TRANSSEC (RF) LIMITED
(Registration number 2012/209822/06)

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

Prepared by:
A Pretorius (Financial Manager of the Servicer and Administrator)

Supervised by:
L Cardoso (Chief Financial Officer of the Servicer and Administrator)

Issued 15 December 2014

TRANSSEC (RF) LIMITED
Annual Financial Statements
for the year ended 30 September 2014

Contents

TRANSSEC (RF) LIMITED
Company Information
for the year ended 30 September 2014

Company registration number
2012/209822/06

Place of business and Registered office
179 15th Road
Randjespark
Midrand
Johannesburg

Principal bankers
The Standard Bank of South Africa Ltd

Auditors
Deloitte & Touche
Deloitte Place, The Woodlands
Woodlands Drive
Woodmead, Sandton
Private Bag X6, Gallo Manor, 2052

TRANSSEC (RF) LIMITED
Directors' Responsibility Statement
for the year ended 30 September 2014

The directors are required in terms of the South African Companies Act 71 of 2008 (the "Companies Act") to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the audited annual financial statements fairly present the state of affairs of Transsec (RF) Ltd (the "Company") as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and interpretations issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board (collectively "IFRS") and the requirements of the Companies Act. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with IFRS and the requirements of the Companies Act and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company's cash flow forecast for the year to 30 September 2015 and, in the light of this review and the current financial position, they are satisfied that the Company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Company's audited annual financial statements. The audited annual financial statements have been examined by the Company's external auditors and their report is presented on page 5.

The annual financial statements for the year ended 30 September 2014 set out on pages 4 to 35 were approved by the board of directors on 11 December 2014, and are signed on their behalf.

These Annual Financial Statements were signed by Brendan Harmse on 11 December 2014. Copies of the version bearing such signature are available for inspection at the Specified Office of the Company.

These Annual Financial Statements were signed by Lorenzo Cardoso on 11 December 2014. Copies of the version bearing such signature are available for inspection at the Specified Office of the Company.

B Harmse

L Cardoso

TRANSSEC (RF) LIMITED
Audit Committee Report
for the year ended 30 September 2014

The audit committee presents its report for the financial year ended 30 September 2014.

Purpose of the audit committee

The main purpose of the audit committee is to assist the board in discharging its duties relating to the safeguarding of assets, accounting systems and practices, the integrity of internal financial control processes and the preparation of accurate financial reporting and statements in compliance with all legal requirements and accounting standards.

Membership and attendance

The audit committee, appointed by the board in respect of the year ended 30 September 2014, comprised Rishendrie Thanthony (chairman appointed 03 June 2014), Jack Trevena (ex-chairman) and Brendan Harmse (alternate Willem Swanepoel) who are independent non-executive directors of the Company. The committee meets at least twice per annum.

Functions of the audit committee

- Reviewing and approving the Company external audit plan including the proposed audit scope, approach to Company risk activities and the audit fee;
- Confirming the independence of the auditors Deloitte & Touche;
- Reviewing external audit reports;
- Assessing the nature and extent of non-audit services;
- Reviewing the accounting policies adopted by the Company and all proposed changes in accounting policies and practices;
- Reviewing the annual financial statements to confirm the financial statements are prepared in accordance with International Financial Reporting Standards, the Companies Act of South Africa (Act 71 of 2008, as amended) and the Listing Requirements of the JSE Limited;
- Reviewing the Company compliance plan and assessing the procedures for identifying the regulatory risks; and
- Reviewing the legal matters that could have a significant impact on the Company's financial statements.

Attendance by auditors and executive directors

The external auditors are advised of all meetings of the audit committee. The executive directors of Transsec (RF) Ltd also attended meetings by invitation.

Independence of external auditor

The audit committee has satisfied itself that the auditors are independent of the Company.

Internal financial controls, accounting practices and Company annual financial statements

Based on the work of the Company's assurance providers, nothing has come to the attention of the committee which indicates that the Company's system of internal financial controls and accounting practices, in all material respects, does not provide a basis for reliable annual financial statements.

The committee is satisfied that the Company annual financial statements are in compliance, in all material respects, with the requirements of the Companies Act and International Financial Reporting Standards, and recommended the financial statements for approval by the board.

The report of the audit committee was signed by Rishendrie Thanthony on 11 December 2014. Copies of the version bearing such signature are available for inspection at the Specified Office of the Company.

Rishendrie Thanthony
Chairman: Audit Committee
11 December 2014

TRANSSEC (RF) LIMITED
Directors' Report
for the year ended 30 September 2014

Nature of business

Transsec (RF) Ltd is a registered credit provider managed by SA Taxi Development Finance Proprietary Ltd. The ultimate holding company is Transaction Capital Limited, a listed company specialising in proprietary lending. The SA Taxi Finance group provides finance and related services to the taxi industry in South Africa.

Financial results

The results of the Company are set out in the annual financial statements. The Company's profits are attributable to its trading activities. The Company commenced operations in May 2014.

The prior year financial statements reflected Cash of R1 and Share Capital of R1 as the Company was dormant. As these financial statements are presented in R'000's, comparatives have not been included as they would round to nil in R'000.

Directorate

LP Cardoso

The following independent non-executive directors were appointed in the current financial year:

B Harmse (appointed 02/04/2014)
JE Trevena (appointed 02/04/2014)
R Thanthony (appointed 02/04/2014)
WH Swanepoel (appointed 02/04/2014, alternate to B Harmse)

Secretary

MS Antuley is appointed as company secretary on 18 March 2014.

Authorised and issued share capital

There were no changes to authorised or issued share capital during the year.

Events subsequent to reporting date

No significant events occurred subsequent to the reporting date for the Company that require mention in or adjustment to the annual financial statements.

Auditors

Deloitte & Touche will continue in office in accordance with section 90 of the Companies Act.

Company secretary's certification

In terms of section 88(2)(e) of the Companies Act, 71 of 2008 (as amended), I certify that, to the best of my knowledge and belief, Transsec (RF) Limited has lodged with the Commissioner all such returns and notices as are required by the Companies Act, 71 of 2008 (as amended), and that all such returns and notices are true, correct and up to date.

The certificate from the company secretary was signed by Mohammed Antuley on 11 December 2014. Copies of the version bearing such signature are available for inspection at the Specified Office of the Company.

MS Antuley
Company Secretary
11 December 2014

Private Bag X6
Gallo Manor 2052
South Africa

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Registered Auditors
Financial Services Team - FIST
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TRANSSEC (RF) LIMITED

We have audited the financial statements of Transsec (RF) Limited set out on pages 6 to 35, which comprise the statement of financial position as at 30 September 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Transsec (RF) Limited as at 30 September 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 September 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: L Nunes
Partner
15 December 2014

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 & Industries
*JK Mazzocco Talent & Transformation *MJ Jarvis Finance *M Jordan Strategy S Gwala Managed Services
*TJ Brown Chairman of the Board *MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request * Partner and Registered Auditor

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

Member of Deloitte Touche Tohmatsu Limited

Transsec (RF) Limited
Statement of Financial Position
at 30 September 2014

	Note	2014 R'000
Assets		
Cash and cash equivalents	4	35 456
Loans to group companies	18	6 568
Trade and other receivables	5	1 074
Loans and advances	6	736 000
Deferred tax assets	7	1 082
Total assets		780 180
Liabilities		
Loans from group companies	18	97 486
Tax payables	17	437
Trade and other payables	8	5 510
Interest bearing liabilities	9	665 000
Total liabilities		768 433
Equity		
Ordinary and preference share capital	10	0
Retained earnings		11 747
Total equity attributable to owners of the parent		11 747
Total equity and liabilities		780 180

Transsec (RF) Limited
Statement of Comprehensive Income
for the year ended 30 September 2014

	Note	2014 R'000
Interest and other similar income	11	57 012
Interest and other similar expense	11	(22 016)
Net interest income	11	34 996
Impairment of loans and advances	12	(6 099)
Risk adjusted net interest income		28 897
Non-interest revenue	13	461
Indirect costs	14	(13 042)
Profit before tax		16 316
Income tax expense	15	(4 569)
Profit for the year		11 747
Other comprehensive income		-
Total comprehensive income for the year		11 747

Transsec (RF) Limited
Statement of Changes in Equity
for the year ended 30 September 2014

	Note	Number of ordinary shares	Number of preference shares	Ordinary and preference share capital R'000	Retained earnings R'000	Owners of the parent R'000
Issue of shares		**100**	**23**	**-**	**-**	**-**
Total comprehensive income				-	11 747	11 747
Profit for the year				-	11 747	11 747
Other comprehensive income				-	-	-
Balance at 30 September 2014		**100**	**23**	**-**	**11 747**	**11 747**
	Note	10		10		

Transsec (RF) Limited
Statement of Cash Flows
for the year ended 30 September 2014

	Note	2014 R'000
Cash flow from operating activities		
Cash generated (utilised) by operations	16	22 225
Income taxes paid	17	(5 214)
Cash flow from operating activities before changes in operating assets and liabilities		17 011
Movement in operating assets and liabilities		(741 909)
Increase in gross loans and advances		(741 909)
Change in working capital		4 436
Increase in trade and other receivables		(1 074)
Increase in trade and other payables		5 510
Net cash generated (utilised) by operating activities		(720 462)
Cash flow from investing activities		-
Net proceeds from loans to group companies		(6 568)
Net cash (utilised) generated by investing activities		(6 568)
Cash flow from financing activities		
Proceeds from raising interest bearing liabilities		665 000
Net proceeds from loans from group companies		97 486
Net cash raised (repaid) by financing activities		762 486
Net increase (decrease) in cash and cash equivalents		35 456
Cash and cash equivalents at beginning of the year	4	-
Cash and cash equivalents at end of year	4	35 456

1. Accounting policies

The financial statements of Transsec (RF) Ltd ("the Company") are prepared in accordance with International Financial Reporting Standards ('IFRS'), interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC'), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, AC 500 standards as issued by the Accounting Practices Board, the going-concern principle and the requirements of the South African Companies Act 71 of 2008.

The financial statements have been prepared on the historical cost basis except for the derivative financial instruments which are measured at fair value.

The Company's 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.

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

The principal accounting policies are set out below:

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 Company recognises financial assets and financial liabilities at the trade date when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in 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 Company generally does not reclassify financial instruments between different categories subsequent to initial recognition.

Classification

Financial assets are classified into the following categories:

- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Loans and receivables; and
- Available-for-sale financial assets.

1. Accounting policies (continued)

Financial instruments (continued)

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) it in the short term; or
- 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 Company'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.

Financial assets

Financial assets at fair value through profit or loss

Financial assets that are held for trading purposes include derivative financial instruments.

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

Loans and receivables

These instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets which have been classified as loans and receivables include cash that do not meet the definition of cash as defined in IAS 7 Statement of Cash Flows, trade and other receivables, loans and advances, purchased book debts and other loans receivable.

Loans and receivables are initially recognised at fair value. Subsequently loans and receivables are carried at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated by taking into account any transaction costs on acquisition and fees and costs that are an integral part of the effective interest rate.

The carrying amount of loans considered to be impaired on the statement of financial position is reduced through the use of an appropriate impairment methodology.

The majority of the Company’s advances are included in the loans and receivables category.

1. Accounting policies (continued)

Financial instruments (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets ('AFS financial assets')

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as

- loans and receivables;
- held-to-maturity investments; or
- financial assets at fair value through profit or loss.

Impairment

The Company reviews the carrying amounts of financial assets, other than those at fair value through profit or loss, on an annual basis, to determine whether there is any indication that those financial instruments have become impaired using objective evidence. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that 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 borrower;
- a breach of contract, such as a default or delinquency in the payment of interest or principal;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower is over-indebted; or
- indication that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including;

- adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or
- national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers or adverse changes in industry conditions that affect the borrowers in the group).

The Company considers evidence of impairment for financial assets at both a specific asset and portfolio level. All individually significant financial assets are assessed for specific impairment.

All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar credit risk characteristics (e.g. on the basis of the Company's grading process that considers asset type, collateral type, past due status and other relevant factors). Trade and other receivables that are not originated through the lending business are assessed specifically for impairment and not on a collective basis.

1. Accounting policies (continued)

Financial instruments (continued)

In assessing collective impairment the Company uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against the financial assets.

Where the impairment loss subsequently reverses and the reversal can be related objectively to an event occurring after the impairment was recognised, the carrying amount of the financial asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the advance in prior years. A reversal of an impairment loss is immediately recognised in profit or loss.

Cash collected on financial assets, which have been written off is recognised in profit or loss as bad debts recovered as and when the cash is received.

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound instruments

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

1. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities that are held for trading purposes include derivative financial instruments.

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

Financial liabilities at amortised cost

Financial liabilities which are subsequently recognised at amortised cost using the effective interest method comprise interest bearing liabilities, bank overdrafts and trade payables.

Derivative instruments

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The Company uses derivative financial instruments to manage its exposure to foreign exchange and interest rate risk. The Company does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments comprise foreign exchange contracts and interest rate swaps.

Derivative financial instruments are initially recognised in the statement of financial position at fair value. Derivatives are subsequently re-measured at their fair value with all movements in fair value recognised in profit or loss, unless it is a designated and effective hedging instrument. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Company treats derivatives embedded in other financial or non-financial instruments such as the conversion option in a convertible bond, as separate derivatives when:

- their risks and characteristics are not closely related to those of the host contract;
- they meet the definition of a derivative; and
- the host contract is not carried at fair value, with gains and losses reported in profit or loss.

Fair value

Certain of the company’s financial instruments are carried at fair value through profit or loss such as derivative financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The method of determining the fair value of financial instruments is analysed into the following categories:

Level 1 – Unadjusted quoted prices in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm’s length basis.

1. Accounting policies (continued)

Financial instruments (continued)

Level 2 – Valuation techniques using market observable inputs, including:

- using recent arm's length market transactions;
- reference to the current fair value of similar instruments; and
- discounted cash flow analysis, pricing models or other techniques commonly used by market participants.

Level 3 – Valuation techniques, as described for level 2 above, for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

The valuation techniques in level 2 and level 3 use inputs such as interest rate yield curves, equity prices, commodity and currency prices / yields, volatilities, and the correlation between inputs. The models used in these valuation techniques are calibrated against industry standards, economic models and against observed transaction prices, where available.

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 Company realises the rights to the benefits specified in the contract, the rights expire or the Company 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 profit or loss.

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.

Vehicles in possession

Vehicles in possession represent security attached where a borrower has defaulted under the terms of a vehicle finance arrangement. Vehicles in possession are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Costs include refurbishment costs and related costs incurred in bringing such vehicles to their present location and condition. 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 vehicles in possession to net realisable value and the reversal thereof is recognised in profit and loss. The reversals of the write downs are limited to the reacquired cost of vehicle in possession

1. Accounting policies (continued)

Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount. They are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities and contingent assets are not recognised in the financial statements.

Revenue recognition

General policy

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue comprises invoiced sales in respect of the sale of goods, fees for rendering of services to customers, collection of owned book debts and finance charges on loans and suspensive sale credit agreements.

Revenue excludes non-operating income and value added taxation.

Interest income

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

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company 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 Company defers any related operating costs which are directly attributable to individual transactions.

Debt collection activities

Commissions and fees receivable for collection of debtors for third parties are recognised on receipt of payments from the debtors

Sales of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1. Accounting policies (continued)

Revenue recognition (contined)

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

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.

Non–operating income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest expense

Interest expense comprise interest on borrowings including debentures, dividends on redeemable preference shares, and other costs incurred in connection with the borrowing of funds.

Interest expense is recognised in the period in which it is incurred using the effective interest method except to the extent in which it meets the criteria for capitalisation against a qualifying asset in which case it is capitalised as part of the cost of the asset.

Taxation

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.

Deferred tax is calculated using taxation rates that have been enacted or substantially enacted at financial year-end. The effect on deferred tax of any changes in taxation rates is charged to profit or loss, 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 assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1. Accounting policies (continued)

Taxation (continued)

Indirect taxation

Indirect taxation in the form of non-claimable value-added tax (VAT) on expenses is disclosed as indirect taxation in profit or loss. 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 taxation authority is included as part of the receivables or payables in the statement of financial position.

Lease accounting

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

All other leases are classified as operating leases.

Finance leases

Lessors

Assets subject to finance lease agreements are derecognised and the finance lease is recognised as a receivable at an amount equal to the net investment in the lease (gross investment less unearned finance income).

The gross investment in the lease comprises the aggregate of the following:

- The minimum lease payments receivable under the finance lease;
- Any unguaranteed residual value accruing under the lease; and
- The initial direct costs incurred in negotiating the lease.

The interest element of the finance income is credited to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease receivable for each period.

Dividends paid

Dividends are recognised against equity in the period in which they are approved by the Company's directors. Dividends declared after the reporting date are not recognised but disclosed as a post reporting date event.

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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

2. Management estimates (continued)

Deferred tax assets

Deferred tax assets are recognised to the extent it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

Impairment of financial assets

The estimation of impairments of financial assets is inherently uncertain and depends on many factors, including general economic conditions, structural changes within industries, changes in individual customer circumstances and other external factors such as legal requirements, regulatory specifications and governmental policy changes. Financial assets are stated net of identified impairments and incurred but not yet identified impairments. Financial assets are considered impaired only if there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be reliably measured.

Objective evidence that loans and advances may be impaired includes the following observable data:

- A breach of contract, such as a default or delinquency in interest or principal payments. In this regard instalments past due date are considered in breach of contract;
- Historical loss experience of groups of financial assets with similar repayment terms; and
- Data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group including:

- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

Loans and advances are subjected to regular evaluations of the overall client risk profile and payments record in determining whether a loss event has occurred.

The historical loss experience is adjusted on the basis of observable data to remove the effects of the conditions in the historical period that do not currently exist.

The Company assesses whether objective evidence of impairment exists for groups of financial assets with similar repayment terms. If there is objective evidence that an impairment loss on financial assets has been incurred, the amount of the loss is measured as the difference between the carrying amounts of the assets and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the effective interest rates.

3. New and amended accounting standards and interpretations

The Company adopted the following accounting standards and interpretations that became applicable during the current reporting period.

IFRS/IFRIC and title	Details of change
IFRS 7 – *Financial instruments: Disclosures*	Requires information about all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation.* The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.
IFRS 13 – *Fair value measurement*	Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard
IAS 1 – *Presentation of financial statements*	The amendment revises the way other comprehensive income is presented by: • preserving the amendments made to IAS 1 in 2007 to require profit or loss and other comprehensive income to be presented together or as a separate 'statement of profit or loss' and 'statement of comprehensive income' requiring entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss or not; and • requiring the tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items, without changing the option to present items of other comprehensive income either before tax or net of tax.

IFRS 9 – *Financial instruments*
This is a finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments.
- Impairment: The standard introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- Hedge accounting: The standard Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The amendment is effective for the financial year ending 30 September 2019. The company is currently assessing the full impact of the amendment on the financial statements.

3. New and amended accounting standards and interpretations (continued)

New standards issued but not yet effective that are relevant to the Company

IFRS 15 – *Revenue from contracts with customers*

The standard provides a single, principles based model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable considerations, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The amendment is effective for the financial year ending 30 September 2018. The amendment is not expected to have a material impact on the company's financial statements.

IAS 32 – *Financial instruments: Presentation*

This amendment is to clarify certain aspects due to diversity in application of the requirements on offsetting,

The amendment is effective for the financial year ending 30 September 2015. The amendment is not expected to have a material impact on the company's financial statements.

IAS 39 – *Financial instruments: Recognition and Measurement*

This amendment is to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

The amendment is effective for the financial year ending 30 September 2015. The amendment is not expected to have a material impact on the company's financial statements.

Annual improvements 2010 – 2012

- IFRS 13 — Clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 24 — Clarifies how payments to entities providing management services are to be disclosed

The amendment is effective for the financial year ending 30 September 2015. The amendment is not expected to have a material impact on the company's financial statements.

Annual improvements 2011 – 2013

- IFRS 13 — Clarifies the scope of the portfolio exception in paragraph 52

The amendment is effective for the financial year ending 30 September 2015. The amendment is not expected to have a material impact on the company's financial statements.

Annual improvements 2012 – 2014

- IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

The amendment is effective for the financial year ending 30 September 2017. The amendment is not expected to have a material impact on the company's financial statements.

		2014 R'000
4	**Cash and cash equivalents**	
	Bank balances	35 456
	Total cash and cash equivalents *	35 456

** Ceded as part security for amortising securitisation notes and loans as shown in note 9.*

		2014 R'000
5	**Trade and other receivables**	
	Prepayments	155
	Trade receivables	526
	VAT refund	393
	Trade and other receivables	1 074

The carrying value of trade and other receivables approximates fair value, and represents the maximum exposure to credit losses.

No impairment allowance was raised in 2014.

		2014 R'000
6	**Loans and advances**	
	Gross loans and advances (note 6.1)	741 909
	Impairment provision (note 6.4)	(5 909)
	Loans and advances *	736 000

* Loans and advances are ceded as part security for amortising securitising notes and loans as shown in note 9.

		2014 R'000
6.1	**Gross loans and advances by asset type**	
	Finance leases (note 6.2)	739 863
	Vehicles in possession (note 6.3)	2 046
	Gross loans and advances	741 909

	2014 R'000
6 Loans and advances (continued)	
6.2 Finance leases	
Maturity analysis of gross finance leases including unearned finance charges	
Amounts up to 1 year	315 105
Amounts between one and five years	820 450
Amounts in excess of five years	1 510
Gross finance leases including unearned finance charges	1 137 065
Unearned finance charges	(397 202)
Gross finance leases	739 863
Impairment provision	(5 360)
Net finance leases	734 503
Maturity analysis of gross finance leases	
Amounts up to 1 year	146 943
Amounts between one and five years	591 610
Amounts in excess of five years	1 310
	739 863
Weighted average remaining term of lease	58.5
Weighted actual term of lease at inception	67.6
6.3 Vehicles in possession	
Vehicles in possession	2 046
Impairment provision	(549)
Net vehicles in possession	1 497
6.4 Impairment provision	
Balance at the beginning of the year	-
Gross impairments recognised in profit and loss	(6 099)
Net impairments recognised in profit and loss (note 12)	(6 099)
Recoveries of amounts previously written off (note 12)	-
Utilisation of impairment provision (note 12)	190
	(5 909)

The following factors were considered in determining the amount of the impairment: the recency of payment by debtors; contractual delinquency; achievable resale values on underlying security; the probability of loss; and the 12 month rolling historical loss-given-write-off.

6.5 Related credit risk exposure and enhancements	
Maximum exposure to credit losses of loans and advances	736 000
Credit risk exposure is mitigated through vehicles held as collateral. The aggregate achievable resale value less costs to sell of collateral held is:	674 631
Related specifically to:	
Impaired financial assets	67 781
Financial assets past due but not specifically impaired	118 670
Financial assets neither past due nor impaired	488 180

The Company is not permitted to sell or encumber the vehicles securing the lease agreements unless they have been reacquired under the finance agreements.

	2014 R'000
7 Deferred tax	
The movements during the year are analysed as follows:	
Deferred tax at the beginning of the year	-
Credit (charge) to profit or loss for the year (note 15)	1 082
Deferred tax asset at the end of the year	1 082

Category of deferred tax	**Opening Balance**	**Charged to income**	**Closing Balance**
2014	**R'000**	**R'000**	**R'000**
Prepayments	-	(43)	(43)
Loans and advances	-	1 125	1 125
	-	1 082	1 082

	2014 R'000
8 Trade and other payables	
Trade payables and accruals	3 322
Other	2 188
Trade and other payables	5 510

The carrying value of trade and other payables approximates fair value.

9 Interest bearing liabilities

Ramp up/Securitisation notes			
Senior	Floating	Prime plus 125 to 340 bp	609 000
Mezzanine	Floating	Prime plus 650 bp	56 000
			665 000
Payable within 12 months			-
Payable thereafter			665 000
			665 000

For an analysis of contractual maturity and liquidity risk, refer to note 19.3.

The Company is not in breach or default of any provisions of the terms or conditions of the agreements governing borrowings. These borrowings are secured by cession over finance leases and cash, refer to note 6 and 4, respectively.

10 Ordinary and preference share capital

*Authorised **	
100 ordinary no par value shares	-
23 redeemable no par value preference shares	-
	-
*Issued **	
100 ordinary no par value shares	-
23 redeemable no par value preference shares	-
	-

** Rounds to less than R1,000*

Transsec (RF) Limited
Notes to the annual financial statements
for the year ended 30 September 2014

		2014 R'000
11	**Interest**	
	Interest and other similar income is earned from:	
	Cash and cash equivalents	526
	Loans and advances	56 486
	Interest and other similar income	57 012
	Interest and other similar expenses are paid on:	
	Interest bearing liabilities	(17 193)
	Intergroup interest	(4 823)
	Interest and other similar expense	(22 016)
	Interest and other similar income	57 012
	Interest and other similar expense	(22 016)
	Net interest income	34 996
12	**Impairment of loans and advances**	
	Impairment comprises:	
	Movement in provision for impairments of loans and advances	5 909
	Bad debts written off	190
	Total impairment (refer to note 6.4)	6 099
13	**Non-interest revenue**	
	Non interest revenue comprises:	
	Fee income	461
	Administration fees	31
	Service fees	430
		461
14	**Indirect costs**	
	Indirect costs comprise:	
	Professional fees	3
	Input VAT not recoverable	1 415
	Management fees	11 432
	Director Emoluments - Non executive	34
	Other indirect expenses	158
		13 042

15 Income tax expense

	2014 R'000
South African normal taxation:	
Current taxation	5 651
Current year	5 651
Prior years	-
Deferred taxation	(1 082)
Current year	(1 082)
Prior years	-
	4 569
Tax rate reconciliation	
South African tax rate	28.0%
Effective tax rate	28.0%

16 Cash generated (utilised) by operations

	2014 R'000
Profit before taxation	16 316
Adjusted for:	
Movement in provision for impairment of loans and advances	5 909
Cash (utilised) generated by operations	22 225

17 Income taxes received or paid

	2014 R'000
Amounts (receivable) payable at beginning of year	-
Current tax charge to profit or loss	5 651
Amounts receivable (payable) at end of year	(437)
Income taxes paid	5 214

18 Related party transactions

The ultimate holding company is Transsec Issuer Owner Trust
The preference shareholder is SA Taxi Finance Holdings (Pty) Ltd
A listing of the Company's directors can be found in the directors' report.

The ordinary shares of the company are held by SA Taxi Warehouse SPV Owner's Trust.

	Relationship	2014 R'000
The following amounts were paid to related parties:		
Indirect costs		
SA Taxi Development Finance (Pty) Ltd - management fees	Fellow subsidiary	11 432
MBD Credit Solutions (Pty) Ltd - consulting	Fellow subsidiary	75
Interest expense		
SA Taxi Finance Holdings (Pty) Ltd	Holding company	4 745
Transaction Capital Limited	Ultimate Holding Company	78
The following are the amounts due from (to) related parties		
Interest Bearing Debt		
Transaction Capital Limited holds R32 million (2013: Rnil) Class B interest bearing notes, linked to prime plus 195bp, in Transsec (RF) Ltd. This amount is reflected as part of Interest Bearing Borrowings (note 9).		(32 000)
Group loans *		
SA Taxi Finance Holdings (Pty) Ltd - this loan is interest bearing at a rate linked to prime.	Preference shareholder	(86 902)
SA Taxi Development Finance (Pty) Ltd	Fellow subsidiary	286
TaxiMart (Pty) Ltd	Fellow subsidiary	19
SA Taxi Finance Solutions (Pty) Ltd	Fellow subsidiary	1 165
SA Taxi Protect (Pty) Ltd (formerly SA Taxi Risk Management Services (Pty) Ltd)	Fellow subsidiary	(1 755)
SA Taxi Securitsation (Pty) Ltd	Fellow subsidiary	4 750
Potpale Investments (Pty) Ltd	Fellow subsidiary	(8 829)
Keywood Investments (Pty) Ltd	Fellow subsidiary	349
		(90 918)
Total loans due to related parties		(97 486)
Total loans due from related parties		6 568

* Except where otherwise stated, all group loans are non-interest bearing and repayable on demand.

Directors fees		
Directors fees paid to GMG trust for fiduciary services rendered by B Harmse and JE Trevena		34

19 Financial risk management

The Company's operations expose it to a number of financial risks, including: market risk (interest rate risk); credit risk; and liquidity risk. A risk management programme has been established to protect the Company against the potential adverse effects of these financial risks.

The board is responsible for risk management and the setting of the risk management framework. Oversight of risk management is the responsibility of three Transaction Capital Limited ("Transaction Capital") board subcommittees; the assets and liabilities committee (ALCO), the risk and compliance committee and the audit committee. The ALCO monitors risks associated with liquidity and funding, interest rates, counterparties, currency exposures and capital adequacy. The audit committee monitors risks associated with financial reporting, accounting policies, internal control and IT governance. The risk and compliance committee is responsible for risk management including setting the risk management framework, setting risk appetite and monitoring the Company's management of risk, including credit and compliance.

The responsibility for day to day management of risks rest with the chief executive officer of the SA Taxi Finance group and his executive committee. Risk management is managed by the executive committee and reviewed by each member of the board. Transaction Capital group oversight is the responsibility of the Transaction Capital group's chief risk officer.

19.1 Credit risk

Credit risk is the risk of loss arising from the failure of a client or counterparty to discharge an obligation to the Company. The primary credit risk that the Company is exposed to arises from finance leases to minibus taxi operators and trade receivables. It is not the Company's strategy to avoid credit risk, but rather to manage credit risk within the Company's risk appetite and to earn an appropriate risk adjusted return.

The Company 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

Each subsidiary is responsible for the identification, measurement, management, control and reporting of credit risk within their business units. Exposure to credit losses is managed by assessing customer's affordability and their ability to repay loans and advances, customers risk profile and earnings potential.

The credit committee is responsible for providing executive management and oversight for all credit risk arising within and impacting on the Company's balance sheet. These meetings are attended by the SA Taxi Finance group's chief executive officer, chief financial officer and chief risk officer, as well as the Transaction Capital group chief financial officer.

The credit policy is designed to ensure that the Company's credit process is efficient for the applicant while providing the Company with the necessary details to make informed credit decisions. The Company applies the following approach to credit advancement:
- Vehicle type;
- Validity of the taxi route;
- Clients ability to pay using a route calculator (affordability check); and
- Verification of details and credit history against two independent credit bureaus.

Impairments are monitored and provided for using statistical techniques including experiential and behavioural models. These models are based on information on customers' financial performance while on book and assumes that the previous twelve month rolling performance is a strong indicator of future performance. An independent model is also applied to monitor the robustness of the primary model relative to actual performance and to optimise its effectiveness for measuring losses arising from credit risk. Models are developed internally with periodic review and input by expert external advisors. The realisable value of the underlying security is taken into consideration in arriving at a final impairment.

The Company has strict policies for granting credit. Loans and advances comprise a large number of accounts which are secured by minibus taxis. Collections of instalments are made through a mix of cash and debit order collections with 70% of the portfolio being cash payers. At the reporting date, the Company did not consider there to be any significant concentration of credit risk which has not been adequately provided for. The nature of the Company's services does not result in significant concentration risks in unsecured credit. The Company maintains cash and cash equivalents and short-term investments with various financial institutions and in this regard it is the Company's policy to limit its exposure to any one financial institution. Deposits are placed only with South African banks and limited to the big five banks within South Africa.

19 Financial risk management (continued)

19.1 Credit risk (continued)

Valuation of collateral

The Company typically holds vehicles (taxis), as collateral against secured advances. Any security taken as part of the credit decision is valued according to the applicable credit policies at the time of credit approval and at regular intervals thereafter. The market value of collateral over the secured debt is calculated with reference to the selling prices achieved in the active second hand taxi market, which has been created by the Company through the SA Taxi Finance group subsidiary Taximart (Pty) Ltd.

The carrying values of each vehicle in possession has been tested for impairment against current valuations. Impairments are as a result of an analysis of market related valuations prepared for each vehicle.

19.1.1 Financial assets subject to risk

For the purposes of Company disclosure regarding credit quality, the maximum exposure to credit risk of financial assets at the financial year end is the carrying amount of each asset, and is analysed further as follows:

	Loans and advances R'000	Trade & other receivables R'000	Other financial assets R'000	Total R'000
2014				
Neither past due nor impaired	523 803	526	42 024	566 353
Past due but not impaired	137 036	-	-	137 036
Impaired	81 070	-	-	81 070
Impairment provision	(5 909)	-	-	(5 909)
Carrying value of financial assets	736 000	526	42 024	778 550

19 Financial risk management (continued)

19.1.2 Financial assets that are past due but not Impaired

These are assets where contractual interest or principal payments are past due, but the Company believes that impairment is not appropriate. Recent payment history and the level of collateral available, if any, are key considerations in determining whether an asset is impaired. The age of loans and advances and other assets that are past due but not impaired is as follows:

	Past due up to 1 month R'000	Past due up to 1 - 2 months R'000	Past due up to 2 - 3 months R'000	Past due up to 3 - 4 months R'000	Past due older than 4 months R'000	Total R'000
2014						
Loans and advances	84 857	33 638	11 333	5 851	1 357	137 036
Financial assets that are past due but not Impaired	84 857	33 638	11 333	5 851	1 357	137 036

19.1.3 Loans and advances that are neither past due nor impaired

	2014 R'000
Carrying amount of loans and advances	523 803
Credit quality	523 803
High	387 714
Medium	35 324
Low	100 765

SA Taxi Finance Holdings Proprietary Limited, in conjunction with Principa Decisions, has developed a bespoke application scorecard to assess credit quality when granting loans. The scorecard uses demographic, vehicle, route and credit bureau information to determine the risk of the deal. A detailed affordability assessment is also performed to migrate risk.

19.2 Interest rate risk

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

The Company is exposed to interest rate risk associated with the effects of fluctuations in the prevailing levels of market rates on future cash flows of a financial instrument and the fair value of the financial instrument based on changes in market interest rates. The Company 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. The Company is exposed to fair value interest rate and liquidity risk through its portfolio of fixed rate liabilities. The Company is exposed to cash flow interest rate risk through its variable rate borrowings.

Surplus cash flows exposed to interest rate risk are placed with institutions and facilities which yield the highest rate return.

19 Financial risk management (continued)

19.2 Interest rate risk (continued)

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.

19.2.1 Risk profile of interest bearing liabilities and assets

2014	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
Assets						
Cash and cash equivalents	35 456	-	-	-		35 456
Trade and other receivables	-	-	-	-	1 074	1 074
Loans and advances	730 957	-	-	-	5 043	736 000
Loans to group companies	-	-	-	-	6 568	6 568
Total assets	766 413	-	-	-	12 685	779 098
Liabilities						
Trade and other payables	-	-	-	-	5 510	5 510
Interest bearing liabilities	665 000	-	-	-	-	665 000
Loans from group companies	86 902	-	-	-	10 584	97 486
Total liabilities	751 902	-	-	-	16 094	767 996
On balance sheet interest sensitivity	**14 511**	**-**	**-**	**-**	**(3 409)**	**11 102**

19 Financial risk management (continued)

19.3 Liquidity risk management

Liquidity risk is the risk that the Company is unable to meet payment obligations when they fall due or that insufficient funds are available to meet loan demands in the ordinary course of business. The Company 's objectives in relation to liquidity risk management are to manage the contractual mismatch between cash inflows from assets and cash outflows to settle liabilities, and to honour all cash outflow commitments.

The monitoring and reporting of liquidity risk takes the form of, as a minimum, cash flow projections to settlement of longest dated funding obligations by subsidiary or securitisation vehicle, an analysis of the Company 's borrowing facilities and utilisation thereof, maturity profile and concentration of liability by counterparty, asset maturities and borrowing facility obligations and special conditions.

It is the board's responsibility to ensure the management of 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 Debt Capital Market's (hereafter "DCM") team of any changes to the business environment that may impact funding requirements.

Prudent liquidity risk management implies maintaining sufficient cash and undrawn facilities and the availability of funding through adequate committed credit facilities. Management monitors rolling forecasts of the Company 's liquidity headroom on the basis of expected cash flows and the resultant net borrowing position compared to available credit facilities. This process is performed during each financial year end for five years forward in term of the Company 's long term planning process.

The table below analyses financial liabilities at the reporting date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

2014	On demand R'000	Within 1 year R'000	From 1 - 5 years R'000	More than 5 years R'000	Total R'000
Liabilities					
Trade and other payables	-	5 510	-	-	5 510
Interest bearing liabilities	-	55 659	854 397	-	910 056
Loans from group companies	97 486	-	-	-	97 486
Total Liabilities	**97 486**	**61 169**	**854 397**	**-**	**1 013 052**

19.4 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so as to provide superior returns for shareholders and other stakeholders, by pricing products and services commensurate with the level of risk. Transaction Capital group oversight is achieved through the ALCO.

The Company defines capital as equity funding provided by shareholders and debt funding from external parties. Shareholder funding comprises permanent paid up capital, share premium, revenue and other reserves together with loans from shareholders.

The policy is to maintain a strong capital base so as to retain investor and creditor confidence and to ensure remaining debt obligations are met. The board of directors monitors the cost of capital, which is defined as the weighted average cost of capital, taking into account the Company's internally calculated cost of equity (shareholder funding) and long term cost of debt assumptions.

19 Financial risk management (continued)

19.5 Currency risk

Currency risk is the possibility of incurring a financial loss as a consequence of the depreciation in the measurement currency relative to a foreign currency prior to payment of a commitment in that foreign currency or the strengthening of the measurement currency prior to receiving payment in a foreign currency.

The Company has no significant exposure to foreign currency risk.

19.6 Sensitivity analysis

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

The sensitivity analysis is prepared based on financial instruments that are recognised at the end of the reporting period. This is the case even where those exposures did not exist for the entire period or where the exposure changed materially during the period. The sensitivity that is applied is the amount that could reasonably be expected to occur, and has been determined as 100 basis points up and down.

Interest rate risk	**Effect on profit before tax of 1% increase in rates** **R'000**	**Total carrying value of asset class** **R'000**	**Fair value** **R'000**
30 September 2014			
Assets			
Loans and advances	7 310	736 000	747 318
Trade and other receivables	-	1 074	1 074
Cash and cash equivalents	355	35 456	35 456
Loans to group companies	-	6 568	6 568
	7 665	779 098	790 416
Liabilities			
Interest bearing borrowings	6 650	665 000	659 703
Trade and other payables	-	5 510	5 510
Loans from group companies	869	97 486	97 486
	7 519	767 996	762 699
Net exposure	146	11 102	27 717

The effect of a 1% change in interest rates is shown above. As the Company has no control over rate movements, it cannot predict the effect of future rate movements, if any.

20 Categorisation of financial instruments and associated gains (losses)

Statement of Financial Position

2014

	Loans and receivables	Financial liabilities carried at amortised cost	Non-financial liabilities or financial assets	Total
Assets				
Loans to group companies	6 568			6 568
Cash and cash equivalents	35 456	-	-	35 456
Current tax receivable	-	-	-	-
Trade and other receivables	526	-	548	1 074
Loans and advances	734 503	-	1 497	736 000
Deferred tax assets	-	-	1 082	1 082
Total Assets	777 053	-	3 127	780 180
Equity and liabilities				
Liabilities				
Loans from group companies	-	97 486	-	97 486
Tax payables	-	-	437	437
Trade and other payables	-	5 510	-	5 510
Interest bearing liabilities	-	665 000	-	665 000
Total Liabilities	-	767 996	437	768 433
Total equity attributable to owners of the parent				11 747
Total equity and liabilities				780 180

20 Categorisation of financial instruments and associated gains (losses) (continued)
Statement of comprehensive income categories

2014

	Loans and receivables	Financial liabilities carried at amortised cost	Non-financial liabilities or financial assets	Total
Profit and loss				
Interest income	57 012	-	-	57 012
Interest expense	-	(22 016)	-	(22 016)
Loan fee income arising from financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss	461	-	-	461
Net impairments on loans and advances	(6 099)	-	-	(6 099)
	51 374	(22 016)	-	29 358