 675**	90 674	102 213
Petty cash	**4**	38	–
	270 016	131 231	126 745
Bank overdrafts	**(68)**	(24)	(3 382)
Per statements of cash flows	**269 948**	131 207	123 363
Undrawn overdraft facilities available for future operating activities and commitments	**28 000**	3 000	2 618

	2012 R'000	2011 R'000	2010 R'000
24. CONTINGENCIES AND COMMITMENTS			
Operating lease commitments			
Future minimum payments under non-cancellable operating leases on property rentals:			
Year one	**25 454**	15 231	4 811
Year two	**22 210**	14 472	2 899
Year three	**19 213**	12 432	1 570
Year four	**18 826**	9 616	–
Year five	**18 060**	7 278	–
Greater than five years	**5 695**	–	–
	109 458	59 029	9 280

25. FINANCIAL RISK MANAGEMENT

The group board of directors is responsible for risk management and the setting of the risk management framework. The board makes use of three Transaction Capital board sub-committees; the Assets and Liabilities Committee ("ALCO"), the Risk and Compliance Committee and the Audit Committee. The ALCO assists the board with regard to the monitoring of liquidity and funding, interest rates, counterparties, currency exposures and capital adequacy. The Audit Committee assists the board with regard to financial information, accounting policies, internal control and IT governance. The Risk Committee's function is to assist the board in fulfilling its responsibilities with regard to risk management including setting the risk management framework, setting risk appetite and monitoring the group's management of risk including credit and compliance.

Credit risk

The group limits its counterparty exposure arising from money market instruments by dealing only with well-established financial institutions of high credit standing.

Credit risk management and measurement

The group manages its exposure to credit losses by assessing customer 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 behavioral 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 company has formulated a detailed Impairment Allowance Policy in terms of the principles of IFRS "IAS 39: Financial Instruments: Recognition and Measurement".

The Credit Committee is responsible for providing executive management and oversight for all credit risk arising within and impacting on the group statement of financial position.

The credit policy is designed to ensure that the group'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.

Instalments on credit agreements are payable monthly, fortnightly or weekly and are fully amortising with no residual payment at the end of the term.

25. FINANCIAL RISK MANAGEMENT (continued)

25.1.1 Financial assets subject to credit risks

For the purposes of group disclosure regarding credit quality, the maximum exposure to credit risk of financial assets at the statement of financial position is analysed as follows:

	Other investments R'000	Trade and other receivables R'000	Loans and advances R'000	Total R'000
30 September 2012				
Neither past due nor impaired	**10**	**97 552**	**2 523 803**	**2 621 365**
Past due but not impaired	**–**	**6 698**	**847 164**	**853 862**
Impaired	**–**	**–**	**1 305 032**	**1 305 032**
Total	**10**	**104 250**	**4 675 999**	**4 780 259**
Impairments		**(8 377)**	**(775 674)**	**(784 051)**
Unidentified impairment (incurred but not provided)	**–**	**(409)**	**(5 597)**	**(6 006)**
Loans and advances	**–**	**–**	**(770 077)**	**(770 077)**
Trade and other receivables	**–**	**(7 968)**	**–**	**(7 968)**
Carrying value of written off book	**–**	**–**	**20 698**	**20 698**
Carrying value of financial assets	**10**	**95 873**	**3 921 023**	**4 016 906**
30 September 2011				
Neither past due nor impaired	6 488	74 200	1 792 067	1 872 755
Past due but not impaired	–	12 309	580 191	592 500
Impaired	–	5 352	651 312	656 664
Total	6 488	91 861	3 023 570	3 121 919
Impairments	–	(6 323)	(390 706)	(397 029)
Loans and advances	–	–	(390 706)	(390 706)
Trade and other receivables	–	(6 323)	–	(6 323)
Carrying value of financial assets	6 488	85 538	2 632 864	2 724 890
30 September 2010				
Neither past due nor impaired	1 971	54 858	1 284 713	1 341 542
Past due but not impaired		2 866	108 039	110 905
Impaired		7 269	583 769	591 065
Total	1 971	64 993	1 976 548	2 043 512
Impairments	–	(4 554)	(233 085)	(237 639)
Loans and advances	–	–	(233 085)	(233 085)
Trade and other receivables	–	(4 554)	–	(4 554)
Carrying value of financial assets	1 971	60 439	1 743 463	1 805 873

25. FINANCIAL RISK MANAGEMENT (continued)

25.1.2 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 is a key consideration in determining whether an asset is impaired. The age of loans and advances to customers and other assets that are past due but not impaired is as follows:

	Past due up to 1 month R'000	Past due up to 1 to 2 months R'000	Past due up to 2 to 3 months R'000	Past due up to 3 to 4 months R'000	Past due older than 4 months R'000	Total R'000
2012						
Loans and advances	**223 216**	**64 036**	**46 390**	**38 513**	**475 009**	**847 164**
Trade and other receivables	**1 297**	**982**	**1 481**	**776**	**2 162**	**6 698**
Financial assets that are past due but not impaired	**224 513**	**65 018**	**47 871**	**39 289**	**477 171**	**853 862**
2011						
Loans and advances	155 814	51 683	37 176	335 518	–	580 191
Trade and other receivables	5 434	2 174	1 483	3 218	–	12 309
Financial assets that are past due but not impaired	161 248	53 857	38 659	338 736	–	592 500
2010						
Loans and advances	108 039	–	–	–	–	108 039
Trade and other receivables	2 866	–	–	–	–	2 866
Financial assets that are past due but not impaired	110 905	–	–	–	–	110 905

	2012 R'000	2011* R'000
Carrying amount of loans and advances*	**3 921 023**	2 632 864
Credit quality		
High	**1 782 854**	1 190 351
Medium	**591 384**	471 518
Low	**149 565**	130 198
Neither past due nor impaired	**2 523 803**	1 792 067

The credit quality segments have been determined by reference to both the scoring at application and behavioral performance.

* *This disclosure was not required for the year ended 30 September 2010.*

25. **FINANCIAL RISK MANAGEMENT** (continued)

25.1.3 **Cash**

The group maintains cash and short-term investments with various financial institutions and in this regard it is the group's policy to limit its exposure to any one financial institution. Deposits are placed only with South African banks and limited financial institutions.

At the date of the statement of financial position, the group did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

25.2 **Interest rate risk**

Interest rate risk is the risk of loss arising from the fair value of future cash flows of a financial instrument because of changes in market interest rates.

The group is exposed to interest rate risk as it borrows and places funds. This risk is managed by utilising an appropriate mix of fixed and floating rate borrowings and by placing funds on short-term deposit.

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. The table below summarises the exposure to interest rate risk through grouping assets and liabilities into repricing categories, determined to be the earlier of contractual repricing date or maturity:

25.2.1 **Risk profile of interest-bearing liabilities and assets**

	Floating rate liabilities R'000	Fixed rate liabilities R'000	Floating rate assets R'000	Fixed rate assets R'000	Net asset/ liability R'000
2012					
Secured borrowing/ unsecured lending	**(2 315 442)**	**(1 610 132)**	**270 016**	**4 016 896**	**360 820**
Total	**(2 315 442)**	**(1 610 132)**	**270 016**	**4 016 896**	**360 820**
2011					
Secured borrowing/ unsecured lending	(1 933 385)	(1 211 505)	131 231	2 718 402	(295 257)
Total	(1 933 385)	(1 211 505)	131 231	2 718 402	(295 257)
2010					
Secured borrowing/ unsecured lending	(1 348 939)	(764 452)	123 363	1 743 463	(246 565)
Total	(1 348 939)	(764 452)	123 363	1 743 463	(246 565)

25.2.2 **Weighted average interest rates are as follows:**

	2012		**2011**		**2010**	
	Bank balances	**Borrow-ings**	**Bank balances**	**Borrow-ings**	**Bank balances**	**Borrow-ings**
Interest-bearing assets/ (liabilities) (%)	**3.3**	**(10.8)**	5.6	(11.8)	4.4	(9.9)

25. FINANCIAL RISK MANAGEMENT (continued)

25.2 **Interest rate risk** (continued)

The group is exposed to interest rate risk associated with the effects of fluctuations in the prevailing levels of market rates on their financial positions and cash flows. The table below summarises the exposure to interest rate risk through grouping assets and liabilities into repricing categories, determined by date of maturity:

	Up to 1 month R'000	1 to 3 months R'000	4 to 12 months R'000	Beyond 12 months R'000	Non-interest sensitive items R'000	Total R'000
2012						
Assets						
Cash	**270 016**	**–**	**–**	**–**	**–**	**270 016**
Trade and other receivables	**–**	**–**	**–**	**–**	**95 873**	**95 873**
Loans and advances	**–**	**–**	**–**	**–**	**3 921 023**	**3 921 023**
Other investments	**–**	**–**	**–**	**–**	**10**	**10**
Tax assets	**–**	**–**	**–**	**–**	**8 022**	**8 022**
Total assets	**270 016**	**–**	**–**	**–**	**4 024 928**	**4 294 944**
Liabilities						
Bank overdrafts	**68**	**–**	**–**	**–**	**–**	**68**
Trade and other payables	**–**	**–**	**–**	**–**	**227 517**	**227 517**
Interest-bearing liabilities	**573 857**	**1 639 740**	**–**	**101 777**	**1 382 615**	**3 697 989**
Tax liabilities	**–**	**–**	**–**	**–**	**11 553**	**11 553**
Total liabilities	**573 925**	**1 639 740**	**–**	**101 777**	**1 621 685**	**3 937 127**
Net exposure	**(303 909)**	**(1 639 740)**	**–**	**(101 777)**	**2 403 243**	**357 817**
2011						
Assets						
Cash	131 231	–	–	–	–	131 231
Trade and other receivables	–	–	–	–	85 538	85 538
Loans and advances	–	–	–	–	2 632 864	2 632 864
Other investments	–	–	–	–	6 488	6 488
Tax assets	–	–	–	–	11 589	11 589
Total assets	131 231	–	–	–	2 736 479	2 867 710
Liabilities						
Bank overdrafts	24	–	–	–	–	24
Trade and other payables	–	–	–	–	127 840	127 840
Interest-bearing liabilities	404 877	1 408 116	–	120 368	1 083 665	3 017 026
Tax liabilities	–	–	–	–	10 853	10 853
Total liabilities	404 901	(1 408 116)	–	120 368	1 222 358	3 155 743
Net exposure	(273 670)	(1 408 116)	–	(120 368)	1 514 121	(288 033)

25. FINANCIAL RISK MANAGEMENT (continued)

25.2 Interest rate risk (continued)

	Up to 1 month R'000	1 to 3 months R'000	4 to 12 months R'000	Beyond 12 months R'000	Non-interest sensitive items R'000	Total R'000
2010						
Assets						
Cash	102 203	–	–	–	24 542	126 745
Trade and other receivables	–	–	–	–	60 439	60 439
Loans and advances	–	–	–	–	1 743 463	1 743 463
Other investments	–	–	–	–	1 971	1 971
Tax assets	–	–	–	–	10 314	10 314
Total assets	102 203	–	–	–	1 840 729	1 942 932
Liabilities						
Bank overdrafts	–	3 382	–	–	–	3 382
Trade and other payables	–	–	–	–	90 916	90 916
Interest-bearing liabilities	–	–	22 166	1 326 773	764 452	2 113 391
Tax liabilities	–	–	–	–	29 020	29 020
Provisions	–	–	–	–	383	383
Total liabilities	–	3 382	22 166	1 326 773	884 771	2 237 092
Net exposure	**102 203**	**(3 382)**	**(22 166)**	**(1 326 773)**	**955 958**	**(294 160)**

25. FINANCIAL RISK MANAGEMENT (continued)

25.3 Liquidity risk management

The Transaction Capital group's Capital Markets ("CM") team is responsible for executing on fund raising mandates 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 risk management.

The group manages 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 and assets at the statement of financial position date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	On demand R'000	Within 1 year R'000	From 1 to 5 years R'000	More than 5 years R'000	Total R'000
2012					
Assets					
Cash	**270 016**	**–**	**–**	**–**	**270 016**
Trade and other receivables	**–**	**95 873**	**–**	**–**	**95 873**
Loans and advances	**308 484**	**2 404 976**	**3 808 887**	**868 665**	**7 391 012**
Other investments	**–**	**–**	**–**	**10**	**10**
Financial assets	**578 500**	**2 500 849**	**3 808 887**	**868 675**	**7 756 911**
Non-financial assets	**–**	**189 243**	**74 473**	**445 560**	**719 276**
Total assets	**578 500**	**2 690 092**	**3 883 360**	**1 314 235**	**8 476 187**
Liabilities					
Bank overdrafts	**68**	**–**	**–**	**–**	**68**
Trade and other payables	**–**	**227 517**	**–**	**–**	**227 517**
Interest-bearing liabilities	**469 579**	**1 227 038**	**2 804 422**	**264 794**	**4 765 833**
Financial liabilities	**469 647**	**1 454 555**	**2 804 422**	**264 794**	**4 993 418**
Non-financial liabilities	**–**	**27 344**	**–**	**–**	**27 344**
Total liabilities	**469 647**	**1 481 899**	**2 804 422**	**264 794**	**5 020 762**
Net liquidity position of financial assets and liabilities	**108 853**	**1 208 193**	**1 078 938**	**1 049 441**	**3 455 425**

25. FINANCIAL RISK MANAGEMENT (continued)

25.3 **Liquidity risk management** (continued)

	On demand R'000	Within 1 year R'000	From 1 to 5 years R'000	More than 5 years R'000	Total R'000
2011					
Assets					
Cash	131 231	–	–	–	131 231
Trade and other receivables	–	85 538	–	–	85 538
Loans and advances	224 552	2 420 353	2 508 605	259	5 153 769
Other investments	–	6 478	–	10	6 488
Financial assets	355 783	2 512 369	2 508 605	269	5 377 026
Non-financial assets	–	141 092	63 384	459 736	664 212
Total assets	355 783	2 653 461	2 571 989	460 005	6 041 238
Liabilities					
Bank overdrafts	24	–	–	–	24
Trade and other payables	–	127 840	–	–	127 840
Interest-bearing liabilities	327 353	1 157 094	2 035 604	255 360	3 775 411
Financial liabilities	327 377	1 284 934	2 035 604	255 360	3 903 275
Non-financial liabilities	–	16 456	–	–	16 456
Total liabilities	327 377	1 301 390	2 035 604	255 360	3 919 731
Net liquidity position of financial assets and liabilities	28 406	1 352 071	536 385	204 645	2 121 507
2010					
Assets					
Cash	126 745	–	–	–	126 745
Trade and other receivables	–	60 439	–	–	60 439
Loans and advances	–	1 428 633	1 781 704	–	3 210 337
Other investments	–	1 961	–	10	1 971
Financial assets	126 745	1 491 033	1 781 704	10	3 399 492
Non-financial assets	–	133 427	20 448	448 437	602 312
Total assets	126 745	1 624 460	1 802 152	448 437	4 001 804
Liabilities					
Bank overdrafts	3 382	–	–	–	3 382
Trade and other payables	–	90 916	–	–	90 916
Interest-bearing liabilities	–	317 849	2 475 748	25 884	2 819 481
Financial liabilities	3 382	408 765	2 475 748	25 884	2 913 779
Non-financial liabilities	–	29 403	–	–	29 403
Total liabilities	3 382	438 168	2 475 748	25 884	2 943 182
Net liquidity position of financial assets and liabilities	123 363	1 186 292	(673 596)	422 563	1 058 622

25. FINANCIAL RISK MANAGEMENT (continued)

25.4 Capital management

The objective of the group's capital management strategy is to maximise shareholders' value. To achieve this the group considers the capital required to support growth to maintain credit ratings in various group entities and to comply with the borrowing covenants. Group oversight is achieved through the ALCO.

The group defines capital as equity and subordinated loans from shareholders.

Shareholder funding comprises permanent paid up capital, share premium, revenue and other reserves together with loans from shareholders. Loans and advances are held in special purpose securitisation vehicles ("SPV's") funded by notes and loans.

The policy is to maintain a strong capital base so as to retain investor and creditor confidence and to sustain future growth of the businesses of the group. The board of directors monitors the cost of capital, which is defined as the weighted average cost of capital, taking into account the group's internally calculated cost of equity (shareholder funding) and long-term cost of debt assumptions.

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 sound equity position.

25.5 Insurance and assurance risk

Insurance and assurance risk is the risk assumed under any insurance contract which the insured event occurs. By the very nature of an insurance or assurance contract, this risk is random and unpredictable.

Exposure to assurance risk

The company is not exposed to underwriting risk.

25.6 Sensitivity analysis

The group's exposures to various financial risks are set out below:

	Fair value R'000	Effect on profit before tax of 1% change in rates R'000	Total carrying value of asset class R'000
30 September 2012			
Assets			
Loans and advances	**3 920 280**	**–**	**3 921 023**
Trade and other receivables	**95 873**	**–**	**95 873**
Cash	**270 016**	**2 006**	**270 016**
	4 286 169	**2 006**	**4 286 912**
Liabilities			
Interest-bearing borrowings			
– Fixed rate borrowings	**1 432 083**	**–**	**1 383 115**
– Floating rate borrowings	**2 323 275**	**21 241**	**2 314 874**
Trade and other payables	**227 517**	**–**	**227 517**
Bank overdrafts	**68**	**1**	**68**
	3 982 943	**21 242**	**3 925 574**

25. FINANCIAL RISK MANAGEMENT (continued)

25.6 Sensitivity analysis (continued)

	Fair value R'000	Effect on profit before tax of 1% change in rates R'000	Total carrying value of asset class R'000
30 September 2011			
Assets			
Loans and advances	2 600 660	–	2 632 864
Trade and other receivables	85 538	–	85 538
Cash	131 231	1 167	131 231
	2 817 429	1 167	2 849 633
Liabilities			
Interest-bearing borrowings			
– Fixed rate borrowings	1 101 374	–	1 083 665
– Floating rate borrowings	1 921 738	16 353	1 933 361
Trade and other payables	127 840	–	127 840
Bank overdrafts	24	17	24
	3 150 976	16 370	3 144 890
30 September 2010			
Assets			
Loans and advances	–	–	1 743 463
Trade and other receivables	–	–	60 439
Cash	102 203	256	126 745
	102 203	256	1 930 647
Liabilities			
Interest-bearing borrowings			
– Fixed rate borrowings	747 095	–	764 452
– Floating rate borrowings	1 380 802	14 862	1 348 939
Trade and other payables	90 918	–	90 918
Bank overdrafts	3 382	4	3 382
	2 222 197	14 866	2 207 691

25. FINANCIAL RISK MANAGEMENt (continued)

25.7 Categorisation – Statement of financial position

	Held for trading R'000	Loans and re-ceivables R'000	Financial liabilities carried at amortised cost R'000	Non-financial liabilities or financial assets R'000	Equity R'000	Total R'000
2012						
Assets						
Cash and cash equivalents	–	–	–	270 016	–	270 016
Tax assets	–	–	–	8 022	–	8 022
Trade and other receivables	–	17 657	–	78 216	–	95 873
Inventories	–	–	–	172 382	–	172 382
Loans and advances	–	3 921 023	–	–	–	3 921 023
Deferred tax assets	–	–	–	21 778	–	21 778
Other investments	10	–	–	–	–	10
Intangible assets	–	–	–	19 059	–	19 059
Property, plant and equipment	–	–	–	42 475	–	42 475
Goodwill	–	–	–	445 560	–	445 560
Total assets	10	3 938 680	–	1 057 508	–	4 996 198
Liabilities						
Bank overdrafts	–	–	–	68	–	68
Tax liabilities	–	–	–	11 553	–	11 553
Trade and other payables	–	–	227 517	–	–	227 517
Deferred tax liabilities	–	–	–	15 791	–	15 791
Interest-bearing liabilities	–	–	3 697 989	–	–	3 697 989
Total liabilities	–	–	3 925 506	27 412	–	3 952 918
Equity						
Ordinary share capital and premium	–	–	–	–	790 491	790 491
Retained earnings	–	–	–	–	253 701	253 701
Equity attributable to ordinary equity holders of the parent	–	–	–	–	1 044 192	1 044 192
Non-controlling interest	–	–	–	–	(912)	(912)
Total equity	–	–	–	–	1 043 280	1 043 280
Total equity and liabilities	–	–	3 925 506	27 412	1 043 280	4 996 198

25. FINANCIAL RISK MANAGEMENT (continued)

25.7 Categorisation – Statement of financial position (continued[1])

	Held for trading R'000	Loans and re-ceivables R'000	Financial liabilities carried at amortised cost R'000	Non-financial liabilities or financial assets R'000	Equity R'000	Total R'000
2011						
Assets						
Cash	–	–	–	131 231	–	131 231
Tax assets	–	–	–	11 589	–	11 589
Trade and other receivables	–	21 741	–	63 797	–	85 538
Inventories	–	–	–	131 822	–	131 822
Loans and advances	–	2 632 864	–	–	–	2 632 864
Deferred tax assets	–	–	–	14 966	–	14 966
Other investments	6 488	–	–	–	–	6 488
Intangible assets	–	–	–	28 680	–	28 680
Property, plant and equipment	–	–	–	30 244	–	30 244
Goodwill	–	–	–	446 912	–	446 912
Total assets	6 488	2 654 605	–	859 241	–	3 520 334
Liabilities						
Bank overdrafts	–	–	–	24	–	24
Tax liabilities	–	–	–	10 853	–	10 853
Trade and other payables	–	–	127 840	–	–	127 840
Deferred tax liabilities	–	–	–	5 603	–	5 603
Interest-bearing liabilities	–	–	3 017 026	–	–	3 017 026
Total liabilities	–	–	3 144 866	16 480	–	3 161 346
Equity						
Ordinary share capital	–	–	–	–	8	8
Share premium	–	–	–	–	274 997	274 997
Retained earnings	–	–	–	–	84 890	84 890
Equity attributable to ordinary equity holders of the parent	–	–	–	–	359 895	359 895
Non-controlling interest	–	–	–	–	(907)	(907)
Total equity	–	–	–	–	358 988	358 988
Total equity and liabilities	–	–	3 144 866	16 480	358 988	3 520 334

1. *This disclosure was not required for the year ended 30 September 2010.*

25. FINANCIAL RISK MANAGEMENT (continued)

25.7 Categorisation – Statement of comprehensive income (continued[1])

	Held for trading R'000	Loans and receivables R'000	Financial liabilities carried at amortised cost R'000	Non-financial liabilities or financial assets R'000	Total R'000
2012					
Interest income	**–**	**1 149 102**	**–**	**–**	**1 149 102**
Interest expense	**–**	**–**	**(347 143)**	**–**	**(347 143)**
Loan fee income	**–**	**217 757**	**–**	**–**	**217 757**
Loan fee expense	**–**	**(114 490)**	**(2 365)**	**–**	**(116 855)**
Dividend income	**107 703**	**–**	**–**	**–**	**107 703**
Dividend paid	**–**	**–**	**–**	**(22 556)**	**(22 556)**
Net impairment	**–**	**(493 196)**	**–**	**–**	**(493 196)**
Profit for the year	**107 703**	**759 173**	**(349 508)**	**(22 556)**	**494 812**
2011					
Interest income	–	797 578	–	–	797 578
Interest expense	–	–	(298 337)	–	(298 337)
Loan fee income	–	189 381	–	–	189 381
Loan fee expense	–	(107 743)	(1 948)	–	(109 691)
Dividend income	76 081	–	–	–	76 081
Dividend paid	–	–	–	(71 564)	(71 564)
Net impairment	–	(322 853)	–	–	(322 853)
Profit for the year	76 081	556 363	(300 285)	(71 564)	260 595

1. *This disclosure was not required for the year ended 30 September 2010.*

	2012 R'000	2011 R'000	2010 R'000
26. RELATED PARTIES			
Subsidiaries			
Details of share ownership and loan balances are disclosed in note 26.			
The following fees were paid to (fellow) subsidiaries of Transaction Capital Limited:			
PIC Solutions (Proprietary) Limited	**9 356**	8 006	909
MBD Credit Solutions (Proprietary) Limited	**1 833**	774	177
	11 189	8 780	1 086
The following income was received from subsidiaries:			
Interest			
– Bayport Securitisation (RF) Limited	**47 654**	32 395	–
– M-Stores (Proprietary) Limited	**1 730**	3 411	16
	49 384	35 806	16
Fees			
– Bayport Securitisation (RF) Limited	**399 852**	210 621	32 122
– BayMobile (Proprietary) Limited	**207**	60	–
	400 059	210 681	32 122
Remuneration of executive directors of the company and other key management:			
Short-term benefits	**27 686**	16 200	1 576
Other long-term benefits	**–**	2 200	3 300
	27 686	18 400	4 876

Refer note 26 for details of loan balances held with subsidiary companies.

		Issued share capital			Effective percentage held			Investment (at cost less			Loans to/ (from)			Profit		
		2012 R'000	2011 R'000	2010 R'000	2012 %	2011 %	2010 %	2012 R'000	2011 R'000	2010 R'000	2012 R'000	2011 R'000	2010 R'000	2012 R'000	2011 R'000	2010 R'000
BayMobile (Pty) Ltd*	T	100	100	100	80	80	80	–	–	–	2 524	4 062	771	823	1 785	(774)
Bayport Securitisation (RF) Ltd *	T	500	400	400	0	0	0	65 877	65 877	65 877	977 086	420 695	281 704	113 323	106 641	92 842
M Stores (Pty) Ltd*	T	100	100	100	90	90	90	610	610	610	39 065	34 347	31 618	(1 698)	(12 642)	(2 087)
Zenthyme Investments (Pty) Ltd#	I	100	100	100	0	0	0	10 799	10 799	10 799	(91 588)	–	–	107 703	73 935	27 286
								77 286	77 286	77 286	927 087	459 104	314 093	220 151	169 719	117 267

* *Directly held*

Consolidated special purpose entity

T *Trading company*

I *Investment holding company*

	2012 R'000	2011 R'000	2010 R'000
27. EARNINGS PER SHARE			
Basic earnings per share			
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:			
Profit for the year attributable to ordinary equity holders	**191 367**	133 629	42 717
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**11 298**	7 711	7 414
Diluted earnings per share			
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:			
Profit for the year attributable to ordinary equity holders	**191 367**	133 629	42 717
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**11 298**	7 711	7 414
Headline earnings per share			
The earnings and weighted average number of ordinary shares used in the calculation of headline earnings per share are as follows:			
Profit for the year attributable to ordinary equity holders	**191 367**	133 629	42 717
Impairment of goodwill	**1 352**	1 525	–
Earnings used in the calculation of headline earnings per share	**192 719**	135 154	42 717
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**11 298**	7 711	7 414

28. SEGMENTAL REPORTING

An operating segment is a component of an entity:

- 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 same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker 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 does not have components which meet the above definition as the operations are managed and reported on in their entirety. Segmental information has therefore not been provided.

29. EVENTS AFTER THE REPORTING PERIOD

No material events took place subsequent to year-end.

Section 8.11 information. – 30 September 2012

(a) There has been no major change in the nature of property, plant and equipment and in the policies regarding the use thereof.

(b) **Details of intercompany loans within BFS Group**

Loan owing to	Loan owing by	Sept 2010	Sept 2011	Sept 2012	
Bayport financial services 2010	TC Treasury	–	–	2 405	Interest free
Bayport financial services 2010	Zenthyme	–	–	–	Rate agreed from time to time
Bayport financial services 2010	M-Stores	25 000	25 000	25 000	JIBAR plus 675 bps
Bayport financial services 2010	M-Stores	6 618	9 348	14 065	Interest free
Bayport financial services 2010	Baymobile	771	4 057	2 524	Rate agreed from time to time
Bayport financial services 2010	Bayport Financial Services	–	–	–	Rate agreed from time to time
Bayport financial services 2010	Bayport securitisation	199 000	199 000	199 000	Junior debentures – off icial rate
Bayport financial services 2010	Bayport securitisation	82 704	221 695	778 086	6.5% pa
TC Treasury	Bayport financial services 2010	–	15 013	61 709	Prime to Jibar plus 800bps
TC Treasury	Bayport financial services 2010	–	–	–	Mezzanine – prime plus 3.5pbs
TC Limited	Bayport financial services 2010	173 128	270 303	–	
Ellehove	Bayport financial services 2010	–	–	407 352	Prime to Jibar plus 800bps
Ellehove	Bayport financial services 2010	–	–	–	Mezzanine – prime plus 3.5pbs
Zenthyme	Bayport financial services 2010	–	–	91 588	
Bayport Financial Services	Bayport financial services 2010	218 451	243 273	–	
Bayport securitisation	Bayport financial services 2010	–	–	–	

(c) As at 30 September 2012, neither BFS Group nor any of its subsidiaries had extended any loans to or provided any security for the benefit of any director or manager, or any associate of any director or manager.

(d) Material borrowings at 30 September 2012 are disclosed in note 11 in the annual audited financial information included under Annexure 3 of this Circular.

(e) Shareholder loans were converted to share capital in proportion to shareholdings by the issue of 7 000 000 shares of no par value in February 2012 and May 2012.

(f) BFS does not have a share incentive scheme at 30 September 2013.

(g) Please refer to note 26 in the annual audited financial information included under Annexure 3 of this Circular for the related party information relating to 30 September 2012.

(h) The annual breakdown of BFS profit per subsidiary for the years ended 30 September 2010, 2011 and 2012 was as follows:

	September 2012 R'000	September 2011 R'000	September 2010 R'000
Profit after tax			
BFS 2010	12 776	17 009	(10 323)
BaySec	113 323	106 641	41 483
Zenthyme	107 703	73 935	11 081
M-Stores	(1 698)	(12 642)	(774)
BayMobile	823	1 785	(3 415)
Group adjustments	(41 466)	(54 007)	(4 664)
BFS 2010 Group	**191 362**	**132 722**	**42 717**

(i) Executive Directors Remuneration for the year ended 30 September 2012.

	Guaranteed pay R'000	Annual incentive R'000	Total R'000
S Stone	3 162	2 801	5 963
L de Villiers	2 250	2 250	4 500
M Freeman	2 695	1 217	3 912
I Wood	2 200	2 200	4 400
S Williamson	1 837	1 837	3 673
E Shapiro	1 700	1 204	2 904
L Coetzer	583	583	1 167
M Crease	792	375	1 167
	15 219	12 467	27 686

Non-executive directors

Mark Lamberti, David Hurwitz, Jonathan Jawno, Micheal Mendolwitz, Roberto Rossi are employees of Transaction Capital and do not receive remuneration directly attributable to their non-executive directorships in Bayport Financial Services 2010 Proprietary Limited.

(j) The NAV per share and TNAV per share is disclosed in the annual audited financial information above.

(k) The EPS, diluted EPS and HEPS is disclosed in the annual audited financial information above.

(l) There have been no material changes in the nature of the business of BFS and its subsidiaries.

(m) Except for the Paycorp Disposal disclosed within Annexure 1, no material fact or circumstance has occurred between the end of the latest financial year of BFS Group and the date of the Circular, which has not been included in the report of historical financial information.

Business overview

Bayport is a provider of unsecured credit and related products, including cellular subscription agreements, to the historically under-served emerging middle-income consumer segment which comprises low to middle income individuals and households in South Africa. Bayport provides consumers with personalised and direct access to credit by originating retail loans through a wide distribution network of 1 952 mobile, commission-earning and independent agents; operating out of 57 branches backed by call centre agents in three call centres and 33 kiosks placed in the SA Post Office branches, all as at 31 March 2012. Bayport utilises an established business process platform and has considerable risk management, credit assessment and debt collection capabilities. Credit granting, administration and collections are carried out from a central office in Rivonia, Johannesburg. Interest rates on loans are fixed at the date of origination based on the maximum allowed rate under the NCA with non-interest revenue comprising fees, insurance income and merchandise sales. Cellular subscription agreements contribute to earnings through upfront retail margin earned on the sale of handsets and income from the sale of airtime earned over 24 months. Bayport obtains its funding primarily from Bayport Securitisation ("BaySec") which offers a SARB approved JSE listed asset backed note programme.

Bayport owns the majority share in M-Stores which is a small retailer of footwear and apparel operating at over 60 mines within South Africa and which provides 30-day credit to its customers. M-Stores contributes an immaterial amount to Bayport earnings. Bayport had gross loans and advances of R5.4 billion at 31 March 2013.

Analysis of results

The values above reflect the period since Bayport was acquired by Transaction capital effective 1 February 2010, therefore eight months of financial year 2010, 12 months of financial year 2011, 12 months of financial year 2012.

Financial year 2012 overview

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 a strategic imperative to grow the book through a proven customer base with a solid payment history, thereby reducing level of credit risk assumed. The shift to larger, longer term loans increased the average loan size at origination by 13.0% to R13 412; and the average term by 25.7% or 9 months to 44 months.

Net interest income grew 54.4% to R809 million and the net interest margin improved by 1.0% 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, a change in the write-off policy (resulting in non-performing loans remaining longer on book), protracted legal processes; and the fair value (R21 million) of the previously written off book being recognised for the first time on the balance sheet. Non-performing loan coverage increased from 53.1% to 54.3% while the credit loss ratio remained constant at 13.0%.

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 driven by 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 comprise:

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.

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. Equity levels continued to increase improving from 24.2% as at 30 September 2011 to 40.4% 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 subordinated notes issued during the 2012 year.

Financial year 2011 overview

Profit before tax increased by R66 million or 51% to R195 million between financial year 2011 and the eight months since Bayport's inclusion in Transaction Capital of financial year 2010.

Bayport registered steady progress in its first full year as part of the Group. Bayport continued to strengthen its human resources with the restructuring of the executive committee including the appointment of Ian Wood as Chief Risk Officer in September 2011 and the addition of Edwin Shapiro, previously the Commercial Executive at Transaction Capital, to the Bayport management team as Commercial Director. The strengthening of the executive team was a precursor to the implementation of improved business practices that included the refinement of collections strategies, the continued use of PIC Solutions to assist in better analysing and predicting the performance of the book, and the closer monitoring and management of compliance. During the period, market demand for unsecured credit remained robust while credit and advances at Bayport were carefully controlled through biasing the value mix of advances towards existing proven clients and away from new clients.

Total income increased 82% with a significant contribution from interest income which increased 93% as loans and advances grew by 51%. The increases in total income and interest and other similar income are due to the inclusion of 12 months for financial year 2011 and eight months for financial year 2010 as well as growth in loans and advances.

Financial year 2010 overview

Profit before tax was R129 million for the eight months to 30 September 2010.

With effect from 1 February 2010, Transaction Capital acquired 82.65% of Bayport based on an enterprise value of R650 million including a warranty amount payable on the achievement of certain profit targets over financial years 2010 and 2011. As a result, R181 million, representing the net present value of Transaction Capital's share of the warranty payment, was reflected in interest bearing liabilities at 30 September 2010. Goodwill of R405 million was recognised on acquisition at a consolidated Transaction Capital level. The initial purchase price comprised R193 million in cash and R138 million in Transaction Capital ordinary shares. Transaction Capital has an option to acquire the remaining 17% minority at fair market value during the financial year ending 30 September 2014. By 30 September 2010, Bayport was fully integrated into Transaction Capital. This acquisition substantially improved the balance and growth potential of the Group and contributed R129 million to Group profit before tax for financial year 2010.

The first half of financial year 2010 was characterised by modest levels of disbursements following which a detailed analysis of risk and profitability across Bayport's portfolio was concluded, resulting in a revised client value proposition being introduced in May 2010. This new offering was well received by the market and levels of disbursements increased immediately. On an annual basis, disbursements increased 58% to R1 325 million with allied increases in the average loan value and loan term at time of origination on unsecured personal loans.

The company's profit growth occurred as a result of significant growth in loans and advances, despite being in a declining interest rate environment. The introduction of new debt investors, the achievement of an A– GCR credit rating for the senior debt issued by BaySec and the growth in gross loans and advances to R2 billion at 30 September 2010, entrenched Bayport among South Africa's largest non-bank unsecured personal loan lenders.

During the year BFS Group made significant investments in talent and systems to facilitate the company's continued migration from a small entrepreneurial business to a sophisticated corporate entity. Systems development during financial year 2010 included the integration of the legal debtors management system with the proprietary system used to manage active accounts and further improvements to that system. The investment in human capital and systems was required given the high rate of growth of the business.

INTERIM FINANCIAL INFORMATION OF THE BFS GROUP INCORPORATING ZENTHYME

The directors of BFS are responsible for the preparation of the consolidated financial information contained in this Annexure.

BFS Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2013

	Reviewed 31 March 2013 R'000	Unaudited 31 March 2012 R'000
Assets		
Group loans	–	20
Cash and cash equivalents	**553 445**	230 171
Tax receivables	**53 684**	16 527
Trade and other receivables	**112 944**	96 023
Inventories	**137 126**	143 806
Loans and advances	**4 386 185**	3 273 591
Other investments	**10**	27 646
Intangible assets	**14 145**	22 629
Property and equipment	**45 988**	39 346
Goodwill	**445 560**	446 912
Deferred tax assets	**11 947**	9 728
Total assets	**5 761 034**	**4 306 399**
Liabilities		
Group loans	**216 838**	473 186
Bank overdrafts	–	2
Tax payables	**24**	17 008
Trade and other payables	**207 322**	195 887
Interest-bearing liabilities – *refer to note 1*	**4 152 519**	2 962 545
Deferred tax liabilities	**39 993**	11 191
Total liabilities	**4 616 696**	**3 659 819**
Equity		
Ordinary share capital and premium – *refer to note 1*	**790 491**	450 005
Retained earnings	**354 262**	137 710
Equity attributable to ordinary equity holders of the parent	**1 144 753**	587 715
Non-controlling interests – *refer to note 1*	**(415)**	58 865
Total equity	**1 144 338**	**646 580**
Total equity and liabilities	**5 761 034**	**4 306 399**
Net asset value per share		
Number of shares ('000)	**15 000**	10 000
Net asset value per share (cents)	**7 628.9**	6 465.8
Tangible net asset value per share (cents)	**4 564.2**	1 770.4

	31 March 2013	31 March 2012
Note 1:		
Included in non-controlling interest figure is the loan from NCI of:	**518**	59 592
The loans at 31 March 2012 were proportionally converted into share capital.		
In the financial statements of BFS2010 Group, these figures are included in interest-bearing liabilities, and thus have been excluded from the NCI figure in the statement of changes in equity	**(933)**	(727)

BFS Group
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 March 2013

	Reviewed 31 March 2013 R'000	Unaudited 31 March 2012 R'000
Interest and other similar income	**735 220**	523 519
Interest and other similar expense	**(196 568)**	(174 557)
Net interest income	**538 652**	348 962
Impairment of loans and advances	**(438 287)**	(215 195)
Risk adjusted net interest income	**100 365**	133 767
Non-interest revenue	**472 800**	336 720
Direct costs	**(229 945)**	(153 740)
Non-interest gross profit	**242 855**	182 980
Indirect costs	**(242 223)**	(226 139)
Profit before tax	**100 997**	90 608
Income tax expense	**(456)**	(15 052)
Profit for the period	**100 541**	75 556
Other comprehensive income		
Movement in cash flow hedging reserve	**–**	–
Total comprehensive income for the period	**100 541**	75 556
Profit for the year attributable to:		
Ordinary equity holders of the parent	**100 561**	75 376
Non-controlling interests	**(20)**	180
	100 541	75 556
Total comprehensive income attributable to:		
Ordinary equity holders of the parent	**100 561**	75 376
Non-controlling interests	**(20)**	180
	100 541	75 556
Earnings per share		
Basic (cents)	**689.8**	905.7
Diluted basic (cents)	**689.8**	905.7
Headline (cents)	**689.8**	905.7
Diluted headline (cents)	**689.8**	905.7
Weighted average number of shares in issue ('000)	**14 575**	8 322
Headline earnings are determined as follows:		
Profit attributable to ordinary equity holders	**100 541**	75 376
Adjustments for:		
Loss on disposal of tangible assets	**–**	–
Impairment of assets	**–**	–
Loss/(profit) on disposal of associate	**–**	–
Loss/(profit) on disposal of business	**–**	–
Capital loss on discontinued operations	**–**	–
Headline earnings	**100 541**	75 376

BFS Group
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 March 2013

	Number of ordinary shares '000	Share capital and share premium R'000	Cash flow hedging reserve R'000	Retained earnings R'000	Ordinary equity holders of the parent R'000	Non-controlling interests R'000	Total equity R'000
Audited balance at 30 September 2011	8 000	275 005	–	84 890	359 895	(907)	358 988
Total comprehensive income				75 376	75 376	180	75 556
Profit for the period			–	75 376	75 376	180	75 556
Other comprehensive income			–	–	–	–	–
Dividends paid				(22 556)	(22 556)	–	(22 556)
Issue of shares	2 000	175 000			175 000	–	175 000
Unaudited balance at 31 March 2012	10 000	450 005		137 710	587 715	(727)	586 988
Audited balance at 30 September 2012	15 000	790 491	–	253 701	1 044 192	(912)	1 043 280
Total comprehensive income			–	100 561	100 561	(20)	107 592
Profit for the period			–	100 561	100 561	(20)	107 592
Other comprehensive income			–	–	–	–	–
Reviewed balance at 31 March 2013	**15 000**	**790 491**	**–**	**354 262**	**1 144 753**	**(932)**	**1 144 753**

BFS Group
CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 31 March 2013

	Reviewed 31 March 2013 R'000	Unaudited 31 March 2012 R'000
Cash flow from operating activities		
Cash generated from operations	**532 537**	321 783
Income taxes paid	**(23 613)**	(3 008)
Dividend paid	**–**	(22 556)
Cash flow from operating activities before changes in operating assets and liabilities	**508 924**	296 219
Increase in operating assets and liabilities	**(218 675)**	(377 626)
Loans and advances	**(903 448)**	(855 923)
Net proceeds from interest-bearing liabilities	**684 774**	478 297
Decrease/(increase) in working capital	**8 076**	45 595
Inventories	**35 256**	(11 984)
Trade and other receivables	**(17 072)**	(10 504)
Trade and other payables	**10 108**	68 083
Net cash generated/(utilised) by operating activities	**298 325**	(35 811)
Cash flow from investing activities		
Net acquisition of PPE and intangibles	**(14 828)**	(19 077)
Increase in unlisted investments	**–**	(21 148)
Net cash utilised by investing activities	**(14 828)**	(40 225)
Cash flow from financing activities		
Issue of shares for cash	**–**	175 000
Net cash raised by financing activities	**–**	175 000
Net increase in cash and cash equivalents	**283 497**	98 964
Cash and cash equivalents at the beginning of the period	**269 948**	131 207
Cash and cash equivalents for the six months ended 31 March	**553 445**	230 171

BASIS FOR PREPARATION

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the AC 500 Standards, the JSE Limited Listings Requirements, the going-concern principle and the requirements of the South African Companies Act, 71 of 2008. The abridged financial statements are presented in accordance with IAS 34 and the Listings Requirements.

The accounting policies and their application are consistent, in all material respects, with those detailed in Transaction Capital's prior year annual financial statements, except for the adoption on 1 October 2012 of new and amended statements and interpretations of International Financial Reporting Standards with effective dates beginning on or after 1 October 2012.

The adoption of the new and amended statements of International Financial Reporting Standards, interpretations of statements of International Financial Reporting Standards had no material effect on the group's financial results.

These condensed financial results have been prepared under the supervision of the chief financial officer of BFS Group.

SUBSEQUENT EVENTS

No events have taken place between 31 March 2013 and the date of the release of this report, which would have a material impact on either the financial position or operating results of the group.

SEGMENTAL REPORTING

An operating segment is a component of an entity:

- 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 same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision-maker 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 does not have components which meet the above definition as the operations are managed and reported on in their entirety. Segmental information has therefore not been provided.

Section 8.11 information – 31 March 2013

(a) There has been no major change in the nature of property, plant and equipment and any change in the policy regarding the use thereof.

(b) Details of inter-company loans within BFS Group

Loan owing to	Loan owing by	March 2012 R'000	March 2013 R'000	
Bayport financial services 2010	TC Treasury	2 405	2 405	Interest free
Bayport financial services 2010	Zenthyme	38	–	Rate agreed from time to time
Bayport financial services 2010	M-Stores	25 000	25 000	JIBAR plus 675 bps
Bayport financial services 2010	M-Stores	11 069	18 896	Interest free
Bayport financial services 2010	Baymobile	6 720	5	Rate agreed from time to time
Bayport financial services 2010	Bayport Financial Services	20	–	Rate agreed from time to time
Bayport financial services 2010	Bayport securitisation	199 000	199 000	Junior debentures – official rate
Bayport financial services 2010	Bayport securitisation	324 998	657 961	6.5%pa
TC Treasury	Bayport financial services 2010	473 186	–	Prime to Jibar plus 800bps
TC Treasury	Bayport financial services 2010	–	151 282	Mezzanine – prime plus 3.5pbs
TC Limited	Bayport financial services 2010	–	–	
Ellehove	Bayport financial services 2010	–	–	Prime to Jibar plus 800bps
Ellehove	Bayport financial services 2010	–	65 556	Mezzanine – prime plus 3.5pbs
Zenthyme	Bayport financial services 2010	–	197 186	
Bayport Financial Services	Bayport financial services 2010	–	–	
Bayport securitisation	Bayport financial services 2010	–	–	

c) As at 31 March 2013, Bayport nor any of its subsidiaries has extended any loans to or provided any security for the benefit of any director or manger, or any associate of any director or manager.

d) Details of all material borrowings within the Bayport Group as at 31 March 2013

Sec/Loan	Rank	Prolife	Rate name	Min margin	Max margin	Min maturity	Max maturity	Balance
	Junior Mezzanine	Bullet	Profit share	–	–	2017/01/03	2017/01/03	120 000 000.00
	Mezzanine	Amortising	Fixed rate	–	–	2016/03/31	2017/03/31	99 722 999.00
		Bullet	3 month JIBAR	750.00	800.00	2019/07/01	2020/09/30	150 000 000.00
			Fixed rate	–	–	2017/01/03	2017/01/03	55 000 000.00
Securitisation	Senior	Amortising	3 month JIBAR	350.00	500.00	2014/09/30	2017/06/30	1 204 071 481.00
			Fixed rate	–	–	2015/09/30	2018/04/03	988 244 360.00
		Bullet	3 month JIBAR	165.00	475.00	2013/04/02	2018/12/31	600 000 000.00
			Fixed rate	–	–	2017/06/30	2018/01/02	330 000 000.00
	Senior warehousing	Conversion	Prime	32.00	32.00	2013/04/02	2013/04/02	253 576 917.58
	Other	(blank)	(blank)					(19 396 582.29)
	Securitisation total			**32.00**	**800.00**	**2013/04/02**	**2020/09/30**	**3 781 219 175.29**
Loan	Senior	Amortising	Prime	410.00	410.00	2013/07/01	2013/07/01	107 154 753.73
		Bullet	3-month JIBAR	775.00	800.00	2015/11/02	2019/08/15	250 000 000.00
	Other	(blank)	(blank)					27 033 433.25
Loan total				**410.00**	**800.00**	**2013/07/01**	**2019/08/15**	**384 188 186.98**
Grand total				**32.00**	**800.00**	**2013/04/02**	**2020/09/30**	**4 165 407 362.27**

For information on material borrowings at 30 September 2012 please refer to note 12 in the annual audited financial information include under Annexure 7.

(e) The Bayport Financial Services shareholders reached agreements in February 2012 and May 2012 to convert certain shareholders loans into share capital in the same ratio as the original shareholdings splits, resulting in the issuance of 7 000 000 new shares at no par value.

(f) No Bayport Financial Services schemes exists at 30 September 2012 and 31 March 2013 involving its staff.

(g) Please refer to note 26 in the annual audited financial information include under annexure 3 for the information relating to 30 September 2012, the information at September 2012 remained unchanged at 31 March 2013 relating to issued share capital, effective percentage holding and investments at costs.

(h)

Breakdown of BFS Group profit for subsidiary	**March 2012 R'000**	**March 2013 R'000**
Profit after tax		
BFS 2010	(20 774)	(5 140)
BaySec	(52 581)	3 701
Zenthyme	43 712	98 737
M-Stores	336	(732)
BayMobile	731	266
Group adjustments	(1 030)	3 709
BFS Group	**75 556**	**100 541**

The group adjustments relate to the elimination of intergroup transactions.

(i) Executive Directors Remuneration for the six months ended 31 March 2013:

	Guaranteed pay R'000	**Annual incentive R'000**	**Total R'000**
S Stone	1 713	–	1 713
L de Villiers	1 590	–	1 590
M Freeman	1 314	–	1 314
I Wood	1 166	–	1 166
S Williamson	1 060	–	1 060
E Shapiro	884	–	884
L Coetzer	742	–	742
	8 469	**–**	**8 469**

Non-executive directors

Mark Lamberti, David Hurwitz, Jonathan Jawno, Micheal Mendolwitz, Roberto Rossi are employees of Transaction Capital and do not receive any remuneration directly attributable to their non-executive directorship positions within BFS.

(j) The NAV per share and TNAV per share is disclosed in the interim financial information above.

(k) The EPS, diluted EPS and HEPS is disclosed in the interim financial information above.

(l) There have been no material changes in the nature of the business of the BFS Group.

(m) Except for the Paycorp Disposal disclosed in Annexure 1, no material fact or circumstance has occurred between the end of the latest financial year of BFS and this date of the Circular, which has not been included in the interim financial information.

Business overview

Bayport is a provider of unsecured credit and related products, including cellular subscription agreements, to the historically under-served emerging middle-income consumer segment which comprises low to middle income individuals and households in South Africa. Bayport provides consumers with personalised and direct access to credit by originating retail loans through a wide distribution network of 1 952 mobile, commission-earning and independent agents; operating out of 57 branches backed by call centre agents in three call centres and 33 kiosks placed in the SA Post Office branches, all as at 31 March 2012. Bayport utilises an established business process platform and has considerable risk management, credit assessment and debt collection capabilities. Credit granting, administration and collections are carried out from a central office in Rivonia, Johannesburg. Interest rates on loans are fixed at the date of origination based on the maximum allowed rate under the NCA with non-interest revenue comprising fees, insurance income and merchandise sales. Cellular subscription agreements contribute to earnings through upfront retail margin earned on the sale of handsets and income from the sale of airtime earned over 24 months. Bayport obtains its funding primarily from Bayport Securitisation ("BaySec") which offers a SARB approved JSE-listed asset backed note programme.

Bayport owns the majority share in M-Stores which is a small retailer of footwear and apparel operating at over 60 mines within South Africa and which provides 30-day credit to its customers. M-Stores contributes an immaterial amount to Bayport earnings. Bayport had gross loans and advances of R5.4 billion at 31 March 2013.

Analysis of results

The values above reflect the period since Bayport was acquired by Transaction Capital effective 1 February 2010, therefore eight months of financial year 2010, 12 months of financial year 2011, 12 months of financial year 2012 and each of the six months to 31 March 2012 and 2013.

Overview for the six months ended 31 March 2013

Profit before tax increased by R10 million or 11% to R101 million when comparing the six months ended 31 March 2013 to the six months ended 31 March 2012. Bayport typically contributes 40% of its annual earnings in the first half of the financial year due to seasonality related to collections.

Bayport experienced strong collections performance and a relatively stable NPL ratio from March 2012 (28.2%) to December 2012 (29.9%). In anticipation of a more challenging consumer economy, credit criteria were further tightened and disbursement levels decreased through the first quarter of 2013. Concurrently the implementation of system improvements resulted in an initial slowdown in late stage collections. Together these developments resulted in an NPL ratio of 30.6% by 31 March 2013. This performance necessitated an increase of the NPL coverage ratio from 52% to 58.5%; the provision coverage from 14.7% to 17.9%; and credit losses from 12.6% to 14.2%.

The current state of consumer credit demands caution and Bayport will be conservative in targeting client and employer segments through its unique agent distribution model, while actively monitoring credit quality, loan size (average at origination: R14 866) and term (average at origination: 47 months).

Overview for the six months ended 31 March 2012

Profit before tax increased by R22 million or 29% to R90 million when comparing the six months ended 31 March 2012 to the six months ended 31 March 2011. Bayport typically contributes 40% of its annual earnings in the first half of the financial year due to seasonality related to collections.

The period was characterised by continued competition in the unsecured personal loans market that resulted in an increase in the average loan amount and an extension of loan term to improve affordability, in both the market and Bayport, as debt consolidation products became increasingly widespread. This activity and a slight decrease in cellular subscription agreement sales volumes reflected in an average origination loan amount of R13 667 and average origination term of 43 months for the six months ended 31 March 2012. The business continued to reflect a stable credit loss ratio of 13% with non-performing loan coverage decreasing slightly to 54% as a result of an increase in non-performing loans to 28% of gross loans and advances at 31 March 2012.

During the period, in order to align the business with market norms Bayport made two adjustments to its business model. Firstly, to allow for protracted legal collections which may take more than 12 months, Bayport delayed the write off of certain accounts while providing fully for these accounts. Secondly, Bayport recognised the value of accounts already written off at a very conservative value based on the discounted value of the predictable cash flows produced by this asset.

Bayport continued to see strong demand for its JSE-listed asset backed notes under the Bayport Securitisation Programme with R530 million of amortising notes issued during the six months ended 31 March 2012.

Bayport continued its programme of investment into infrastructure and human capital with the strengthening of the executive team through the appointment of Len de Villiers as Chief Information Officer and a new Human Capital Executive.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE BFS GROUP INCORPORATING ZENTHYME

"The Directors
Transaction Capital Limited
Sandhavon Office Park
14 Pongola Crescent
Eastgate Extension 17
Sandton

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION INCLUDED IN THE CIRCULAR

Introduction

We have audited the historical consolidated financial information of Bayport Financial Services 2010 Proprietary Limited and its subsidiaries ("the Group") in respect of the years ended 30 September 2012, 30 September 2011 and 30 September 2010 set out in Annexure 3 of the Circular and we have reviewed the interim financial information in respect of the six months ended 31 March 2013 set out in Annexure 4 of the Circular.

The historical financial information in respect of each annual period comprises the consolidated statement of financial position as at the year-end date, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

The interim financial information comprises the condensed consolidated statement of financial position as at the interim date and the condensed consolidated income statement, statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and selected explanatory notes for the six months then ended.

Directors' responsibility for the historical and interim financial information

The Group's directors are responsible for the preparation and fair presentation of the historical financial information in accordance with the requirements of the JSE Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of historical financial information that is free from material misstatement, whether due to fraud or error.

The JSE Listings Requirements require the historical financial information in respect of each annual period to be prepared in accordance with the conceptual framework, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and also, as a minimum, to be presented and contain the disclosures required by the JSE Listings Requirements.

The JSE Listings Requirements require the interim financial information to be prepared in accordance with International Financial Reporting Standard (IAS 34: Interim Financial Reporting), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and to contain the disclosures required by the JSE Listings Requirements.

Auditors' responsibility

Our responsibility is to express an opinion or conclusion on the historical financial information based on our audit or review.

We conducted our audit of the historical financial information in accordance with International Standards on Auditing (ISAs) and the review of the interim financial information was conducted in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Both standards require that we comply with ethical requirements.

We plan and perform the audit to obtain reasonable assurance about whether the historical financial information is 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 historical financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the historical financial information 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 Group'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 historical financial information.

ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial information is not prepared in all material respects in accordance with the applicable financial reporting framework. A review of interim financial statements in accordance with this standard consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the ISAs and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We believe that the evidence we have obtained in our audit or review is sufficient and appropriate to provide a basis for our opinion or conclusion respectively.

Opinion

In our opinion, the historical financial information in respect of the years ended 30 September 2012, 30 September 2011 and 30 September 2010 is prepared, in all material respects, in accordance with the requirements of the JSE Listings Requirements, as set out in the notes to the historical financial information.

Based on our review of the interim financial information in respect of the six months ended 31 March 2013, nothing has come to our attention that causes us to believe that the interim financial information for the six months ended 31 March 2013 is not prepared, in all material respects, in accordance with the requirements of the JSE Listings Requirements, as set out in the notes to the interim financial information.

Other information in the Circular

As required by paragraph 8.53 of the JSE Listings Requirements, we have read the Circular in which the historical financial information is contained, for the purpose of identifying whether there are material inconsistencies between the Circular and the historical financial information which has been subject to audit or review. The Circular is the responsibility of the directors. Based on reading the Circular we have not identified material inconsistencies between this report and the historical financial information which has been subject to audit or review. However, we have not audited the Circular and accordingly do not express an opinion on it.

Consent

We consent to the inclusion of this report, which will form part of the Circular to the shareholders of Transaction Capital Limited, to be issued on or about 14 November 2013, in the form and context in which it appears.

Deloitte & Touche
Registered Auditor

Per: **Lito Nunes**
Partner

11 November 2013

Deloitte & Touche
Private Bag X6
Gallo Manor
2052

National Executive: (LL Bam Chief Executive) AE Swiegers (Chief Operating Officer) GM Pinnock (Audit)
DL Kennedy (Risk Advisory) NB Kader (Tax) TP Pillay (Consulting) K Black (Clients and Industries)
JK Mazzocco (Talent & Transformation) CR Beukman (Finance) M Jordan (Strategy) S Gwala (Special Projects)
TJ Brown (Chairman of the Board) MJ Comber (Deputy Chairman of the Board)

A full list of partners and directors is available on request.
B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code.
Member of Deloitte Touche Tohmatsu Limited."

INDEPENDENT FAIRNESS OPINION OF THE INDEPENDENT PROFESSIONAL EXPERT

The Directors
Transaction Capital Limited
Sandhavon Office Park
141414 Pongola Crescent
Eastgate Extension 17
2199
South Africa

11 November 2013

Dear Sirs

Fairness opinion on the proposed disposal of Bayport Financial Services 2010 Proprietary Limited ("BFS2010") and Zenthyme Investments Proprietary Limited ("Zenthyme") (collectively "BFS") to Bayport Management Limited ("BML") by Transaction Capital Limited ("Transaction Capital")

Introduction

We have agreed to provide a fairness opinion with regard to the following:

- the agreement entered into between Transaction Capital, BFS and BML on 22 October 2013 ("the Agreement") in terms of which, *inter alia*, BFS2010 and Zenthyme will become wholly-owned subsidiaries of BML; as well as
- the sale of shares agreement entered into between the trustees for the time being of the Stuart Stone Family Trust ("Stone Family Trust"), G C Kurland ("Kurland"), M Z Freeman, J Chola ("Chola"), S Govender (collectively, "the Minorities"), Transaction Capital, BFS2010 and Zenthyme on 22 October 2013 ("the Minority Buy-Out Agreement") in terms of which Transaction Capital will acquire all shares in BFS held by the Minorities, such that pursuant thereto, Transaction Capital will be the sole shareholder of BFS,

(collectively, "the Proposed Transaction").

The Minority Buy-Out Agreement and the Agreement are conditional on one another and are accordingly indivisibly linked.

Our opinion on the Proposed Transaction is required in terms of section 10.4(f) of the JSE Limited ("JSE") Listings Requirements ("the Listings Requirements"), as the Proposed Transaction constitutes a related party transaction in that:

- Messrs Jawno, Mendelowitz and Rossi are directors of Transaction Capital and BFS2010. Messrs Jawno, Mendelowitz and Rossi are also contingent discretionary beneficiaries of the Kimberly Investment Trust, Rutland Trust and the Sugar Tube Trust, respectively. Each trust holds 14.11% of the issued ordinary shares in Transaction Capital and is accordingly a material shareholder of Transaction Capital;
- Mr Jawno is also a director of BML;
- Messrs Jawno, Mendelowitz and Rossi are also contingent discretionary beneficiaries of certain other trusts which hold an indirect interests in BML. Accordingly, Messrs Jawno, Mendelowitz and Rossi also have contingent indirect interests in BML;
- Mr Stone, who is a director of BFS2010, Zenthyme and BML, is also a contingent discretionary beneficiary of the Stone Family Trust, which trust holds a 1.20% interest in Transaction Capital and has a contingent indirect interest in BML. Mr Stone is also a vendor in the Minority Buy-Out Agreement;
- Kurland, who is a director of BFS2010 and BML, holds a 1.15% interest in Transaction Capital and has a contingent indirect interest in BML. Kurland is also a vendor in the Minority Buy-Out Agreement; and
- Chola, who is a director of BFS and BML, holds a 0.04% interest in Transaction Capital and is a shareholder in BML. Chola is also a vendor in the Minority Buy-Out Agreement.

Full details of the Proposed Transaction are set out in the Circular to be issued to Transaction Capital shareholders on or about 14 November 2013 ("the Circular"). Terms defined in the Circular have, unless the context requires otherwise, the same meanings in this report as given to them elsewhere in the Circular.

Responsibility

The Circular and compliance with the Listings Requirements is the responsibility of the directors of Transaction Capital. Our responsibility is to report on the fairness of the terms and conditions of the Proposed Transaction.

Meaning of fairness

Fairness is primarily based on quantitative issues. For illustrative purposes, in the case of a disposal of shares, such disposal may be said to be fair if the consideration received is equal to or more than the value of the shares.

In preparing our opinion we have applied the aforementioned principle.

Sources of information

We have relied on information from the following sources in arriving at our opinion:

- the historic financial information and performance of BFS, being the audited annual financial statements for the financial years ended 30 September 2011 and 2012 and the unaudited management accounts for the 11 month financial period ended 31 August 2013 ("the Historic Financial Information");
- information and assumptions made available by and discussions held with the directors and senior management of BFS and Transaction Capital;
- the forecast financial information of BFS for the 5 year financial periods ending 30 September 2014 to 2018 as prepared by management of BFS ("the Forecasts");
- the historic share price of Transaction Capital on the JSE;
- the Circular;
- the Minority Buy-Out Agreement and the Agreement;
- the management representation letter issued to us in terms of the fairness opinion;
- the terms and conditions of and rationale for the Proposed Transaction; and,
- prevailing economic and market conditions in the industry.

Where practical, we have corroborated the reasonability of the information provided to us for the purposes of our opinion, including publicly available information, whether in writing or obtained in discussion with the directors of BFS and Transaction Capital. Where possible, such information has been substantiated by reference to supporting documentation and other corroborating evidence. Whilst our work has involved an analysis of the financial information, as provided to us, our engagement does not constitute, nor does it include an audit or review in accordance with International Standards on Auditing. We have not and we do not assume responsibility or liability for such information.

Scope and factors considered

In assessing the fairness of the Proposed Transaction we have:

- Reviewed the Historic Financial Information.
- Reviewed the terms and conditions of the Proposed Transaction as detailed in the Circular and in the Minority Buy-Out Agreement and the Agreement.
- Considered the rationale for the Proposed Transaction as detailed in the Circular.
- Reviewed the *pro forma* financial effects relating to the Proposed Transaction as detailed in the Circular.
- Considered that the terms and conditions relating to the consideration to be received by the Minorities in terms of the Minority Buy-Out Agreement is in accordance with the terms and conditions relating to the consideration to be received by Transaction Capital as per the Agreement.
- Reviewed the Forecasts and obtained an understanding of the basis on which the Forecasts were prepared. Reviewed the assumptions applied in the Forecasts for reasonableness through discussions with directors and senior management of BFS as well as through comparison with the Historical Financial Information. Checked the arithmetical accuracy of the Forecasts.
- Performed an independent valuation of the ordinary shares of BFS. The valuation was performed using discounted free cash flow ("DCF") methodology whereby a suitable discount rate is applied to the free cash flows of BFS to determine the value of the ordinary shares of BFS.
- Key assumptions applied in performing the valuation were as follows:

- the discount rate used was 20.5%; and
- long-term growth of 7% per annum.

- Key internal value drivers included in the Forecasts were:
  - the net interest margin achieved – this is a function of the difference between the rate at which interest is earned on loans advanced to clients by BFS and the company's cost of funding. Movements in these rates would have obvious positive or negative effects on the company's profitability depending on the direction of movement;
  - the gross loans and advances to interest bearing liabilities ratio – an increase in this ratio will be earnings enhancing for BFS, and *vice versa;*
  - the provision for non-recoverable loans and advances – an increase in this provision will cause earnings to decline in BFS, and *vice versa;*
  - the direct and indirect expenses to total income ratio; as well as
  - the established nature of BFS and expected future growth of the business.
- Key external value drivers which were also considered in assessing the forecast cash flows and risk profile of BFS were:
  - interest rates;
  - forecast gross domestic product growth rates in South Africa;
  - current and forecast consumer price index rates in South Africa;
  - selected sector data and prevailing market and industry conditions, including the uncertain regulatory environment in which BFS operates.
- We have performed a sensitivity analysis on our valuation of the shares in BFS with regards the aforementioned value drivers and other assumptions in our valuation model.
- In undertaking the valuation exercise above, assuming that operations comprising BFS will continue indefinitely as a going concern, we determined, using the DCF methodology, a value for purposes of expressing our opinion for the ordinary shares of BFS of R1.602 billion relative to the consideration received by Transaction Capital as per the Agreement of R1.612 billion.
- We performed a reasonableness check on the valuation of the ordinary shares of BFS, determined by the DCF valuation approach, by considering the capitalisation of maintainable earnings ("CME") methodology or market approach as well as a comparison of the value to the net tangible asset value ("NTAV") of BFS. The CME approach calculates a sustainable level of future earnings for the business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising it into a value for the business. A price earnings multiple of 6.25 has been calculated on the valuation of the ordinary shares of BFS. The value of the ordinary shares of BFS relative to its NTAV is 1.89 times which compares favourably with industry "rule-of-thumb" standards.
- Considered Transaction Capital and BFS management's representation letter obtained in respect of the fairness opinion which confirms the following:
  - management are not aware of any price sensitive information (as defined in the JSE Listings Requirements), other than as disclosed in the Circular, which if made public would be reasonably likely to have a material effect on the price of BFS securities; and
  - the forecasts are management's best estimate of the results of BFS for the forecast periods.

Opinion

Our opinion is based on the economic, regulatory, market and other conditions in effect on, and information made available to us, at 11 November 2013. Subsequent developments may affect this opinion which we are under no obligation to update, review or re-affirm.

This letter and our opinion is provided solely for the shareholders and directors of Transaction Capital in connection with and for the purpose of their consideration of the Proposed Transaction and may not be reproduced in any form save with our prior written consent.

Based upon and subject to the foregoing, we are of the opinion, at 11 November 2013 that the Proposed Transaction is fair to the shareholders of Transaction Capital.

An individual shareholder's decision may be influenced by his or her particular circumstances. This fairness opinion does not purport to cater for each shareholder's circumstances and risk profile, but rather the general body of shareholders taken as a whole. Should a shareholder be in any doubt as to what action to take, he or she should consult an independent advisor.

Limiting conditions

Our valuation of the ordinary shares of BFS has been prepared using DCF methodology and is dependent on management's forecasts. Forecasts in general relate to future events and are based on assumptions that may not correspond with those future events. Whilst we have reviewed the Forecasts and are of the opinion that they appear reasonable, we cannot express an opinion as to how closely they will correspond to the actual results. Failure to achieve these could have a material negative effect on our valuation to the extent that we may alter our opinion.

Conclusion

We record that no persons who form part of the staff of Grant Thornton Advisory Services (Pty) Ltd who are directly or indirectly involved in preparing this fairness opinion have any interest in:

- the issued share capital of Transaction Capital; and/or
- the success or failure of the Proposed Transaction.

We hereby consent to the inclusion of this letter in its entirety in the Circular.

Yours faithfully

Ryan Stoler

Grant Thornton Advisory Services (Pty) Ltd
Registration number 2002/022635/07

137 Daisy Road
Sandown
Johannesburg
2196

MATERIAL LOANS OF TRANSACTION CAPITAL

The material borrowings of Transaction Capital at 31 March 2013 are detailed below:

	Balance
Amortising securitisation debentures and notes	
Secured by loans and advances	
3 to 8 years bearing interest at 1% to 8% over 3-month JIBAR capital repaid in instalments	3 466 623 960
3 to 6 years bearing interest at 9% to 16% capital repaid in instalments	1 811 615 337
1 to 8 years bearing interest at 2% to 8% over 3-month JIBAR capital repaid in instalments	850 000 000
5 to 7 years bearing interest at 6% to 15%	615 603 418
6 to 9 years with variable interest rate	185 400 000
Convertible to notes bearing interest at 0.32% over prime	253 576 918
Sub-total	**7 182 819 632**
Secured loans	
1 to 7 years bearing interest at 2% to 7% over 3-month JIBAR capital repaid in instalments	803 130 026
6 to 7 years bearing interest at 11% to 25% capital repaid in instalments	215 056 508
1 year bearing interest at 4% over Prime capital repaid in instalments	107 154 754
5 to 7 years bearing interest at 2% to 8% over 3-month JIBAR	575 528 824
1 to 5 years bearing interest at 10% to 14%	262 295 000
2 years bearing interest at 0.32% below prime	83 540 648
3 years with variable interest rate	3 529 581
Sub-total	**2 050 235 341**
Secured over of ATM machines	
1 to 4 years bearing interest at 1% to 4% over 3-month JIBAR capital repaid in instalments	54 350 974
5 years bearing interest at 4% to 4% over 3-month JIBAR	25 000 000
Sub-total	**79 350 974**
Secured by cession of purchased book debts	
5 to 6 years bearing interest at 4% to 4% over 3-month JIBAR capital repaid in instalments	15 515 970
1 to 5 years bearing interest at 9% to 10% over fixed rate capital repaid in instalments	129 590 399
Sub-total	**145 106 369**
Grand total	**9 457 512 315**

(i) The borrowings arose in the normal course of business and as part of the funding requirements thereof.

(ii) The borrowings that are repayable within 12 months will be funded by new borrowings raised by the Capital Markets team of Transaction Capital.

MATERIAL CONTRACTS OF TRANSACTION CAPITAL

Details of material contracts entered into by Transaction Capital and its subsidiaries during the two years preceding the date of this Circular, other than in the ordinary course of business, are set out below:

1. THE PAYCORP DISPOSAL

1.1 On 6 August 2013, Transaction Capital entered into a written agreement (the "Paycorp Agreement") with Paycorp, Main Street 1127 Proprietary Limited (a subsidiary of Actis Columbus (Mauritius) Limited ("New HoldCo"), the shares of which are held by funds managed by Actis LLP ("Actis") and Main Street 1126 Proprietary Limited, a wholly owned subsidiary of New Holdco, pursuant to and in terms of which Paycorp became a wholly owned subsidiary of New Holdco. The salient features of the Paycorp Disposal are set out below.

1.2 New Holdco acquired Paycorp and the claims on loan account which Transaction Capital had against ATM Solutions Group Securitisation Proprietary Limited on 1 November 2013. A net amount of approximately R945 000 000,00 (nine hundred and forty five million rand) ("**Payment Amount**") was received by Transaction Capital.

1.3 The Payment Amount was settled in cash.

1.4 Transaction Capital has provided New Holdco with warranties customary for a transaction of this nature, subject to customary limitations as to the period during which claims may be brought and customary thresholds for the capping of claims.

2. PLACING AGREEMENT IN RELATION TO THE LISTING OF TRANSACTION CAPITAL ON THE JSE

2.1 Transaction Capital, certain selling Shareholders at the time (being: the trustees for the time being of the Rutland Trust; the trustees for the time being of the Sugar Tube Trust; the trustees for the time being of the Kimberly Investment Trust and the trustees for the time being of the Double Eagle Trust, all as more fully described in the pre-listing statement, dated Tuesday, 7 June 2012, used for the initial offer of Ordinary Shares to the public, in terms of the Listing ("IPO PLS") ("Selling Shareholders") and the then bookrunner (being Deutsche Bank AG, London Branch ("Bookrunner")), Deutsche Securities (SA) Proprietary Limited and Deutsche Securities Proprietary Limited, entered into a placement agreement, dated 31 May 2012, (the "Placement Agreement") in connection with the then offer in terms of which Transaction Capital and the Selling Shareholders, subject to the terms and conditions described in the Placement Agreement, agreed, *inter alia*, to issue and sell the Offer Shares (being, 102.35 million ordinary shares as more fully described in the IPO PLS ("Offer Shares")) and the Bookrunner agreed to procure subscribers and purchasers for, or failing that, to subscribe itself, for the Offer Shares at the Offer Price (which was R8.00 (eight rand) per Offer Share).

2.2 As is customary in transactions of this nature, Transaction Capital gave negotiated indemnities and warranties to the Bookrunner on its own behalf and, on behalf of the Selling Shareholders, and certain beneficiaries/founders thereof, in respect of which the Company has a limited right of recovery against such Selling Shareholders.

3. LOAN AGREEMENT WITH FUTUREGROWTH ASSET MANAGEMENT PROPRIETARY LIMITED ("FUTUREGROWTH" OR THE "SUBSCRIBER")

3.1 Under the terms of an interest bearing unsecured subordinated convertible loan agreement with a syndicate of lenders represented by Futuregrowth, Transaction Capital received proceeds of R190 million on 31 August 2011.

3.2 Futuregrowth subscribed to the Company on behalf of Futuregrowth En Commandite Partnership 2, Futuregrowth En Commandite Partnership 3 and Old Mutual Life Assurance Company SA Limited in terms of a subscription and loan agreement entered into on or about 28 March 2012 for 18 072 189 ordinary shares collectively, at a subscription price of R7.90 per share. In addition, an amount of R7 229 706.00 was loaned to Transaction Capital.

3.3 On 24 April 2012, the Futuregrowth Convertible Loan was amended to permit early repayment and was repaid.

3.4 The borrower used the proceeds to subscribe for Shares in the Company as set out below:

3.5 On 24 April 2012, the loan of R7 229 706 was repaid by Transaction Capital to the Subscriber. In addition, on 24 April 2012 the convertible loan advanced by the Subscriber to Transaction Capital on 31 August 2011 of R190 million referred to above, plus interest was settled by Transaction Capital. The Subscriber then subscribed for 24 871 337 shares at R7.93 per share being a total subscription proceeds of R197 229 702.

3.6 The Futuregrowth transaction was done at arms-length and hence no discounts or premiums were paid, other than a premium to the par value per share of 0.1 cent.

4. RESTRICTIVE FUNDING ARRANGEMENTS

4.1 The Company and its Subsidiaries have entered into the following restrictive funding arrangements as defined in the Listings Requirements:

Lender	Borrower	Amount	Restrictive conditions
Futuregrowth Lenders represented by Futuregrowth Asset Management (Pty) Ltd	SA Taxi Finance Holdings (Pty) Ltd	R160 000 000	• Consent of the Lenders is required for a change of control in relation to the Borrower; • No operating subsidiary of the Borrower is entitled to raise additional term funding (excluding existing working capital facilities) without the prior written consent of the Lenders; • The Borrower will not incur any additional third party subordinated funding or equity participation without the prior written approval of the Lenders; • Early settlement of the loan is not permissible.

MATERIAL ACQUSITIONS BY TRANSACTION CAPITAL

BAYPORT ACQUISITION

In terms of the Bayport Acquisition Agreements (entered into during or about March 2010), Transaction Capital acquired, with effect from 1 October 2009, an 82,65% interest in Bayport Financial Services Limited ("Bayport FS") (through series of integrated transactions).

Background

The interest was acquired effectively from: (i) the trustees of the Stone Family Trust, (ii) Kurland, (iii) the trustees of the Jawmend Rossi Capital Investment Trust ("JRCIT"), which is a related party to Transaction Capital (see "Related Party Aspect" below), (iv) Adobe Group Limited, (v) Chola, (vi) Freeman and (vii) Etienne Coetzer. These vendors' interests in Bayport FS (shown below) although acquired directly by certain vendors on 19 April 2010 had been previously indirectly owned by the vendors in corporate and family trust structures prior to that date ('the prior structure'). As part of a restructuring prior to the acquisition by Transaction Capital of 82.65% of Bayport FS, the shares were transferred (by way of distribution or unbundling) to the vendors. The vendors, as shown below, were party to the Bayport Sale and Purchase Agreement and accordingly gave warranties. The intermediate entities in the prior structure acquired their interests more than 3 (three) years prior to the acquisition.

Related party aspect to the transaction

The family trusts of JM Jawno, MP Mendelowitz, D Hurwitz and R Rossi were, as beneficiaries of Jawmend Rossi Capital Investment Trust, vendors of 31% of Bayport FS to the Company. The consideration paid to them for the acquisition of their interests amounted to R233.0 million of which R197.0 million was paid in cash and R36.0 million was settled by the issue of 4 493 252 Shares in Transaction Capital at R8 per share.

The vendors' address in terms of the Bayport Sale and Purchase Agreement was 34 Fricker Road, Illovo Boulevard, Illovo, Sandton, South Africa. The vendors gave warranties in respect of the Bayport Group (comprising BFS FS and its subsidiaries or investee companies (prior to implementation of the Bayport Sale Agreement) and BFS and its subsidiaries (after implementation of the Bayport Sale Agreement)) to Transaction Capital, as set out in the Bayport Sale and Purchase Agreement, read with a disclosure schedule thereto. The further details of these vendors are set out below.

Purchase consideration

The acquisition was conducted for a minimum purchase consideration of R247.95 million and a maximum purchase consideration of R537.225 million (based on a minimum enterprise value of R300 million and a maximum enterprise value of R650 million). The base purchase price of R330.6 million (being 82.65% of the base enterprise value R400 million) was subject to adjustment. The purchase price was a function of the audited profits after tax of the Bayport Group (determined in accordance with the provisions of the Bayport Sale and Purchase agreement) (the "**BFS PAT**") for the earnout period as determined with reference to the BFS PAT as reflected in the financial year 2010 accounts and in the financial year 2011 accounts. A base purchase price of R247.95 million was paid to the vendors on the closing date, as defined in terms of the Bayport Sale and Purchase Agreement, in their specified fractions, being, in respect of each vendor, the number of Bayport FS shares sold by that vendor divided by the total number of all the Bayport FS shares sold by all the vendors. The audited profit achieved for the earnout period resulted in the maximum purchase consideration becoming payable. R138.015 million was settled by the issue of shares and R399.210 million was paid in cash during January 2012.

The purchase consideration was settled as follows:

	Number of shares issued by the company #	Issue price of shares R'000	Paid in cash R'000	Total purchase price R'000
Stone Family Trust	5 523 993	44 192	60 286	104 478
Kurland	5 523 993	44 192	60 286	104 478
Jawmend Rossi Capital Investment Trust (JRCIT)	–	–	–	–
Beneficiaries of JRCIT (related parties)	–	–		
Kimberly Investment Trust	1 195 770	9 566	58 619	68 185
Rutland Trust	1 195 770	9 566	58 619	68 185
Sugar Tube Trust	1 195 770	9 566	58 619	68 185
Dovie Trust	905 942	7 248	21 154	28 402
Adobe Group Ltd			65 911	65 911
Chola	215 405	1 722	5 606	7 328
Freeman	904 359	7 235	5 943	13 178
Etienne Coetzer	–	–	3 349	3 349
Suganthran Govender	272 728	2 182	818	3 000
Alan O'Connor	113 636	909	–	909
Christine Edwards	113 636	909	–	909
Stephen Williamson	45 455	364	–	364
Annelie Swanepoel	22 727	182	–	182
Annette Govender	22 727	182	–	182
	17 251 911	138 015	399 210	537 225

The goodwill attributable to the business of BFS was R405.268 million.

Rationale

Transaction Capital's rationale for the acquisition was that Bayport services the largest market segment in the non-traditional credit market and accordingly would add significant value to the Transaction Capital Group. Bayport services markets that were complementary to Transaction Capital's principal lending business, SA Taxi, and the capabilities and experience at a Transaction Capital level were expected to provide additional value to Bayport through increased access to capital markets, best practice in terms of governance and market strategy, and a deep understanding of both the credit and lending segments of the South African financial services sector.

The reason that Transaction Capital did not acquire 100% was to ensure that the vendors remained incentivised through a stake in the future performance of Bayport and remain involved in the running of the business. Transaction Capital does, however, have an option in terms of the Bayport Call Option Agreement to buy out at fair value some or all of the remaining 17,35% of the shares in BFS on up to two occasions between 1 October 2013 and 30 September 2014. If Transaction Capital and the non-controlling shareholders cannot agree on a valuation, an independent investment bank will determine the fair market value of the shares under a set of agreed procedures. A minimum of R150 million will be settled in cash, while any balance may be settled in by the issue or delivery of ordinary shares, or any combination thereof, at the election of Transaction Capital.

Other material terms

Each of the vendors undertook to Transaction Capital and the Bayport Group that they would not, during the restraint period: (i) compete with the Bayport Group and/or any business activities conducted by the Bayport Group; (ii) misappropriate and/or use the Bayport Group's trade secrets and confidential information; (iii) interfere with the ongoing relationships and opportunities which the Bayport Group has with its customers/clients and/or suppliers and/or business connections or ongoing relationships between the Bayport Group and any of its staff, members, consultants and business associates, nor solicit same; and (iv) utilise any business opportunity which is the property of the Bayport Group for its own benefit and gain or for the benefit and gain of any other person, trust, firm or corporation. The restraint period expires on the 5th anniversary of

28 February 2010, for most of the vendors. The vendors are not prohibited from; (i) acquiring not more than 5% of issued ordinary shares in a listed company, even if such company carries on a competitive or similar business to that carried on by Transaction Capital or the Bayport Group; (ii) being employed by any member of the Bayport Group and/or the Transaction Capital Group; (iii) owning shares in Transaction Capital and, (iv) in respect of some of the vendors, being a director and/or shareholder of either or both of BML and Actvest (Pty) Ltd.

In terms of the Bayport Shareholders' Agreement there are certain minority protections in terms of which BFS shall not, at any time post 30 September 2011, engage in, agree to or perform or undertake any of the following acts except as may be approved or agreed by shareholders who at the relevant time hold at least 85% of the issued share capital of BFS: the taking over or acquisition of the whole or a substantial part of the business of any other person or any merger or amalgamation with other companies or with any other business which would constitute a material transaction for BFS having regard to its assets and business; the disposal or sale outside the normal cause of business, of any assets of BFS having a value in excess of 20% of shareholder funds; the winding up or liquidation of BFS or any application for its judicial management or the implementation of business rescue proceedings in relation to BFS; the conclusion and/or implementation of any transaction with any shareholder or officer or director (or their relatives) in which such shareholder or officer or director has an interest otherwise than in the ordinary course of business; the furnishing by BFS of any guarantee, suretyship or other inter-cession for the obligations of any person other than BFS or subsidiary of BFS. Liability for accrued taxation in terms of the transaction will be settled by BFS in the ordinary course of business.

Details of the vendors

Vendor	Number of shares	Date shares and loan accounts acquired*	Acquired* from
Stone Family Trust	24 275 110		
	14 486 230	19 April 2010	Calshelf Investments 169 (Pty) Ltd
	9 788 880	19 April 2010	Bayport Holdings (SA) (Pty) Ltd
Kurland	24 275 110		
	14 486 230	19 April 2010	Calshelf Investments 169 (Pty) Ltd
	9 788 880	19 April 2010	Bayport Holdings (SA) (Pty) Ltd
JRCIT	80 000 000		
	67 250 000	5 May 2006	Allotment
	12 750 000	19 April 2010	BDM Capital (Pty) Ltd
Adobe Group Ltd	15 525 040		
	10 354 850	19 April 2010	Bayport Holdings (SA) (Pty) Ltd
	5 170 190	19 April 2010	Calshelf Investments 169 (Pty) Ltd
Chola	2 385 900	19 April 2010	Calshelf Investments 169 (Pty) Ltd
Freeman	5 000 000	17 November 2005	Allotment
Etienne Coetzer	788 840		
	447 400	19 April 2010	Bayport Holdings (SA) (Pty) Ltd
	341 440	19 April 2010	Calshelf Investments 169 (Pty) Ltd

* *Acquired by the vendors (as part of prior restructuring) by way of unbundling or distribution unless otherwise specified.*

For the purposes of this section, the following definitions apply:

"**Bayport Acquisition Agreements**" means, collectively, the Bayport Sale and Purchase Agreement, the Bayport Call Option Agreement, the Bayport Sale of Business Agreement and the Bayport Shareholders' Agreement, in terms of which Transaction Capital acquired an 82.65% interest in BFS.

"**Bayport Call Option Agreement**" means the Call Option Agreement in respect of the Remaining Newco Equity and the Remaining HBA SPV Equity entered into on or about March 2010 and amended on or about 20 June 2011, between the trustees of the Stone Family Trust, Kurland, Chola, Freeman, Govender and Transaction Capital, in terms of which, *inter alia*, the remaining management shareholders as defined in the agreement, granted to Transaction Capital a call option to purchase shares constituting 17,35% of the total issued share capital of BFS at any time on any two occasions during the period 1 October 2013 to midnight on 30 September 2014.

"**Bayport Sale and Purchase Agreement**" means the Agreement for the Sale and Purchase of the BFS Equity, entered into on or about 18 March 2010, between Transaction Capital and the trustees of the Stone Family Trust, Kurland, the trustees of the Jawmend Rossi Capital Investment Trust, Adobe Group Limited, Chola, Freeman, Etienne Coetzer and Actvest Proprietary Limited, in terms of which Transaction Capital acquired the entire issued share capital of and all claims on loan account against Bayport FS.

"**Bayport Sale of Business Agreement**" means the Sale of Business Agreement entered into between Bayport FS and BFS on or about 19 March 2010 in terms of which Bayport FS disposed of its business as a going concern in terms of section 45 of the Income Tax Act to BFS.

"**Bayport Shareholders' Agreement**" means the Shareholders Agreement entered into on or about 18 March 2010, between Transaction Capital, the trustees of the Stone Family Trust, Kurland, Chola, Freeman, Govender and BFS, governing the relationship between the shareholders of BFS.

Transaction Capital Limited

Registration number 2002/031730/06
Incorporated in the Republic of South Africa
JSE share code: TCP ISIN: ZAE000167391
(the "Company" or "Transaction Capital")

NOTICE OF GENERAL MEETING

The provisions of the Circular to which this notice of General Meeting is attached shall form part of this notice of General Meeting and all terms defined in the Circular to which this notice of General Meeting is attached shall, unless expressly stated otherwise, bear the same meaning in this notice of General Meeting.

Notice is hereby given that a General Meeting of the Shareholders of the Company will be held in the Lord of the Rings boardroom at the Registered Office of Transaction Capital, being Sandhavon Office Park, 14 Pongola Crescent, Eastgate Extension 17, Sandton, 2199, at 08h30 on Friday, 13 December 2013, or at any other adjourned or postponed date and time determined in accordance with the provisions of section 64(4) and 64(11)(a)(i) of the Companies Act, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions set out below.

A Transaction Capital Shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend, participate in and vote (or abstain from voting) at the General Meeting in the place of the Transaction Capital Shareholder and Transaction Capital Shareholders are referred to the attached form of proxy accordingly.

A Transaction Capital Shareholder entitled to attend and vote at the General Meeting may not appoint more than 1 (one) proxy to attend, participate in and vote (or abstain from voting) at the General Meeting in the place of the Transaction Capital Shareholder.

A proxy need not be a Transaction Capital Shareholder.

A proxy may not delegate the authority granted to it as proxy.

In terms of section 63(1) of the Companies Act, any person attending or participating in the General Meeting must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a Transaction Capital Shareholder or as proxy for a Transaction Capital Shareholder) has been reasonably verified. For clarification, the Company will regard the presentation of the Transaction Capital Shareholder's (or his/her/its proxy, as the case may be) original drivers' licenses, identity documents or passports to be satisfactory proof of identification.

Ordinary resolution number 1 – Approval of the Proposed Transaction

Resolved that,

the proposed transaction, being –

1.1 the transaction set out in the written sale of shares agreement entered into between the Company, trustees of The Stuart Stone Family Trust, Grant Colin Kurland, Martin Zonny Freeman, Justin Chola and Suganthran Govender (collectively the "**Minorities**"), Bayport Financial Services 2010 Proprietary Limited ("**BFS**") and Zenthyme Investments Limited ("**Zenthyme**") on 22 October 2013 ("**Minority Buy-Out Agreement**"), a copy of which was available for inspection as envisaged in paragraph 20 of the Circular to which this notice of General Meeting is attached, in terms of which agreement the Company will acquire from the Minorities –

1.1.1 2 602 500 issued no par value ordinary shares in BFS, constituting 17,35% of the entire issued shares of BFS; and

1.1.2 694 000 issued no par value ordinary shares in Zenthyme, constituting 17,35% of the entire issued shares of Zenthyme,

held by the Minorities for an aggregate consideration equal to ZAR279 728 040 plus an amount equal 17,35% of the notional interest envisaged in paragraph 3.4.1 of the Circular to which this notice of General Meeting is attached, such that pursuant to the delivery of the share certificates and other documents envisaged in the Minority Buy-Out Agreement and the update to the share register of BFS and Zenthyme, the Company will be the sole registered and beneficial shareholder of BFS and Zenthyme and on the basis that delivery of the sold shares will occur on the implementation date of the Minority Buy-Out Agreement while payment for such shares will occur on the first Business Day following receipt by the Company of the consideration required to be paid to the Company under the Agreement (defined below), on the same terms and conditions (including the price), *mutatis mutandis*, contained in the Agreement (defined below); and

1.2 the transaction embodied in the written agreement entered into between BFS, Zenthyme, the Company and Bayport Management Limited ("**BML**") on 22 October 2013 (the "**Agreement**"), a copy of which was available for inspection as envisaged in paragraph 20 of the Circular to which this notice of General Meeting is attached, pursuant to and in terms of which BFS and Zenthyme will, subject to the fulfilment or waiver of the suspensive conditions contained in the Agreement, and after implementation of the Minority Buy-Out Agreement, become wholly-owned subsidiaries of BML, for a consideration equal to ZAR1 612 265 361 plus an amount equal to notional interest (calculated thereon from 1 January 2014 until the day immediately preceding the date on which the Agreement is implemented at a rate of 0.9%, calculated daily and compounded monthly in arrears),

1.2.1 on the terms and conditions contained in the Minority Buy-Out Agreement and the Agreement and as further detailed in paragraphs 3 and 4 of the Circular to which this notice of General Meeting is attached (collectively the "**Proposed Transaction**"), be and are hereby approved.

Note to ordinary resolution number 1: in order for this ordinary resolution to be adopted, it must be supported by at least 50% of the votes cast by Shareholders present or represented by proxy at the General Meeting, other than the Related Parties and Associates envisaged in the Circular to which this notice of General Meeting is attached.

Explanatory note to ordinary resolution number 1: the Proposed Transaction is conditional upon, *inter alia*, the Transaction Capital Shareholders passing such resolutions as may be necessary to approve the Proposed Transaction, including without limitation, such resolutions as may be required in terms of the Listings Requirements. The Proposed Transaction has been categorised as a category 1 transaction and classified as a related party transaction, as defined and envisaged in paragraph 10.1(b)(ii) of the Listings Requirements (as more fully detailed in paragraph 6 of the Circular to which this notice of General Meeting is attached). In terms of paragraph 10.4 of the Listings Requirements, if the Company proposes to enter into a related party transaction, the Company is required to obtain the approval, by way of an ordinary resolution, of the Transaction Capital Shareholders either prior to the Proposed Transaction being entered into, or if it is expressed to be conditional on such approval, prior to completion of the Proposed Transaction. Consequently, the passing of ordinary resolution number 1 is required to fulfil a suspensive condition to the Agreement, which together with the Minority Buy-Out Agreement sets out the terms and conditions of the Proposed Transaction.

Ordinary resolution number 2 – General Authority

Resolved that, the board of directors of the Company and/or any director of the Company, other than any of the Related Parties and Associates insofar as such Related Party and Associate is a director of the Company, and/or the Company Secretary be and is hereby authorised to execute all documents and to do all such further acts and things as it/he may in its/his discretion consider appropriate to implement and give effect to the resolution set out herein, if so approved by the Transaction Capital Shareholders.

Note to ordinary resolution number 2: in order for this ordinary resolution to be adopted, it must be supported by at least 50% of the votes cast by Shareholders present or represented by proxy at the General Meeting, other than the Related Parties and Associates envisaged in the Circular to which this notice of General Meeting is attached.

Explanatory note to ordinary resolution number 2: For the sake of practicality, the board of directors of the Company, or a specific director(s) thereof or the Company Secretary, must be empowered to enforce the resolution so passed by the Transaction Capital Shareholders at the General Meeting, if any.

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 this notice of General Meeting is Friday, 8 November 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, participate and vote at the General Meeting is Friday, 6 December 2013.

The last day to trade in order to be entitled to vote at the General Meeting is Friday, 29 November 2013.

NOTES TO NOTICE OF GENERAL MEETING

If you have disposed of all of your Transaction Capital Shares, this Circular should be handed to the purchaser of such Transaction Capital Shares or to the broker, CSDP, or other agent through whom the disposal was effected.

If you are in any doubt as to what action you should take arising from this document, please immediately consult your broker, CSDP, banker, attorney, accountant or other appropriate professional advisor.

VOTING

Unlisted Shares and/or Shares held by a share trust or share incentive scheme will not be taken account for purposes of voting on any of the resolutions set out in this notice of General Meeting.

All Transaction Capital Shareholders will be entitled to attend and participate in the General Meeting. The votes of the Related Parties and Associates envisaged in the Circular to which this notice of General Meeting is attached will not be taken into account in determining the results of the voting on any resolution in connection with the Proposed Transaction.

On a show of hands, every Shareholder who is present in person or is represented by proxy shall be entitled to 1 (one) vote.

On a poll, every Transaction Capital Shareholder who is present in person or represented by proxy shall be entitled to one vote for every Ordinary Share held by such Shareholder.

If you hold Dematerialised Shares which are registered in your name or if you are the registered holder of Certificated Shares:

You may attend the General Meeting in person.

Alternatively, you may appoint a proxy, who need not be a Shareholder of the Company to represent you at the General Meeting by completing the attached form of proxy in accordance with the instructions it contains and returning it to Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, (PO Box 61051, Marshalltown, 2107) to be received preferably by not later than 08:30 on Thursday**,** 12 December 2013. Any form of proxy not handed by this time may be handed to the chairman of the General Meeting immediately before the appointed proxy is to exercise any of the Shareholder's rights at the General Meeting.

If you hold Dematerialised Shares which are not registered in your name and:

- wish to attend the General Meeting, you must obtain the necessary letter of representation from your CSDP or broker; or
- do not wish to attend the General Meeting but would like your vote to be recorded at the General Meeting, you should contact your CSDP or broker and furnish them with your voting instructions.
- You must **not** complete the attached form of proxy.

ELECTRONIC PARTICIPATION

Shareholders or their proxy may participate electronically at the General Meeting, provided that, if they wish to do so, they are required to deliver written notice to the Company Secretary of Transaction Capital, with a copy to the Transfer Secretaries, at the applicable addresses as set out below, by no later than 10:00 on Wednesday, 11 December 2013 stating that they wish to participate via electronic communication at the General Meeting (the "**Electronic Notice**").

In order for the Electronic Notice to be valid, it must contain:

if the Transaction Capital Shareholder is a natural person, a certified copy of his/her identity document and/or passport;

- if the Transaction Capital Shareholder is not a natural person, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution and the relevant resolution must set out who from the relevant entity is authorised to represent the relevant entity at the General Meeting via electronic communication; and
- a valid email address and or facsimile number of the Shareholder/proxy that will be attending the General Meeting via electronic communication (the "**Contact Address/Number**").

By no later than 14:00 on Thursday, 12 December 2013, Transaction Capital, via the Company Secretary of Transaction Capital, or his delegee, shall use its reasonable endeavours to communicate with each Transaction Capital Shareholder or proxy who has delivered a valid Electronic Notice and Contact Address/ Number, by notifying such Shareholder or proxy at its Contact Address/Number of the relevant details through which the Shareholder or Proxy, as the case may be, may participate at the General Meeting via electronic communication.

Shareholders should take note of the following:

the cost of the electronic communication facilities will be for the account of the Company although the cost of the Transaction Capital Shareholder's telephone call will be for his/her/its own expense; and

by delivery of the Electronic Notice, the Shareholder or their proxy indemnifies and holds harmless the Company against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the General Meeting or any interruption in the ability of the Shareholder or proxy to participate in the General Meeting via electronic communication whether or not the problem is caused by any act or omission on the part of the Shareholder, proxy or anyone else, including without limitation the Company and its employees.

By order of the Board

Registered office

Sandhavon Office Park
14 Pongola Crescent
Eastgate, Extension 17
Sandton
2199

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Ground Floor
70 Marshall Street
Johannesburg
2001

P Katzenellenbogen
Company Secretary

14 November 2013
Sandton

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Transaction Capital Limited

Registration number 2002/031730/06
Incorporated in the Republic of South Africa
JSE share code: TCP ISIN: ZAE000167391
(the "Company" or 'Transaction Capital")

FORM OF PROXY

Only for use by certificated shareholders and dematerialised shareholders with "own name" registration.

All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the General Meeting.

This form of proxy relates to the General Meeting of Transaction Capital Shareholders to be held in the Lord of the Rings boardroom at the registered office of Transaction Capital, at 14 Pongola Crescent, Sandhavon Office Park, Eastgate Extension 17, Sandton, 2199, at 08:30 on Friday, 13 December 2013, or at any other adjourned or postponed date and time determined in accordance with the provisions of section 64(4) or 64(11)(a)(i) of the Companies Act 71 of 2008, as amended, ("**Companies Act**"), which meeting is to be attended by, participated in and voted at by Shareholders recorded in the Company's securities register as at Friday, 6 December 2013 with the last day to trade in order to be able to attend and vote at the General Meeting being Friday, 29 November 2013.

For instructions on the use of this form of proxy and a summary of the rights of the Shareholder and the proxy, please see the instructions and notes at the end of this form.

I/We (Please print full names)

of (address)

being a Shareholder/s of the Company and being the registered owner/s of shares in the Company

hereby appoint (see note 1):

1. or failing him/her
2. or failing him/her
3. or failing him/her

the chairman of the General Meeting as my/our proxy to attend, speak and to vote or abstain from voting on my/our behalf at the General Meeting or at any adjournment or postponement thereof.

I/We desire my/our proxy to vote as follows (see note 2):

Indicate with a cross how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his discretion.

Resolution	**In favour**	**Against**	**Abstain**
Ordinary resolution number 1 – Approval of the Proposed Transaction			
Ordinary resolution number 2 – General authority to give effect to the resolutions			

My/our proxy may not delegate his/her authority to act on my/our behalf to another person.

Please see notes on the reverse side hereof for further instructions.

Signed this day of 2013

Signature Number of shares

Summary of rights contained in section 58 of the Companies Act, No 71 of 2008, as amended

In terms of section 58 of the Companies Act, 2008 (as amended) (the "**Companies Act**"):

1.1 a Shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a Shareholder) as a proxy to participate in, and speak and vote at, a Shareholders' General Meeting on behalf of such Shareholder (section 58(1)(b));

1.2 a proxy may delegate her or his authority to act on behalf of a Shareholder to another person, subject to any restriction set out in the instrument appointing such proxy ("Proxy Instrument") (section 58(3)(b)) (but see note 16);

1.3 irrespective of the form of the Proxy Instrument:

1.3.1 the appointment of a proxy is suspended at any time and to the extent that the relevant Shareholder chooses to act directly and in person in the exercise of any of such Shareholder's rights as a Shareholder (see note 5) (section 58(4)(a));

1.3.2 any appointment by a Shareholder of a proxy is revocable, unless the Proxy Instrument states otherwise (section 58(4)(b)); and

1.3.3 if an appointment of a proxy is revocable, 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 and to the Company (section 58(4)(c)).

1.4 a proxy appointed by a Shareholder is entitled to exercise, or abstain from exercising, any voting right of such Shareholder without direction, except to the extent that the Company's memorandum of incorporation, or the Proxy Instrument, provides otherwise (section 58(7))(see note 3).

1.5 the revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph 1.3.3 above (section 58(5));

1.6 if the Proxy Instrument has been delivered to a Company, as long as that appointment remains in effect, any notice required by the Companies Act or the Company's memorandum of incorporation to be delivered by the Company to the Shareholder must be delivered by the Company to the Shareholder (section 58(6)(a)), or the proxy or proxies, if the Shareholder has directed the Company to do so in writing and paid any reasonable fee charged by the Company for doing so (section 58(6)(b));

1.7 if the Company issues an invitation to Shareholders to appoint one or more persons named by the Company as a proxy, or supplies a form of Proxy Instrument:

1.7.1 the invitation must be sent to every Shareholder entitled to notice of the General Meeting at which the proxy is intended to be exercised (section 58(8 (a)); and

1.7.2 the invitation or form of Proxy Instrument supplied by the Company must:

1.7.2.1 bear a reasonably prominent summary of the rights established in section 58 of the Companies Act (section 58(8)(b)(i));

1.7.2.2 contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a Shareholder to write the name, and if desired, an alternative name of a proxy chosen by the Shareholder (section 58(8)(b)(ii)); and

1.7.2.3 provide adequate space for the Shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the General Meeting, or is to abstain from voting (section 58(8)(b)(iii));

1.8 the Company must not require that the proxy appointment be made irrevocable (section 58(8)(c)); and

1.9 the proxy appointment remains valid only until the end of the General Meeting at which it was intended to be used, subject to paragraph 1.5 above.

Notes:

1. Each Shareholder is entitled to appoint one proxy (who need not be a Shareholder of Transaction Capital) to attend, speak and vote in place of that Shareholder at the General Meeting.
2. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space/s provided with or without deleting "the chairman of the General Meeting" but the Shareholder must initial any such deletion. The person whose name stands first on this form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow, it being recorded that the memorandum of incorporation of the Company prohibits a Shareholder from appointing more than 1 (one) proxy.
3. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided.
4. Failure to comply with the above will be deemed to authorise and direct the chairman of the General Meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions, or any other proxy to vote or abstain from voting at the General Meeting as he/she deems fit, in respect of all the Shareholder's votes exercisable at the General Meeting.
5. Completed forms of proxy and the authority (if any) under which they are signed must be lodged with or posted to the transfer secretaries: Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received preferably by no later than 08:30 on Thursday, 12 December 2013 (24 hours prior to the General Meeting) **or** handed to the chairman of the General Meeting at any time before the appointed proxy exercise/s any of the relevant Shareholder's rights at the General Meeting (or at any time before any adjournment or postponement of the General Meeting).
6. The completion and lodging of this form of proxy will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.
7. The chairman of the General Meeting may accept or reject any form of proxy not completed and/or received in accordance with these notes or with the memorandum of incorporation of Transaction Capital.
8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
9. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by Transaction Capital or the transfer secretaries.
10. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has been registered by Transaction Capital or the transfer secretaries or waived by the chairman of the General Meeting.
11. Where Shares are held jointly, all joint holders are required to sign this form of proxy.
12. A Shareholder who is a minor must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by Transaction Capital or the transfer secretaries.
13. Dematerialised Shareholders who do not own Shares in "own-name" dematerialised form and who wish to attend the General Meeting, or to vote by way of proxy, must contact their CSDP, broker or nominee who will furnish them with the necessary letter of representation to attend the General Meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the Shareholder and his/her CSDP, broker or nominee.
14. This form of proxy shall be valid at any resumption of an adjourned or postponed General Meeting to which it relates, although this form of proxy shall not be used at the resumption of an adjourned or postponed General Meeting if it could not have been used at the General Meeting from which it was adjourned or postponed for any reason other than it was not lodged timeously for the meeting from which the adjournment took place. This form of proxy shall, in addition to the authority conferred by the Companies Act, except insofar as it provides otherwise, be deemed to confer the power generally to act at the General Meeting in question, subject to any specific direction contained in this form of proxy as to the manner of voting.
15. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, provided that no notification in writing of such death, mental disorder, revocation or transfer as aforesaid shall have been received by the transfer secretaries before the commencement of the meeting or adjourned meeting at which the proxy is used.
16. Any proxy appointed pursuant to this form of proxy may not delegate his/her authority to act on behalf of the relevant Shareholder.
17. In terms of the memorandum of incorporation of the Company, unless revoked, an appointment of a proxy pursuant to this form of proxy remains valid for 1 (one) year from the date upon which it was signed.