www.transactioncapital.co.za

TRANSACTION CAPITAL *Integrated Annual Report* 2018

Transaction Capital

Integrated Annual Report 2018

CONTENTS

KEY INFORMATION

Includes information on the group's operating context, shareholders, directorate and the declared dividend.

The market context for each division can be found on page 40 for SA Taxi and page 54 for Transaction Capital Risk Services (TCRS).

A snapshot of key performance indicators, and strategic and operational highlights.

An overview of the group's business model, including propositions to stakeholders and our approach to the relevant capitals, including commercial and social value created.

An overview of the group's strategy and strategic performance during the year.

Q&A with details on performance against strategy and prospects over the medium term.

Also included is a discussion on the impact on Transaction Capital of the SA Taxi ownership transaction with SANTACO.

Strategic performance for each division can be found on page 39 for SA Taxi and page 53 for TCRS.

KEY INFORMATION

Includes details on the ground-breaking ownership transaction and initiatives with SANTACO.

Detailed disclosure on group and divisional financial performance.

Information relating to capital management across the group, including details on capital raising for the SANTACO equity transaction, ratings, and group-wide progress in capital management.

Includes an overview of the remuneration policy and the implementation report.

ONLINE

Audited annual financial statements

Including:
- *Directors' responsibility statement*
- *Company secretary's certificate*
- *Directors' report*
- *Audit, risk and compliance committee report*
- *Social and ethics committee report*
- *Independent auditor's report*

King IV application 2018

ABOUT THIS REPORT

OUR INTEGRATED ANNUAL REPORT (THIS REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2018 PROVIDES INSIGHT INTO TRANSACTION CAPITAL'S BUSINESS MODEL AND STRATEGY, AND ANALYSES OUR FINANCIAL, OPERATIONAL, SOCIAL AND GOVERNANCE PERFORMANCE.

SCOPE AND BOUNDARY

The scope of this report covers the group holding company and its divisions, as set out in the group profile on page 3. While Transaction Capital operates primarily in South Africa, the group's strategy to expand internationally has progressed, and this report also covers its operations in Australia.

Group executive management was significantly involved in the preparation of this report and believes the information provided covers all the factors deemed to be material to the group's ability to create value. Group and divisional executives determine materiality based on their ongoing engagement with stakeholders and with reference to group and divisional strategies. This report includes details on specific stakeholder concerns and the response of Transaction Capital and its divisions.

Although this report is considered to be relevant to all stakeholders, it is aimed primarily at providers of financial capital, to inform their assessment of Transaction Capital's ability to create value over the longer term.

This report includes summarised financial results and other selected financial information (page 116 to 131). The full annual financial statements are available at Transaction Capital's registered office and on its website, www.transactioncapital.co.za.

REPORTING FRAMEWORKS

This report is prepared in accordance with International Financial Reporting Standards (IFRS), the JSE Listings Requirements and the South African Companies Act 71 of 2008, and with reference to the International <IR> Framework of the International Integrated Reporting Council.

Transaction Capital conforms to the principles contained in the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV).

ASSURANCE OF THE REPORT

EXTERNAL

Deloitte & Touche audited the annual financial statements. The scope of the audit was limited to the information set out in the annual financial statements and does not extend to the content of this report. The unmodified assurance statement forms part of the annual financial statements.

INTERNAL

The audit, risk and compliance (ARC) committee is responsible for monitoring the appropriateness of the combined assurance model and applies a co-ordinated approach to all assurance activities. Combined assurance includes monitoring and oversight across executive and senior management, internal and external audit, and the board and its committees.

The ARC committee acknowledges its responsibility on behalf of the board to ensure the integrity of this report. Accordingly, it has applied its collective mind to this report and believes that it appropriately and sufficiently addresses all material matters and fairly presents the integrated performance of Transaction Capital and its divisions for the year, within the stated scope and boundary.

The ARC committee recommended this report to the board for approval. The board approved it for distribution to stakeholders on 16 January 2019.

DAVID HURWITZ
Chief executive officer

RONEN GOLDSTEIN
Financial director

GROUP PROFILE

Transaction Capital

Transaction Capital owns businesses that operate in highly specialised and under-served segments of the South African and Australian financial services markets.

Transaction Capital's two market-leading divisions are diversified and scalable business platforms that leverage their specialised expertise, proprietary data and technology to create value for customers. Positioned deliberately in relation to socio-economic dynamics, both are highly defensive businesses able to deliver good commercial returns and positive social impact in different economic conditions. Each division has an entrepreneurial, innovative and experienced management team, and operates according to a mature governance framework.

SA Taxi
driving our nation forward

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

See the SA Taxi review from page 38 to 51.

Transaction Capital Risk Services

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

See the TCRS review from page 52 to 63.

TO SUSTAINABLY CREATE VALUE FOR ITS SHAREHOLDERS, TRANSACTION CAPITAL'S ACTIVITIES INCLUDE:

DRIVING STRATEGY, GROWTH AND PERFORMANCE

- Strengthen the leading market positions and scale of its divisions by enhancing and refining the specialist capabilities required to achieve deeper vertical integration in current market segments, and to enter complementary market segments.
- Invest unrelentingly in innovative strategic initiatives and ensure precise implementation, to consistently achieve high organic earnings and dividend growth over the medium term, despite the adverse environment.
- Maintain an acute focus on quality of earnings and cash conversion rates.

OVERSEEING THE MANAGEMENT OF CREDIT, INVESTMENT, OPERATIONAL AND REGULATORY RISKS

- Apply its specialist capabilities to manage credit risk that arises due to the nature of its chosen market segments, and manage investment risk when allocating capital.
- Identifying and reducing operational risk, including insurance risk, to increase the efficiency and effectiveness of the group's resources, minimise operational losses and exploit opportunities.
- Manage uncertainty and the cost of compliance due to the constant evolution of financial services regulations, which requires awareness of, preparation for, and participation in legislative developments. This includes supporting transformation objectives in South Africa and assessing progress against the revised Broad-Based Black Economic Empowerment Codes of Good Practice.

MANAGING THE ADEQUACY AND DEPLOYMENT OF CAPITAL

- Judiciously invest equity capital, conservatively leveraged with local and international debt, in accurately assessed asset classes that achieve superior risk-adjusted returns.

DELIVERING A STRONG PIPELINE OF FUNDING

- Leverage its ability to manage the credit and investment risk associated with its chosen market segments to a level acceptable to funders, to secure uninterrupted access to local and international funding pools.
- On this basis, serve as a conduit to attract capital from local and international funders to be applied into its asset classes.

ENSURING HIGH-CALIBRE TALENT TO DRIVE A HIGH-PERFORMANCE CULTURE

- Motivate, engage, develop and reward high-calibre people to differentiate the group through its intellectual capital.
- Foster innovation, cultivate leadership and sustain a high-performance culture.
- Support its entrepreneurial management teams in the precise implementation of new initiatives to drive growth.

ENSURING THE GROUP AND ITS DIVISIONS OPERATE ACCORDING TO A MATURE GOVERNANCE FRAMEWORK

- Ensure governance outcomes of ethical leadership, effective control, good performance and legitimacy.
- Ensure that strategy and its implementation harmonises the interests of all stakeholders to protect and create value.

ABOUT TRANSACTION CAPITAL

CHAIRMAN'S REPORT

CHRISTOPHER SEABROOKE

CHALLENGING ECONOMIC CONDITIONS CONTINUE TO BE A FEATURE OF THE OPERATING ENVIRONMENT FOR TRANSACTION CAPITAL.

Nonetheless, the group's divisions, SA Taxi and Transaction Capital Risk Services (TCRS), are highly defensive and resilient businesses, strategically well positioned in their chosen markets. They have adjusted to the persistently difficult economic conditions by refining and diversifying their scalable fintech platforms and achieving operational efficiency.

THE OPERATING ENVIRONMENT

Despite positive political developments in South Africa, macro- and socio-economic conditions have deteriorated, with the country entering a technical recession in the first half of 2018.

Consumer and business confidence are low, with high household debt-to-income levels (at 71.3%), a volatile Rand, fuel prices at record highs, a 1% increase in value-added tax (VAT) to 15%, and stagnating credit extension. Although the inflation rate remained within the South African Reserve Bank's target range of 3% to 6% (increasing to 5.1% in July 2018), the rising cost of household essentials is exceeding wage growth, placing further strain on consumers and limiting the ability of highly indebted consumers to recover. As a result of these factors, consumers remain vulnerable and the consumer outlook is subdued.

40 and 54

Details on the operating environment for SA Taxi and TCRS are included in their respective market context sections.

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

CONSISTENT GROWTH, DESPITE THE ADVERSE ENVIRONMENT

Since listing on the JSE Limited in June 2012, the group has consistently achieved compound annual growth in earnings per share of 20%, with dividends per share growing even faster at 33%, supported by high cash conversion rates. In the 2018 financial year, the group extended its track record of high-quality organic earnings growth, with core headline earnings up 18% to R682 million.

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For detailed disclosure on the financial performance of the group and its divisions, see the Financial director's report.

Despite concerns about South Africa's sovereign rating, Transaction Capital has maintained strong ratings performance across all its rated note programmes.

The group's executive and divisional management teams continue to demonstrate their ability to deliver strategic initiatives that deepen vertical integration in their core market segments and grow into complementary segments, to further diversify earnings. This has been achieved by deep participation in their respective industries, which delivers commercial returns while creating broader stakeholder value.

A significant milestone for the group, which demonstrates its focus on shared value, is the historic transformational partnership transaction between SA Taxi and the South African National Taxi Council (SANTACO – a national body that represents the interests of its members who are individual minibus taxi operators). Given their long-standing partnership and the excellent progress made by SA Taxi in providing commercial benefits to taxi operators, SANTACO's acquisition of a 25% interest in SA Taxi represents a tangible example of formalising broad-based participation in the value chain for industry participants.

The partnership stands to benefit SANTACO and SA Taxi, but importantly, benefits will also flow to all levels of the industry. A portion of dividend income will be allocated to support relevant infrastructure and other developmental projects designed to create sustainable value for the minibus taxi associations, operators, commuters and other stakeholders.

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For details on the impact of the ownership transaction on Transaction Capital, see the Q&A with David Hurwitz, CEO.

48

Details on benefits in respect of SA Taxi and the broader minibus taxi industry can be found in the Q&A with Terry Kier, SA Taxi CEO.

DIVIDEND DECLARATION

Following the interim dividend of 21 cents per share (2017 interim: 15 cents per share), and in line with the stated dividend policy of 2 to 2.5 times, the board of directors (the board) declared a final gross cash dividend of 29 cents per share (2017: 25 cents per share) for the six months ended 30 September 2018. The dividend was declared out of income reserves.

With compound annual growth of 33% for dividends per share since listing in 2012, the group continues to demonstrate its ability to drive sustainable growth.

SHAREHOLDING

On 8 March 2018, Evergien Capital Proprietary Limited (Evergien) sold approximately 72 million shares in an accelerated bookbuild that was oversubscribed. While this has reduced Evergien's shareholding from 41% to 29%, it remains Transaction Capital's largest shareholder.

Evergien's partial divestment represents the next phase of Transaction Capital's evolution beyond its foundation phase. It has significantly increased the group's free float to 68% (from 56% in the prior year), enhancing liquidity and daily trade. This has expanded the base of local and specifically international investors, with the latter increasing to 16% at 30 September 2018 (from 6% in the prior year) and institutional shareholding increasing from 51% to 62%, which reflects the attractiveness of Transaction Capital's investment proposition to these investors.

Details on the Evergien bookbuild can be found in the SENS announcements on 7 and 8 March 2018, available at http://www.transactioncapital.co.za/SENS.php

Subsequently, shareholders were notified in November 2018 of the off-market sale and acquisition of ordinary shares by the family of Jonathan Jawno, one of the founders of Transaction Capital. The family's look-through interest of shares held by Evergien has been sold to the Kimberley Investment Trust (KIT), of which Jonathan Jawno is a trustee and contingent discretionary beneficiary. As a result, the shareholders of Evergien now comprise the family trusts of Michael Mendelowitz and Roberto Rossi in equal proportions, which owns 19.45% of the issued ordinary share capital of Transaction Capital, with KIT holding 9.72% of the issued ordinary share capital of Transaction Capital directly. Combined, the shareholdings of Evergien and KIT remain at 29%, representing no change in the absolute beneficial ownership of the group post the off-market sale and acquisition.

Details on the off-market sale and acquisition can be found in the SENS announcement on 23 November 2018, available at http://www.transactioncapital.co.za/SENS.php

GOVERNANCE

The board is pleased to welcome Diane Radley, who was appointed as an independent non-executive director with effect from 15 July 2018. Ms Radley now serves as chairperson of the audit, risk and compliance (ARC) committee and as a member of the asset and liability committee (ALCO).

The board is also pleased to welcome Buhle Hanise, who was appointed as an independent non-executive director with effect from 1 January 2019. Ms Hanise serves as a member of the ARC committee and ALCO.

Olufunke Ighodaro resigned as an independent non-executive director and chairman of the ARC committee on 30 November 2018 due to her other executive responsibilities. The board thanks Ms Ighodaro for her valued contribution to the group and wishes her well with her future endeavours.

Transaction Capital conforms to the principles contained in the King IV Report on Corporate Governance™ for South Africa, 2016 and continues to focus on entrenching ethical and effective leadership in every area of the group. The annual performance evaluation of the board, conducted in November 2018, reaffirmed the effectiveness of the board in its direction of the group.

CONCLUSION

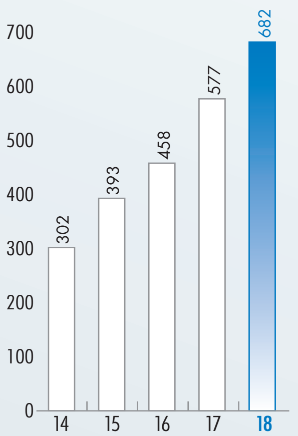
Transaction Capital's investment into, and precise implementation of, various strategic initiatives continues to position the group for strong performance and high-quality earnings.

Given the socio-economic conditions facing South Africa and the urgent need to address structural inequalities, the group is demonstrating that a shared-value approach to business can balance commercial returns and social benefits. This further enhances the sustainability of the group, its stakeholders and the industries in which it operates.

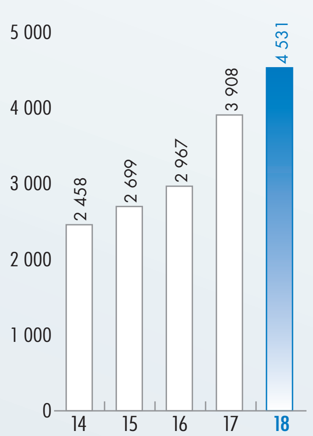
I extend my appreciation to the group's leadership for strategic clarity and execution, and for navigating the complex environment without losing sight of purpose. I also acknowledge the dedication and commitment of its employees. My thanks also extend to the board for ongoing strategic counsel and guidance, and the group's bankers, funders and advisers for their continued support.

FINANCIAL HIGHLIGHTS

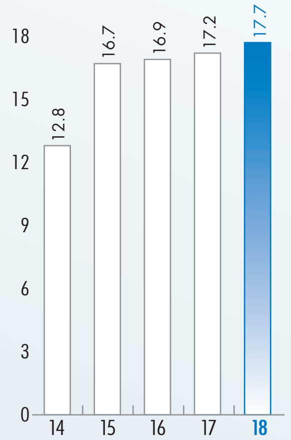
CORE HEADLINE EARNINGS (Rm)



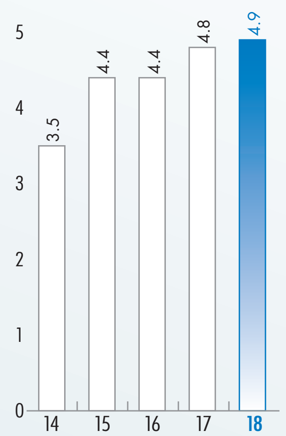
TOTAL INCOME (Rm)



RETURN ON EQUITY (%)



RETURN ON ASSETS (%)



STRATEGIC AND OPERATIONAL HIGHLIGHTS

GROUND-BREAKING OWNERSHIP TRANSACTION WITH SANTACO

- SANTACO acquired a 25% interest in SA Taxi for R1.7 billion on 19 November 2018.
- The transaction delivers broad-based participation in the value chain for an entirely black-owned industry.
- Alignment with minibus taxi industry to yield further operational benefits.

For details, see the Q&A with David Hurwitz, CEO on page 24 and the Q&A with Terry Kier, SA Taxi CEO on page 48.

DELIVERING ON GROWTH – ACQUISITION OF NON-PERFORMING LOANS (NPLs) AS PRINCIPAL

- 33 portfolios acquired for R639 million with a face value of R13.4 billion in South Africa.
- Further investment of R23 million in Australian portfolios.
- 239 portfolios owned in total with a face value of R22.4 billion.
- Purchased book debts increased 54% to R1.4 billion.
- Estimated remaining collections (120 months) increased 60% to R3.0 billion, expected to support positive future performance.

For details, see the Q&A with David McAlpin, TCRS CEO on page 60.

EVOLUTION BEYOND FOUNDATION PHASE

Accelerated bookbuild in March 2018

- Expanded base of local and specifically international investors.
- International shareholding increased to 16% (from 6%).
- Everglen remains the largest shareholder at 29%.

For details, see the Chairman's report on page 6.

Enhanced liquidity and daily trade

- Significant increase in free float to 68%.
- Average daily number of shares traded increased 105% to 468 558.
- Average daily value traded increased 142% to USD595 601.

DEBT CAPITAL MARKETS

- SA Taxi raised R4.0 billion in 2018, with 2019 fully funded.
- R1.0 billion Transsec 3 initial and tap issuance more than 2.6 times oversubscribed and priced more than 80 basis points lower than Transsec 2 total issuance.
- 20% international debt and 80% local debt.
- USD100 million debt facility approved by African Development Bank.

For details, see the Q&A with Mark Herskovits, executive director: capital management on page 76.

UNGEARED AND LIQUID BALANCE SHEET

- Balance sheet remains well capitalised.
- Liquid excess capital of approximately R650 million.
- Capital adequacy ratio of 30.9%.
- Capacity and flexibility to continue investing in organic and acquisitive opportunities.
- Early adoption of IFRS 9 in 2015 (prior to 2018 deadline).

For details, see the Financial director's report on page 66.

STRATEGIC POSITIONING OF OPERATING DIVISIONS

Six years since listing

- Headline earnings per share compound annual growth rate (CAGR) of 20%.
- Dividend per share CAGR of 33%, growing faster than earnings and supported by high cash conversion rates.
- Total dividend per share increased 25% to 50.0 cents from prior year.

Delivering robust organic growth

- Highly defensive businesses.
- Vertically integrated, diversified and scalable financial services platforms led by entrepreneurial and innovative management teams.
- Leveraging proprietary data and technology to develop new products and expand into new markets.
- Delivering commercial returns and social benefits.

For details on these divisions, see the SA Taxi section on pages 38 to 51 and TCRS section on pages 52 to 63.

EVOLUTION SINCE LISTING

SINCE LISTING IN 2012, MANAGEMENT HAS IMPLEMENTED A NUMBER OF STRATEGIC INITIATIVES TO SUPPORT STRONG ORGANIC GROWTH, ENSURING IMPROVEMENT ACROSS KEY METRICS AND CREATING VALUE FOR STAKEHOLDERS.

CAGR

40% TOTAL SHAREHOLDER RETURNS[2] (2013 to 2018)

20% CORE HEADLINE EARNINGS PER SHARE[1] (2012 to 2018)

33% TOTAL DIVIDEND PER SHARE (2014 to 2018)

OCTOBER 2016
Conditional share plan approved

NOVEMBER 2016
Established a R2 billion domestic note programme

DECEMBER 2016
Acquired Road Cover

JANUARY 2017
Acquired Recoveries Corporation in Australia

FEBRUARY 2017
Issued 28.4 million shares raising R419 million

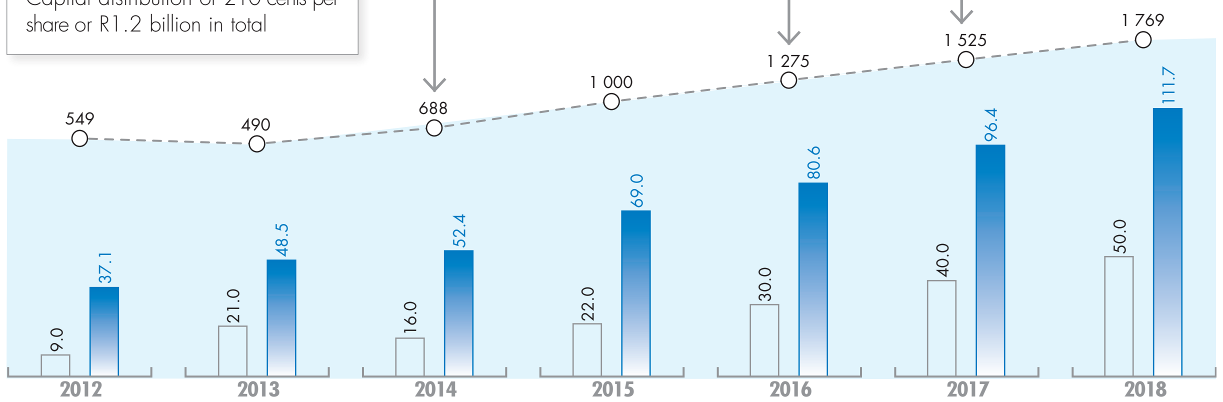
NOVEMBER 2017
Dividend policy amended to 2 to 2.5 times (4 to 5 times at listing)

NOVEMBER 2013
Paycorp disposal for R937 million

DECEMBER 2013
Bayport disposal for R1.3 billion

MARCH 2014
Capital distribution of 210 cents per share or R1.2 billion in total

NOVEMBER 2015
Early adoption of IFRS 9



JUNE 2012
Listed on the JSE Limited

JANUARY 2015
Board restructured and group executive office simplified

MARCH 2018
Accelerated bookbuild by largest shareholder, enhancing liquidity and daily trade

NOVEMBER 2018
SANTACO acquires 25% stake in SA Taxi for R1.7 billion

Total dividend per share (cents) | Core headline earnings per share[1] (cents) | Closing Transaction Capital share price[2] (cents per share)

1. Core headline earnings, excluding the impact of Bayport and Paycorp disposals.
2. 2012 and 2013 adjusted for the capital distribution of R2.10 per share in March 2014.

Core financial results and ratios exclude once-off acquisition costs of R22 million incurred in 2017.

MISSION

PROVIDING SPECIALISED FINANCIAL AND ALLIED SERVICES IN HIGHLY SPECIALISED AND UNDER-SERVED SEGMENTS OF THE FINANCIAL SERVICES SECTOR.

INVESTMENT CASE

EXECUTING ON TRANSACTION CAPITAL'S MISSION CREATES A COMPELLING AND UNIQUE INVESTMENT CASE:

TRANSACTION CAPITAL COMPRISES A **DIVERSIFIED PORTFOLIO** OF **FINANCIAL SERVICES ASSETS**

- Two **well established, autonomous and unique** financial services businesses:
  - SA Taxi
  - Transaction Capital Risk Services
- Positioned in **attractive market segments** occupying **leading market positions.**
- **Highly defensive businesses** able to withstand difficult economic conditions.
- **Deep vertical integration** enabling the application of **specialised expertise to mitigate risk, participate in margin and provide a broader service to clients.**
- **Superior data, leading-edge technology and analytics capabilities** differentiate our offerings, inform business decisions and mitigate risk.
- Via a **diversified business model:**
  - Unique blend of highly **cash generative and capital-related businesses.**
  - **Diversified revenue model** across adjacent market segments and geographies.

WITH A **BESPOKE AND ROBUST CAPITAL STRUCTURE** INCORPORATING **R1 BILLION* OF EXCESS CAPITAL**

- **Conservative equity capital structure** to fund organic growth and acquisition activity:
  - **Ungeared** at holding company level.
  - **Proven ability to raise debt and equity capital** efficiently from a diversified range of local and international investors.

ESTABLISHED AS A **SCALABLE FINANCIAL SERVICES PLATFORM**

- For SA Taxi and TCRS to **develop new products and expand** into **new markets.**
- For Transaction Capital to **innovate** in **introducing new organic and acquisitive growth opportunities.**

WHICH IS LED BY AN **ENTREPRENEURIAL OWNER-MANAGER TEAM**

- **Ownership culture.**
- **Decentralised, entrepreneurial, innovative, proven and long-serving leadership.**
- **Specialised intellectual capital** applied in managing a much smaller asset base than in larger organisations.

AND UNDERPINNED BY A **ROBUST GOVERNANCE FRAMEWORK** AND **SOUND GOVERNANCE PRACTICES**

- **Experienced, diverse and independent directors** at group and subsidiary level.
- **Institutionalised governance, regulatory and risk management** practices.
- **Conservative accounting policies** (including the early adoption of IFRS 9).

WHICH TOGETHER POSITION THE GROUP FOR **SUSTAINABLE GROWTH**

- **Decentralised businesses** that are self-sustaining and sizable in their own right.
- Unrelenting **investment into and precise implementation of innovative strategic initiatives.**
- Track record of delivering predictable and consistent **high-quality earnings** with **high cash conversion rates and strong organic growth** prospects.
- **Dividends growing** at an accelerated rate when compared to earnings.
- A **focussed acquisition strategy** supported by:
  - **R1 billion of excess cash*.**
  - **Highly cash-generative businesses.**
  - **Supportive capital markets.**
  - **A strong unleveraged balance sheet.**

AND THE DELIVERY OF A **MEANINGFUL SOCIAL IMPACT**

- Businesses favourably positioned in relation to demographic and socio-economic trends, **delivering social and commercial benefits.**
- SA Taxi facilitates:
  - **Asset ownership by black-owned small and medium-sized enterprises (SMEs), financial inclusion, SME empowerment and sustainable job creation.**
  - **Improved public transport infrastructure.**
  - **Environmental sustainability.**
- TCRS facilitates:
  - **Credit rehabilitation** of over-indebted consumers.
  - Lenders to **maintain cleaner balance sheets** to **continue extending credit** affordably.
  - **Lending to SMEs.**

* *Post SA Taxi's equity transaction with SANTACO.*

BUSINESS MODEL

Transaction Capital's business model creates value for stakeholders by applying specialist competencies to create leading positions in highly specialised and under-served market segments.

SHARED-VALUE APPROACH

Material capitals | Structure | Key activities | Stakeholder proposition

Material capitals

Financial capital
Maintain stable earnings growth, while rationing capital according to strict investment criteria.

Credit risk, investment risk and capital management coordinated across the group, supported by a proven ability to raise debt capital.

Human and intellectual capital
Develop and augment the specialist competencies of the divisions, and leverage data, analytics and technology to drive growth.

Social and relationship capital
Improve and grow customer value propositions through deeper vertical integration within chosen market segments, and drive mutually beneficial partnerships with suppliers, customers and other stakeholders.

Ongoing engagement and appropriate representation on industry bodies to protect the interests of the group and its stakeholders.

Natural capital
SA Taxi enables replacement of aged and less efficient vehicles with new and reduced-emission vehicles.

Structure and key activities

BOARD OF DIRECTORS

- Focal point of group's corporate governance framework.
- Nurtures an entrepreneurial culture via ongoing founder involvement.
- Provides strategic counsel.
- Assesses acquisitions, new products and service lines.
- Monitors reputational and sustainability risks.

GROUP EXECUTIVE OFFICE

- Monitors the operating context across competitors, markets and environments.
- Assesses risks and opportunities, and develops and integrates acquisition and growth opportunities in verticals and adjacent sectors in conjunction with divisional management.
- Strategy formulated in conjunction with divisional management, with a focus on investing in ongoing innovation to deepen leading market positions; thereafter, responsibility and authority for implementation devolved to divisional management.
- Reputation, brand and investor management.

DIVISIONS (SA Taxi, Transaction Capital Risk Services)

- Each division has its own board of directors, with governance processes aligned to Transaction Capital's governance framework, and appropriate levels of authority allocated across the group structure.
- Divisional management acts as custodians of respective business strategies, with a focus on precise and responsive implementation of strategic initiatives.
- Manage operations and operational risk.
- People management and development aligned to the group's strategy.

Stakeholder proposition

REGULATORS – compliance with laws, regulations and JSE Listings Requirements, which enhances the corporate governance and reputation of the group's businesses as part of a listed entity.

SHAREHOLDERS – considers the risks and opportunities related to the context in which the group operates to enable consistently strong commercial and social returns, underpinned by independent oversight and monitoring of the group's systems of control and governance.

FUNDERS – provide access to alternative asset classes that are not traditionally available to funders, as the group mitigates risk to acceptable levels to maintain appropriate risk-adjusted returns.

EMPLOYEES – provide personal development, advancement and highly competitive compensation in exchange for commitment and performance, along with work that is meaningful with direct social impact.

INDUSTRY – deep involvement through ongoing engagement, driving broader participation in industry value chains and investing in initiatives that drive industry sustainability.

SUPPLIERS – ongoing engagement to enhance our proposition to clients and customers.

CLIENTS AND CUSTOMERS – apply specialised competencies, operational capacity, experience and capital to improve and grow product and service relevance through deeper vertical integration within chosen market segments.

OUTCOMES

Positioned deliberately in relation to socio-economic dynamics, Transaction Capital's divisions deliver good commercial returns and positive social impact in different economic conditions

COMMERCIAL RETURNS

The defensive nature of Transaction Capital's businesses enables consistent and resilient earnings and dividends growth over time, through consistent outperformance despite the adverse environment.

20%
HEADLINE EARNINGS PER SHARE CAGR SINCE LISTING

18%
CORE HEADLINE EARNINGS
R682 MILLION

16%
CORE HEADLINE EARNINGS PER SHARE
111.7 CENTS

25%
TOTAL DIVIDEND PER SHARE
50.0 CENTS

R10.8 BILLION
MARKET CAPITALISATION

SOCIAL IMPACT

Transaction Capital's focus on under-served market segments creates broader stakeholder value and positions the group as socially relevant.

SA TAXI
R3.3 BILLION
LOANS ORIGINATED, CREATING
7 734 SMEs
IN 2018

For details on SA Taxi's integrated business model, view a video on YouTube at https://www.youtube.com/watch?v=uRJxshsM2Kk

TCRS
CONTRIBUTES TO THE EFFICIENCY AND EFFECTIVENESS OF NATIONAL CREDIT SYSTEMS

4 445
TOTAL GROUP EMPLOYEES

SA TAXI
12 HOURS OF TRAINING PER EMPLOYEE

TCRS
63 HOURS OF TRAINING PER EMPLOYEE

Transaction Capital's divisions occupy leading market positions.

40 and 54

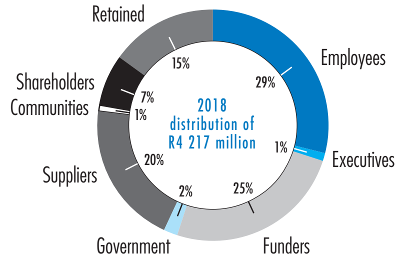
For details on the market context in which the group's divisions operate.

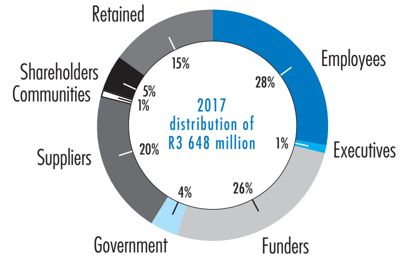
SANTACO acquired a 25% stake in SA Taxi for R1.7 billion in a **historic transformational ownership transaction.**

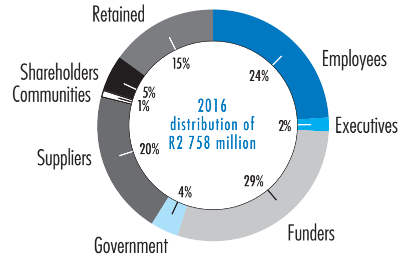
Other initiatives support and sustain the minibus taxi industry by providing broad-based participation in the value chain, which includes the Black Elite fuel loyalty programme, insurance initiatives in response to requests by SANTACO, and collaborative engagement with industry stakeholders on issues affecting the industry.

TCRS ranked 1st or 2nd by clients in **93% of mandates** in South Africa and in **79%** of banking, government and commercial mandates in Australia.

VALUE DISTRIBUTED TO STAKEHOLDERS







Core financial results and ratios exclude once-off acquisition costs of R22 million incurred in 2017. Growth rates compare 2018 to 2017.

STRATEGIC OBJECTIVE 01 ORGANIC GROWTH

STRATEGY

LEVERAGE SPECIALISED CAPABILITIES AND DEVELOP INDUSTRY SOLUTIONS TO DEEPEN VERTICAL INTEGRATION WITHIN EXISTING MARKET SEGMENTS, AND APPLY THESE COMPETENCIES TO CREATE NEW POSITIONS WITHIN ADJACENT AND NEW MARKET SEGMENTS, THEREBY DRIVING ORGANIC GROWTH.

SA TAXI

Ground-breaking ownership transaction with SANTACO

- Operational benefits of a stronger and enhanced relationship with SANTACO expected to support higher growth.
- Further cooperation through initiatives designed to deliver sustainable benefits to SA Taxi's clients and the industry.

▲ 13% to R9.4 BILLION
GROSS LOANS AND ADVANCES

▲ 7% NUMBER OF LOANS ON BOOK

▲ 9% VALUE OF LOANS ORIGINATED

▲ 11% to R979 MILLION
NET INTEREST INCOME
in line with book growth

▼ to 11.0%
NET INTEREST MARGIN (2017: 11.4%)

AVERAGE INTEREST RATE ON ORIGINATION 23.6% (2017: 24.4%)
National Credit Act maximum rate capped at 33.5%

FUNDING COSTS ▲ 20 BASIS POINTS TO 11.6% (2017: 11.4%)
▼ Repo rate 25 basis points year-on-year

GEARING
▼ to 7.4 times
(2017: 7.7 times)
Post the SANTACO equity transaction, gearing set to reduce substantially with the allocation of R1 billion to settle debt, yielding interest savings. Future growth to be funded through cheaper senior debt.

▲ 26% to R540 MILLION
NON-INTEREST REVENUE
driven by SA Taxi's insurance business

GROSS WRITTEN PREMIUM
▲ 23% to R687 MILLION

NUMBER OF INSURANCE CLIENTS ▲ 10%
>85% of SA Taxi's financed clients insured by SA Taxi. Broadened open market client base, supported by broker network strategy initiated during 2018.

PRODUCTS PER CLIENT ▲ TO 2.0 (2017: 1.8)
Broadened product offering, including credit life and Road Cover, with additional products in development in conjunction with the industry.

Taxi Auto Parts (TAP) launched in March 2018

- Enhancing margin through retail of well-priced and quality new and refurbished vehicle parts to minibus taxi operators.
- Lowering cost of parts to SA Taxi's own refurbishment centre and its network of preferred external autobody repairers.
- Supporting management of credit and insurance risk (see strategic objective 2 on page 16).
- Includes newly launched salvage operation, which optimises the salvage value of vehicles that are not economically viable to refurbish, resell or refinance.

Expanding the dealership network

- Polokwane opened in October 2018, with additional dealerships under consideration to expand provincial coverage.
- To include retail of new and refurbished vehicles and spare parts, and distribution of parts to SA Taxi's network of preferred external autobody repairers.

Loyalty programmes launched and in development

- Black Elite fuel loyalty programme launched in April 2018.
- Additional programmes in development.
- Demonstrates deeper vertical integration and establishes a new base for expanding non-interest revenue earnings.
- Enables SA Taxi and minibus taxi operators, drivers and their associations to participate in broader industry spend.

SA Taxi's Connected Services division established

- Providing services across Wi-Fi, fuel and media.
- Broadening SA Taxi's total addressable market.

STRATEGY COMMENTARY:
Q&A with David Hurwitz, CEO – page 24 | Q&A with Terry Kier, SA Taxi CEO – page 48

FINANCIAL PERFORMANCE:
Financial director's report – page 66

TCRS

Collection services segment

Diversified across geographies, revenue models, sectors, client base and mandates

▲ 54% to R1 374 MILLION
PURCHASED BOOK DEBTS

▲ 60% to R2 989 MILLION
ESTIMATED REMAINING COLLECTIONS

- 37 NPL portfolios acquired for R662 million with a face value of R13.6 billion (2017: 29 portfolios acquired for R356 million with a face value of R5.2 billion).
- Revenue from principal collections ▲ 22%.
- Current South African economic context favours acquisition of NPL portfolios.
- Diversifying in alternative asset classes, including secured loans, debt review portfolios and consumer debt prior to write-off.
- Acquiring NPL portfolios on a private bilateral basis.
- Exploring selective NPL acquisitions in Australia.

▲ 19%
CONTINGENCY AND FEE-FOR-SERVICE (FFS) REVENUE

- Growing revenue from adjacent sectors with insurance, telecommunications and public sector contributing 38% of contingency revenue in South Africa (2017: 27%).
- Bespoke solutions developed, including early stage collections and legal collections (debt review and debt administration).
- Acquisition of Recoveries Corporation, enabling geographic diversification.

Transactional services segment

Transaction Capital Business Solutions developing an online client portal and technology-based origination system.

Value-added services segment

Road Cover fully integrated and performing to expectation, with encouraging growth prospects.

STRATEGY COMMENTARY:
Q&A with David Hurwitz, CEO – page 24 | Q&A with David McAlpin, TCRS CEO – page 60

FINANCIAL PERFORMANCE:
Financial director's report – page 66

IN BRIEF

Transaction Capital's divisions are focussed on narrow market segments, enabling them to identify, develop and implement highly customised solutions specific to those markets. This level of specialisation enables them to operate in under-served and higher-risk market segments.

For growth initiatives per segment:
46 SA Taxi's business activities
58 TCRS' business activities

STRATEGIC OBJECTIVE 02 RISK AND CAPITAL MANAGEMENT

JUDICIOUSLY INVEST EQUITY CAPITAL, CONSERVATIVELY LEVERAGED WITH LOCAL AND INTERNATIONAL DEBT, INTO ACCURATELY ASSESSED ASSET CLASSES TO ACHIEVE SUPERIOR RISK-ADJUSTED RETURNS.

Proactive risk management regulated by the enterprise-wide risk management framework, and enhanced by leveraging the benefits achieved through vertical integration and the constant application of technology, data and analytics to evaluate appropriate metrics.

CAPITAL MANAGEMENT

Maintained robust access to debt capital markets

RAISED ~R4.9 BILLION in debt facilities in 2018

INCLUDES:
- **USD100 MILLION** eight-year facility with African Development Bank
- **R1.0 BILLION** Transsec 3 initial and tap issuance

CONTINUE TO DIVERSIFY FUNDING SOURCES
- Diverse debt investor base of **45 FUNDERS**
- **10 NEW INVESTORS** in 2018

SA TAXI'S FUNDING REQUIREMENTS FOR THE 2019 FINANCIAL YEAR ARE SECURED

▼ to 11.8%
GROUP AVERAGE COST OF BORROWING
(2017: 12.0%)

5.2%
MARGIN ABOVE REPO RATE

FOREIGN DEBT COMPONENT STABLE AT
20%
fully hedged to Rand

CAPITAL ADEQUACY POSITION REMAINS ROBUST AT
30.9%

22.9%
EQUITY

8.0%
SUBORDINATED DEBT

Net ungeared and liquid group balance sheet

EXCESS CASH OF
~R650 million on balance sheet

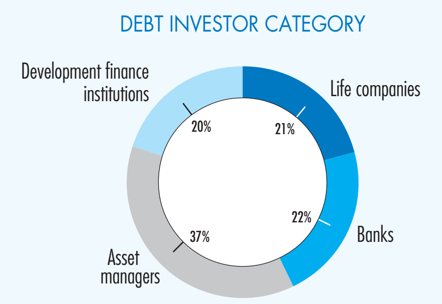
EXCESS CASH OF
~R1 billion post SANTACO equity transaction

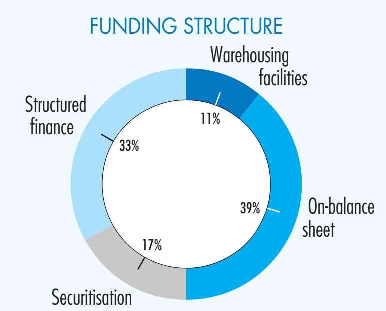
STRATEGY COMMENTARY:
Q&A with Mark Herskovits, executive director: capital management – page 76

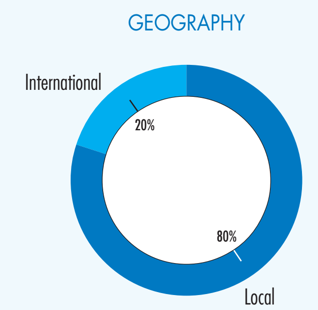
FINANCIAL PERFORMANCE:
Financial director's report – page 66

FUNDING PHILOSOPHY

DEBT INVESTOR BASE OF 45 FUNDERS, DIVERSIFIED BY:







On-balance sheet

2018 BALANCE OUTSTANDING R3.9 billion

SA Taxi Development Finance
SA Taxi Finance Holdings
Transaction Capital Risk Services

Securitisation

2018 BALANCE OUTSTANDING R1.7 billion

Transsec (RF) Limited
Transsec 2 (RF) Limited
Transsec 3 (RF) Limited

Structured finance

2018 BALANCE OUTSTANDING R3.3 billion

SA Taxi Impact Fund
SA Taxi Finance Solutions

Warehousing facilities

2018 BALANCE OUTSTANDING R1.1 billion

Potpale Investments

STRATEGIC OBJECTIVE 02 RISK AND CAPITAL MANAGEMENT CONTINUED

CREDIT RISK MANAGEMENT – SA TAXI

3.3%
CREDIT LOSS RATIO
(2017: 3.2%; 2018 half-year: 3.7%)

IMPROVED QUALITY AND EFFICIENCIES IN REFURBISHMENT CENTRE

Average refurbishment cost ▼ 4% (▼ 20% since 2016), despite inflationary pressure on spare parts costs.

Via TAP, SA Taxi is able to import and locally procure quality parts directly at a lower cost, and distribute these to SA Taxi's own refurbishment centre as well as its network of preferred external autobody repairers. Through TAP, SA Taxi is also able to optimise the salvage value of vehicles.

Recovery on repossession >73% of loan settlement value.

Target credit loss ratio remains 3% to 4%

17.7%
NON-PERFORMING LOAN RATIO
(2017: 17.1%)

DIFFICULT ECONOMIC CONDITIONS
- ▲ minibus vehicle prices
- ▲ fuel costs

Offset by the reduced average cost to refurbish repossessed vehicles and higher recoveries on the resale of these vehicles.

PROVISION COVERAGE OF 4.0%
- Lower risk loan origination strategy targeting higher credit quality taxi operators.
- ▼ exposure to older vehicle models.
- Annualised TAP impact on average refurbishment cost ▼ 12%.
- After tax credit loss covered at 1.7 times.

INSURANCE RISK MANAGEMENT – SA TAXI

Further improvement in insurance claims ratios
- Growth in proportion of insurance claims processed via SA Taxi's combined autobody and mechanical refurbishment facility.
- TAP supporting further claims ratio improvements:
  - Direct import or local procurement of quality parts at a lower cost for use in SA Taxi's own refurbishment centre, and for distribution to its network of preferred external autobody repairers.
  - Optimising the salvage value of vehicles.

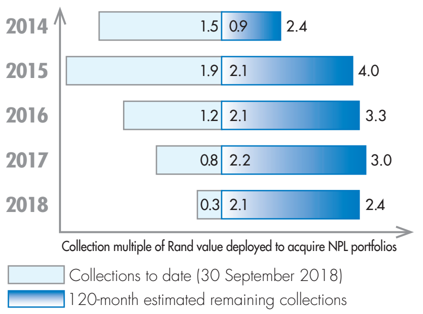
This supports a reduction in the cost of claims as the average cost to repair insured vehicles reduces.

STRATEGY COMMENTARY:
Q&A with Terry Kier, SA Taxi CEO – page 48

FINANCIAL PERFORMANCE:
Financial director's report – page 66

INVESTMENT RISK MANAGEMENT – TCRS

COLLECTION MULTIPLE VINTAGE PERFORMANCE
as at 30 September 2018



2.4 times
2018 COLLECTION MULTIPLE
- Exceeds internal target of ~2.2 times.
- Continues performance trend of recent vintages all above internal target (2014 to 2018).
- Estimated remaining collections ▲ 60% to R3.0 billion, which will underpin future performance.
- Strong cash conversion rates.

STRATEGY COMMENTARY:
Q&A with David McAlpin, TCRS CEO – page 60

FINANCIAL PERFORMANCE:
Financial director's report – page 66

IN BRIEF

Transaction Capital is sufficiently capitalised to fund organic growth, to take advantage of opportunities to deploy capital into its existing businesses, and to acquire complementary businesses that can be enhanced by or contribute to its specialist capabilities.

Despite the challenging economic conditions, the divisions continue to manage risks effectively and achieve appropriate risk-adjusted returns.

STRATEGIC OBJECTIVE 03 DATA, TECHNOLOGY AND ANALYTICS

GENERATE IN-DEPTH INSIGHTS FROM THE CONTINUOUS COLLECTION AND ANALYSIS OF DIVERSE, ACCURATE AND VALUABLE DATA SETS TO ENABLE PRECISE DECISIONING AND PROACTIVE RISK MANAGEMENT.

LEVERAGE DATA, TECHNOLOGY AND ANALYTICS WITHIN A DYNAMIC SERVICING PLATFORM TO DRIVE PROFITABLE GROWTH.

SA TAXI

Data and telematics

- Proprietary database enriched with data accumulated daily from each minibus taxi and applied to credit decisions, collections, repossessions and insurance activities.
- Ongoing investment in information technology, data management and predictive analytics:
  - To further reduce risk, prevent insurable events and reduce the cost of insurance claims.
  - To further improve processing capabilities and extract operational efficiencies.
  - Piloting system to enable live vehicle diagnostics.
  - Roll-out of DreamTech, a technology-enabled system that feeds information regarding accidents or insurable events into SA Taxi.

STRATEGY COMMENTARY:
Q&A with Terry Kier, SA Taxi CEO – page 48

TCRS

Continued investment and optimisation

- Optimisation of workforce management, dialer, propensity-to-pay scorecards and right time to call.
- Implementation of new technologies, including artificial intelligence.
- Adapting to changes in consumers' preferred method of communication to non-voice channels.
- Expansion and commercialisation of master data universe.
- Expanding TCRS' technology, business intelligence and analytics capabilities into Recoveries Corporation in Australia.

STRATEGY COMMENTARY:
Q&A with David McAlpin, TCRS CEO – page 60

IN BRIEF

Both divisions continue to invest in data, technology and analytics, which enhance efficiencies, improve margins and enable value-added services.

STRATEGIC OBJECTIVE 04 ACQUISITIVE GROWTH

TARGET QUALITY ASSETS OPERATING WITHIN TRANSACTION CAPITAL'S FOCUSSED MARKET SEGMENTS THAT WILL ENHANCE ITS CAPABILITIES, AND WHOSE BUSINESS MODELS AND VALUE CAN BE ENHANCED THROUGH ACTIVE MANAGEMENT.

TCRS

Assessing bolt-on acquisitions in South Africa to support sector and mandate diversification, and to grow the value-added services business:

- Acquired Accsys as a bolt-on to Transaction Capital Payment Solutions in December 2017, providing flexible human resource and payroll solutions to SMEs.

Assessing bolt-on acquisitions of specialist collectors in Australia to build Recoveries Corporation's data, capabilities and scale.

STRATEGY COMMENTARY:
Q&A with David McAlpin, TCRS CEO – page 60

INVESTMENT CRITERIA

Transaction Capital applies **stringent criteria** when evaluating **potential acquisitions** to ensure that it will **enhance** its **specialist capabilities**

BUSINESS MODEL

- Scalable business model with a proven track record.
- Focussed business with potential for high return on equity.
- Driven by systems, data and analytics, and ability to augment these with Transaction Capital's technology capabilities.
- Ease of integration into Transaction Capital's existing divisions.
- Ability to enhance Transaction Capital's current services to clients.
- Scalable business platforms whose competitiveness and value can be developed and enhanced by Transaction Capital.

CULTURE

- Alignment with Transaction Capital's values.
- Client- and solutions-orientated.
- Entrepreneurial management who are co-invested.
- Strong relationships with clients.
- Experienced teams whose skills will benefit those of the group.

CAPABILITIES

- Deep knowledge of its industry and chosen market segments.
- Strong management team.
- Business platforms that can be developed and scaled.
- Intellectual property and expertise that can augment Transaction Capital's existing capabilities and facilitate access to new verticals.

MARKET POSITION

- Established platforms with robust organic growth.
- Delivering predictable, quality earnings with high cash conversion rates.
- Niche market participant within Transaction Capital's existing or adjacent market segments.
- Potential for consolidating market position.
- Strong organic and acquisitive growth prospects.
- International targets that will grow the portfolio, diversify risk and contribute hard currency earnings.

IN BRIEF

Transaction Capital has a proven track record of creating value through identifying, pricing, acquiring and integrating new businesses, and then developing them to achieve scale and leading positions in their market segments.

STRATEGIC OBJECTIVE 05 PEOPLE

DEVELOP, ENGAGE AND REWARD EMPLOYEES AND EXECUTIVES TO ENGENDER A HIGH-PERFORMANCE CULTURE.

The group executive office has an experienced and specialised leadership team with proven entrepreneurial, merger and acquisition, technical, financial and risk management skills. The necessary expertise, capabilities and skills of key operational functions are devolved to its divisions, and divisional executives are accountable for the performance of their respective businesses. The divisions are supported by the capabilities of the group executive office, as and when required. Strong institutionalised governance, regulatory and risk management practices are maintained at the group executive office and divisional level.

PEOPLE PHILOSOPHY

Entrepreneurial, high-performance culture

A sense of ownership and motivation to innovate, within specific business models and risk parameters.

Transaction Capital establishes cohesive leadership teams within its divisions that have the responsibility and requisite level of operational authority to deliver on clearly defined strategies.

The group preserves sufficient flexibility of management to support entrepreneurial spirit, while maintaining management accountability and robust risk management processes.

Executive capability

Executives are appropriately qualified and have deep experience within their areas of specialisation. This intellectual capital is typically applied over a much smaller asset base at Transaction Capital than in larger organisations, with the concomitant expectation of higher performance.

Specialisation

Executives, management and employees are expected to become specialists in their role.

In TCRS, senior managers are employed to deepen the division's penetration into adjacent market segments, and apply their professional experience and skills to a narrower market segment compared to their previous roles. For example, specific senior managers focus only on collections in the public or telecommunications sectors, or originations in the insurance sector.

In SA Taxi, the long-serving senior management team applies its experience across the division to develop deeper specialisation in each segment.

Reward

Fair remuneration commensurate with the level of skill, experience, seniority and industry practice, and performance incentives where appropriate.

The Transaction Capital Limited Conditional Share Plan, approved by shareholders on 20 October 2016, is a mechanism to attract and retain key employees while providing them with the opportunity to share in the success of the division, and to align their interests with shareholders.

Meaningful employment

Engender an understanding of the broader social context applicable to each employee's role, in line with the social relevance of Transaction Capital's divisions.

TCRS is formalising its employee value proposition and leadership charter across the full spectrum of benefits, including ongoing training and development, and opportunities for professional growth.

The SA Taxi Way defines the culture of the business.

STRATEGIC OBJECTIVE 05 PEOPLE

SA TAXI

HIGHLIGHTS

45 promotions of which 37 are black*

93% of high-potential employees retained

39% of employees are women

84% of employees are black*

55 training programmes conducted, of which 17 are accredited

12 average training hours per employee

69% of employees who received training are black*

* Black includes African, Indian and Coloured South Africans.

HEADCOUNT AT YEAR-END

GENDER	AFRICAN	COLOURED	INDIAN	WHITE	FOREIGN NATIONALS	TOTAL
Male	524	15	17	105	7	**668**
Female	329	14	19	65	3	**430**
Total	853	29	36	170	10	**1 098**
	78%	3%	3%	15%	1%	100%

STRATEGY COMMENTARY:

Q&A with Terry Kier, SA Taxi CEO – page 48

TCRS

HIGHLIGHTS

"INVESTORS IN PEOPLE ORGANISATION" accreditation affirmed in January 2018

115 promotions of which 61% are women and 85% are black*

88% of high-potential employees retained

74% of employees are women

92% of employees are black*

218 training programmes conducted, attended by ~16 800 delegates

63 average training hours per employee

95% of employees who received training are black*

* Black includes African, Indian and Coloured South Africans.

HEADCOUNT AT YEAR-END

GENDER	AFRICAN	COLOURED	INDIAN	WHITE	TOTAL
Male	438	67	105	103	**713**
Female	1 372	255	287	115	**2 029**
Total	1 810	322	392	218	**2 742**
	66%	12%	14%	8%	100%

STRATEGY COMMENTARY:

Q&A with David McAlpin, TCRS CEO – page 60

In addition to the statistics provided above, TCRS employs 580 employees at Recoveries Corporation in Australia.

IN BRIEF

With 4 445 employees, Transaction Capital acknowledges its role in creating meaningful employment opportunities and empowering its talent.

The success of the group, especially in a persistently challenging local economy, comes down to our ability to attract, retain and develop our people. They are the foundation of our ability to engage meaningfully with our clients, innovate in respective markets, leverage technology and data, and create shared value for our stakeholders.

Q&A

WITH
DAVID HURWITZ
CHIEF EXECUTIVE OFFICER

TRANSACTION CAPITAL'S DIVERSIFIED PORTFOLIO OF FINANCIAL SERVICES ASSETS COMPRISE WELL ESTABLISHED, AUTONOMOUS AND UNIQUE BUSINESSES GROUPED INTO TWO DISTINCT DIVISIONS – SA TAXI AND TCRS.

Despite the challenging operating environment (detailed in the Chairman's report on page 6), the focussed application of the group's strategy over the year has ensured that our portfolio continues to leverage its deep vertical integration and specialism to achieve organic growth.

Our evolving competencies in data and analytics continue to drive profitable growth by improving our risk management capabilities, supporting management decisioning and control, and providing the insights needed to develop and refine our product offerings to defined customer segments.

Underpinned by a maturing understanding of their social relevance, vertical integration enables the divisions to continue to innovate in their respective markets, and identify and develop opportunities that expand our total addressable markets to create greater value for all stakeholders.

Q: HOW DOES THE OWNERSHIP TRANSACTION BETWEEN SANTACO AND SA TAXI DEMONSTRATE THE GROUP'S COMMITMENT TO SHARED VALUE?

For many decades, South Africa's minibus taxi industry has been a core pillar of the South African economy and is responsible for getting millions of South Africans to their destinations every day. However, due to the historical and political realities that shaped the formation of the sector, the industry has often lacked meaningful partnership opportunities with other industry participants or financial institutions.

It is an entirely black-owned industry, comprised solely of SMEs, and it has developed without financial support into the most critical component of the South African integrated public transport system.

At the core of our business model is a commitment to engage deeply in the industries in which we operate by driving broader participation in industry value chains and investing in initiatives that drive sustainability. As a national body that represents the interests of its members, who are individual minibus taxi operators, SANTACO's acquisition of a 25% stake in SA Taxi for R1.7 billion on 19 November 2018 is truly historic and transformational.

The equity transaction is built on a foundation of years of mutual respect and cooperation between SANTACO and SA Taxi. With a shared vision to enhance the sustainability of the minibus taxi industry, the transaction represents an understanding that by working together, we can achieve more.

It is important to note that this is not a black economic empowerment deal, which would only enrich certain individuals or limited groups; rather, it is an equity partnership that will enable the equitable distribution of the value generated in the minibus taxi industry verticals to all minibus taxi industry participants by:

- Providing a better and more affordable offering to minibus taxi operators.
- Providing commuters with safer, more efficient and more reliable means of public transport.
- And ultimately, building a more sustainable minibus taxi industry.

This transaction is the first of its kind, where business and industry have collaborated voluntarily, independently from, but with the support of government, to deliver shared value through meaningful social impact aligned with commercial benefit.

The proportional ownership structure, allocated to SANTACO and a trust representing broad-based provincial structures, will ensure that ownership and associated economic benefits of this investment accrue to all levels of the industry and allow for SANTACO to participate in revenue flows across the verticals in SA Taxi.

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

Thus, the transaction will deliver benefits to commuters, government and the nation in improving the infrastructure and services in the industry, and enhance the industry's sustainability for the benefit of individual taxi operators and associations. From a commercial standpoint, the transaction will provide tangible value to SANTACO, its members and provincial structures, and greater alignment between SANTACO and SA Taxi will support further growth for the group.

More broadly, SA Taxi continues to work closely with SANTACO leadership on other initiatives designed to deliver sustainable benefits to SA Taxi's clients and the industry as a whole. These initiatives include credit life insurance, the Black Elite fuel loyalty programme, skills training and collective engagement with other industry stakeholders.

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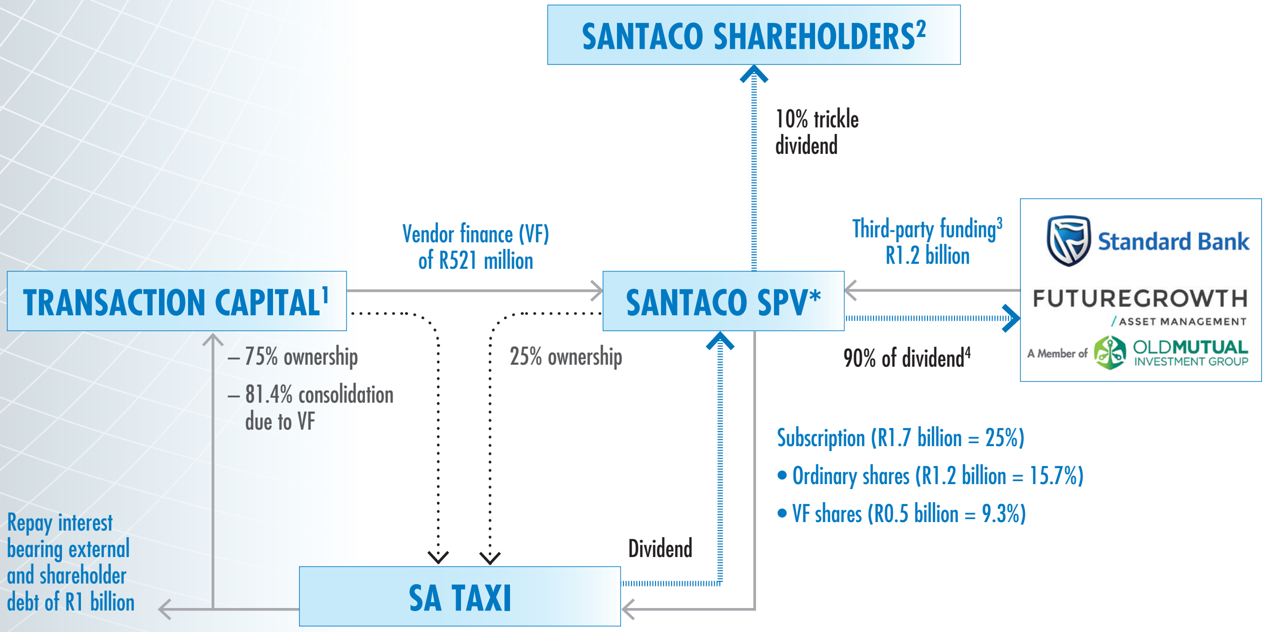
For details on these initiatives, see the Q&A with Terry Kier, SA Taxi CEO.

Q: HOW HAS THE GROUP AND SA TAXI FACILITATED THE TRANSACTION?

The deal is the culmination of several years of engagement between SANTACO and SA Taxi. Group executives and SA Taxi's leadership team have been intensely involved in the process, from the negotiations with SANTACO to approaching funders, structuring the deal and engaging with government and regulators.

Of the R1.7 billion purchase price, approximately R1.2 billion will be funded jointly by Standard Bank of South Africa and Futuregrowth Asset Management, who are SA Taxi's long-standing and largest debt funders. The remaining R521 million will be facilitated by SA Taxi in the form of vendor finance.



1. Transaction Capital and The Empire Family Trust (representing SA Taxi's CEO, Terry Kier).
2. Project committee to assess projects put forward by industry participants.
3. Third-party funding flows into the industry SPV via industry holding company.
4. Dividends from 25% shareholding.
* Special purpose vehicle.

Q: WHAT IS THE IMPACT OF THE TRANSACTION ON SA TAXI AND TRANSACTION CAPITAL?

From SA Taxi's perspective, it will achieve greater alignment with SANTACO and the minibus taxi industry, which stands to unlock additional opportunities and broaden its total addressable market from our current client base of about 30 000 to almost all of the approximately 250 000 minibus taxi operators in South Africa.

SA Taxi will use approximately R1 billion of the net proceeds of R1.2 billion to settle interest-bearing external and shareholder debt, which will yield significant earnings benefits. The remaining amount will be retained by SA Taxi to fund growth. SA Taxi's net asset value will increase to about R3 billion (from R1.6 billion at 30 September 2018). Return on equity will remain at approximately 20% due to these accretive earnings benefits.

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

The vendor finance made available by SA Taxi will result in Transaction Capital consolidating 81.4% of SA Taxi's earnings. Although Transaction Capital's proportionate share of SA Taxi's earnings will be smaller, earnings are expected to increase due to the settlement of debt. Seen together with the expected growth in the finance, insurance and retail businesses from greater alignment with the minibus taxi industry, this ground-breaking deal is expected to be earnings accretive to the group over the medium term. Furthermore, Transaction Capital's net asset value per share will increase by approximately 105 cents per share immediately after the implementation of the transaction.

Finally, the group executive office's balance sheet will be debt free and well capitalised after the implementation of the transaction, with approximately R1 billion of excess cash.

The group is cognisant that businesses in South Africa have a broader responsibility to society, beyond statutory or legislative requirements. Transaction Capital's willingness to take on and financially facilitate the SANTACO ownership transaction on a voluntary rather than an obligatory basis, stands as testament to our strategic emphasis on creating shared value, which enhances commercial returns and delivers positive social impact.

Q: CONSIDERING THE CHALLENGING OPERATING ENVIRONMENT, HOW IS SA TAXI MANAGING THE ASSOCIATED RISKS?

In the vehicle financing business, demand for new and quality pre-owned vehicles remains strong, especially considering the resilience and growth of the minibus taxi industry as the dominant mode of public transport. However, difficult economic conditions combined with high minibus vehicle prices and escalating fuel costs resulted in a marginal increase in SA Taxi's non-performing loan ratio to 17.7% (from 17.1%). This was offset by the reduced average cost to refurbish repossessed vehicles and higher recoveries on the resale of these vehicles.

Thus, the credit loss ratio only increased to 3.3% (from 3.2%) and remains at the bottom end of the division's risk tolerance of 3% to 4%. The division's focussed loan origination strategies have resulted in higher credit quality, with 75% of loans originated in better risk categories and repeat loans to existing clients increasing to approximately 31% (from 26% a year ago).

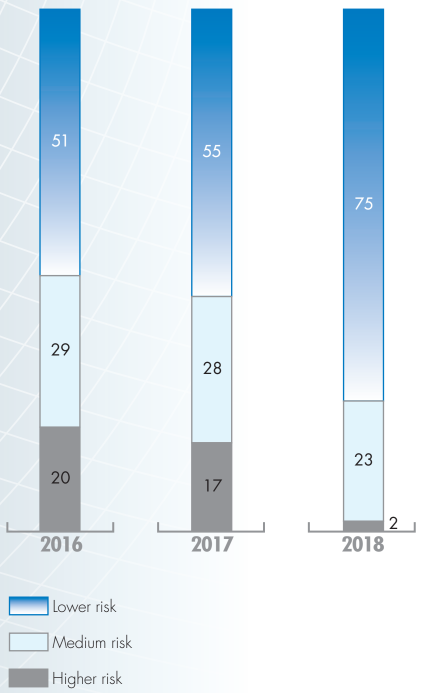
As detailed in the Q&A with Terry Kier, SA Taxi CEO, on page 48, SA Taxi's insurance business is the main driver of non-interest revenue. The division continues to grow its product offering and manage insurance risk effectively, with claims ratios remaining robust.

The business remains focussed on growing the proportion of insurance claims processed via SA Taxi's combined autobody and mechanical refurbishment facility, and reducing the average cost to refurbish insured vehicles. In addition, it continues to invest in information technology, data management and predictive analytics specifically designed to reduce insurance risk, prevent insurable events and reduce the cost of insurance claims.

Despite a weaker Rand causing inflationary pressure on spare parts costs, the average cost to refurbish insured vehicles reduced further in the period, underpinned in part by greater efficiency in SA Taxi's specialised refurbishment facility. SA Taxi established its own parts procurement and distribution, and vehicle salvage operation in March 2018, called Taxi Auto Parts or TAP. Via TAP, SA Taxi is able to import and locally procure quality parts directly at a lower cost, and distribute these to SA Taxi's own refurbishment centre as well as its network of preferred external autobody repairers. Through TAP, SA Taxi is also able to optimise the salvage value of vehicles.

Serving higher quality taxi operators to create a more sustainable minibus taxi industry

NEW ORIGINATION VOLUMES BY RISK GRADE (%)



Q: THE CHALLENGING OPERATING ENVIRONMENT IS ALSO A FEATURE FOR TCRS. HOW IS THE DIVISION'S STRATEGY SUPPORTING ITS PERFORMANCE?

Key to TCRS' performance in this environment is its diversified business model, which reduces concentration risk. TCRS is diversified by business activity across collection, transactional and value-added services. Within its most significant business activity, collection services, TCRS acts as both a principal in acquiring and then collecting on NPL portfolios, and as an agent on an outsourced contingency or FFS basis. Its business activities are diversified further across various consumer-related sectors, clients and geographies.

TCRS' defensive business model supports performance in different market conditions. The challenging economic climate in South Africa, and TCRS' data, scale and capital position, favour the acquisition of NPL portfolios from risk averse clients who prefer an immediate recovery against their NPLs. Activity in this sector was higher than in the 2017 financial year, with opportunities to purchase loan portfolios emanating from traditional lenders, credit retailers, municipalities and state-owned enterprises.

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For details on TCRS' business model, see Business activities.

Whereas TCRS historically focussed on acquiring portfolios of written-off unsecured retail debt, it has extended its focus to non-performing consumer portfolios in alternative asset classes such as secured loans, debt review portfolios and consumer debt prior to write-off, with the latter typically sold on a private bilateral basis. Investments in our legal collection division are supporting TCRS' ability to grow market share in this sector.

The difficult consumer credit environment since 2016 has resulted in lower levels of consumer credit extension and a consequent contraction in the volumes of contingency matters handed over for collection in South Africa by banks, credit retailers and specialist lenders. Again, through its strategy to diversify geographically, deepen its penetration in its traditional market segments (banks, retailers and specialist lenders) and grow revenue from adjacent sectors (insurance, telecommunications and public sectors), TCRS has grown its contingency and FFS revenue by 19% during the year.

TCRS is continually assessing opportunities for bolt-on acquisitions to enter adjacent sectors and penetrate new product types, cognisant that opportunities for growth remain notwithstanding the challenging market in South Africa.

In the transactional services business, management is exploring progressive fintech and payment technologies to diversify earnings growth and create future opportunities, including the development of an online client portal and technology-based origination system.

In the value-added services business, Road Cover has been fully integrated into the division and performed to expectation. The application of data and analytical skills that underpin TCRS' operations stand to augment Road Cover's offering and presents encouraging growth prospects.

Q: WHAT PROGRESS HAS BEEN MADE IN RECOVERIES CORPORATION IN AUSTRALIA?

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

Although Recoveries Corporation is still a small component of TCRS, it continues to diversify the division's contingency and FFS revenue. For a relatively small initial investment, the opportunity to gain a deep understanding of the Australian collections industry and participate in emerging opportunities is proving meaningful.

In addition to achieving operational leverage, growth opportunities include bolt-on acquisitions of specialist collectors. Also, TCRS continues to be cautious as it seeks to apply its analytics, pricing expertise and capital raising capabilities to the selective purchase of NPL portfolios in Australia.

Although the debt collection market is highly fragmented, it is estimated that NPL portfolios are acquired annually for an aggregated purchase consideration of AUD600 million, many times larger than the South African market, which gives an indication of the growth opportunity for TCRS in this market.

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For details on the debt collection environment in Australia, see the Market context section of TCRS' divisional review.

Q: DATA AND TECHNOLOGY ARE KEY TO THE ABILITY OF TCRS TO GENERATE IN-DEPTH INSIGHTS, ENABLE PRECISE DECISIONING AND ENHANCE EFFICIENCIES. WHAT HAVE BEEN SOME OF THE KEY DEVELOPMENTS AGAINST THIS STRATEGIC OBJECTIVE OVER THE YEAR?

As mentioned above, we are overlaying TCRS' technology and business information capabilities in Recoveries Corporation in Australia. We have built a highly efficient collections business in South Africa, and by leveraging our systems, intellectual capital and balance sheet, we are enhancing the efficiencies of the Australian business in areas like the dialer and right time to call, which stands to improve profitability. In leveraging our capabilities in business intelligence and analytics, we are also enhancing how the workforce and operations are managed.

In South Africa, TCRS continues to fine-tune all aspects of the technology investments we have made in areas that can be considered 'outside of the call'. We are extending investments and focus to 'inside the call' through advanced technologies, including artificial intelligence. With increasing smartphone penetration and data access, along with the reducing cost of data, the division's focus on non-voice channels will enhance how consumers transact with TCRS.

TCRS is also expanding and enriching its master data universe (MDU), which now includes both performing and non-performing credit-active consumers. The business is investigating commercialising the MDU.

TCRS' focus on technology and data analytics has resulted in higher productivity and lower operating costs. On a like-for-like basis, excluding recently acquired businesses, TCRS' cost-to-income ratio improved to 76.8%, compared to 77.3% in the prior year.

Q: TRANSACTION CAPITAL CONTINUED TO DELIVER GOOD GROWTH AND DRIVE EFFICIENCIES ACROSS THE BUSINESS. WHAT ARE ITS PROSPECTS OVER THE MEDIUM TERM?

Despite the adverse environment, Transaction Capital's entrepreneurial management teams continue to invest unrelentingly in innovative strategies that create a diverse and expanded earnings base.

At SA Taxi, these initiatives include broadening its insurance client and product base, reducing the cost of insurance claims and credit losses, and achieving further procurement and operational efficiencies in its autobody and mechanical refurbishment facility. SA Taxi's ownership transaction with SANTACO is expected to support growth in the finance, insurance and retail businesses. It stands to unlock further opportunities to provide allied services within the broader taxi industry and expand SA Taxi's total addressable market. Together with the financial benefits of reduced gearing, these factors are expected to be value accretive to Transaction Capital's earnings over the medium term.

The acquisition of NPL portfolios is the main driver of organic growth at TCRS. Activity in this sector remains buoyant, with future performance underpinned by more than 50% growth this year in the fair value of purchased book debts and estimated remaining collections. TCRS will continue to expand and enrich its database, and invest in new technologies to enhance yields through higher productivity and lower operating costs.

Post the ownership transaction with SANTACO, Transaction Capital's balance sheet will be completely free of debt, with approximately R1 billion of excess capital. This gives us the capacity and flexibility to continue investing in organic and acquisitive growth opportunities that will further entrench our position in our chosen markets.

Through precise implementation of the group's strategy, Transaction Capital will continue to achieve robust organic earnings and dividend growth over the medium term, at least in line with past periods and current performance. Our growth expectations assume that the group's excess capital is not deployed accretively, so further upside potential may become evident.

Over the past few years, SA Taxi and TCRS have adjusted to South Africa's challenging economic conditions to become highly efficient. Although both divisions are strong performers in this low-growth environment, a sustained economic recovery will support their potential to outperform current performance expectations.

DIRECTORATE

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHRISTOPHER SEABROOKE (65)

BCom, BAcc (University of KwaZulu-Natal), MBA (University of the Witwatersrand), FCMA (UK)

Appointed: June 2009

CHAIRMAN

Chris is a financier and investor with extensive experience, which enhances the board's ability to provide strategic counsel and independent oversight. He is currently chief executive officer (CEO) and controlling shareholder of Sabvest Limited, chairman of Metrofile Holdings Limited, Net1 U.E.P.S. Technologies Inc and Torre Industries Limited, deputy chairman of Massmart Holdings Limited and a director of Brait S.E., Cell C Limited and Rolfes Holdings Limited. Chris is also a director of numerous unlisted companies, including chairman of Conance Limited (UK) and General Pacific Capital Limited (Monaco), and deputy chairman of SA Bias Industries Proprietary Limited (RSA). He is a former chairman of the South African State Theatre and former deputy chairman of the inaugural National Arts Council and the founding board of Business & Arts South Africa.

PHUMZILE LANGENI (44)

BCom (University of KwaZulu-Natal), BCom (Hons) (UNISA), MCom (University of Pretoria)

Appointed: June 2009

A stockbroker by training, Phumzile is executive chairman of Afropulse Group Proprietary Limited and non-executive chairman of both the Mineworkers Investment Company Proprietary Limited and Primedia Holdings Proprietary Limited. In April 2018, Phumzile was appointed by the President of the Republic of South Africa, Cyril Ramaphosa, as one of four Special Investment Envoys tasked with raising USD100 billion over a five year period. Phumzile also serves as an independent non-executive director on a number of JSE-listed companies, including Massmart Holdings Limited, Imperial Holdings Limited and Redefine Properties Limited. Phumzile previously served as an economic advisor to the former Minister of Minerals and Energy.

KUBEN PILLAY (58)

BA, LLB (University of the Witwatersrand), MCJ (Howard School of Law)

Appointed: August 2016

Kuben was appointed as CEO of the advertising division of Primedia Limited in September 2002 and as CEO of the group in September 2009. Kuben was appointed as the executive chairman of Primedia Limited in February 2014 and relinquished his position in January 2015, after which he served in the capacity of non-executive chairman until December 2016. An attorney by profession, Kuben was a managing financial partner at attorneys Cheadle Thompson and Haysom before joining Mineworkers Investment Company Proprietary Limited in 1996 as founding executive director. He has previously served as the chairman of Mineworkers Investment Company, and is currently the non-executive chairman of Cell C Limited as well as a non-executive of the OUTsurance group of companies. Kuben has previously chaired and served on the boards of public companies.

DIANE RADLEY (52)

BCom (Rhodes), BCom (Hons) (UNISA), CA(SA), MBA (Wits Business School), AMP (Harvard Business School)

Appointed: July 2018

Diane was a partner at PricewaterhouseCoopers, where she led the Transaction Services Group that advised on local and international listings and corporate transactions. In 2001, she joined Allied Electronics Corporation Limited as their CFO and was also appointed as a non-executive director at Allied Technologies Limited (Altech), Bytes Technology Group Limited, Omnia Holdings Limited and Women Investment Portfolio Holdings Limited (Wiphold). In 2008, Diane served as Old Mutual South Africa's group finance director and in 2010 was appointed as Old Mutual Investment Group's CEO until the end of 2016. Diane is currently a non-executive director of JSE-listed Murray and Roberts Holdings Limited and Australian Securities Exchange-listed Base Resources Limited, and serves as a trustee on the DG Murray Trust, a public innovator committed to developing South Africa's potential through strategic investment.

BUHLE HANISE (36)

BCom (University of Transkei), BCom (Hons) (University of KwaZulu-Natal), CA(SA)

Appointed: January 2019

After completing her articles with KPMG, Buhle held credit management positions at Standard Bank of South Africa Limited and Nedbank Limited, and is now a senior manager at the Industrial Development Corporation (IDC). She is a non-executive director of OUTsurance Holdings Limited and holds numerous other directorships on IDC-related entity boards, including the South African Forestry Company Limited and Biodx Biological Chemical Technologies Proprietary Limited. She is also deputy president of African Women Chartered Accountants. In addition to her primary qualifications, Buhle holds advanced certificates in Business Rescue Practice, Insolvency Law and Practice, and Emerging Markets and Country Risk Analysis, and completed the Development Finance Programme at the University of Stellenbosch Business School.

NON-EXECUTIVE DIRECTORS

ROBERTO ROSSI (56)

BSc (MechEng) and Graduate Diploma (IndEng) (University of the Witwatersrand), BProc (UNISA)

Appointed: September 2003

Roberto founded Miners Credit Guarantee in 1991 to provide credit card-type facilities to mineworkers. In 1998, Nisela Growth Investments (part of African Bank) acquired a 50% shareholding in Miners Credit Guarantee. Shortly thereafter, Roberto assumed an executive role at African Bank Limited and was subsequently responsible for establishing, acquiring and operating several of the businesses owned by African Bank. After selling his remaining shares in Miners Credit Guarantee to African Bank in 2003, Roberto partnered with Jonathan Jawno and Michael Mendelowitz to acquire and grow the group of companies that in 2007 became the foundation of Transaction Capital.

PAUL MILLER (54)

BCom, LLB (University of Cape Town)

Appointed: July 2017

Paul is a qualified corporate lawyer who built his career at the international law firm Berwin Leighton Paisner LLP, where he became a senior partner and led the capital markets team for a number of years. During his 25-year legal career, he built an international corporate practice and executed numerous equity capital market transactions and merger and acquisition deals, with a particular focus on the real estate, financial services and technology sectors.

Paul is the CEO of Everglen Capital Proprietary Limited (formerly JMR Holdings Proprietary Limited) and a non-executive director of Stenprop Limited, which is listed on the JSE Limited and the London Stock Exchange. He is also a consultant to Bryan Cave Leighton Paisner LLP.

EXECUTIVE DIRECTORS

DAVID HURWITZ (47)

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

Appointed: April 2012

CHIEF EXECUTIVE OFFICER

In 2005, David joined Transaction Capital's founding shareholders to acquire African Bank's Commercial Vehicle Finance division (now SA Taxi). Shortly thereafter Transaction Capital was formed, where David established and led the capital markets team for five years and then served as the CFO of SA Taxi for 18 months. He was appointed to Transaction Capital's main board as group chief risk officer in April 2012 and thereafter served as the group chief financial officer (CFO). In January 2014, David was appointed as the group CEO of Transaction Capital Limited. David is a chartered accountant, having served his articles at Grant Thornton, Johannesburg. He has been active in debt capital markets since 1997, holding employment at a specialist structured finance organisation and a large local bank.

JONATHAN JAWNO (52)

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

Appointed: March 2003

EXECUTIVE DIRECTOR

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

MICHAEL MENDELOWITZ (53)

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

Appointed: March 2003

EXECUTIVE DIRECTOR

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

MARK HERSKOVITS (44)

BBusSci (Finance), Postgraduate Diploma in Accounting (University of Cape Town), CA(SA), CFA

Appointed: January 2014

EXECUTIVE DIRECTOR: CAPITAL MANAGEMENT

Mark served his articles at Deloitte & Touche in Johannesburg. After staying on as a manager until 2001, he joined Rand Merchant Bank as a corporate bond investment analyst in the special projects international division. In 2007, Mark joined Transaction Capital and was involved in various acquisitions for the group. He joined the capital markets division in 2009 and led the team from June 2010, where he remained until his appointment in January 2014 as group CFO. In August 2016, Mark was appointed to the role of capital management director, with primary responsibility for SA Taxi and the group's capital management strategy and activities.

RONEN GOLDSTEIN (37)

BCom, BCom (Hons) (University of the Witwatersrand), CA(SA), CFA

Appointed: August 2016

FINANCIAL DIRECTOR

Ronen served his articles at PricewaterhouseCoopers in Johannesburg, and held positions at KPMG and Standard Bank. Ronen joined Transaction Capital in 2012 and has been involved in all aspects of the group executive office, including tax, company secretarial, remuneration and group finance. With effect from 1 December 2014, Ronen was appointed as the group's company secretary, overseeing the company's secretarial function and corporate governance structures. In August 2016, Ronen was appointed as financial director with responsibility for the group's finance and accounting functions.

DIVISIONS

SA TAXI

A VERTICALLY INTEGRATED MINIBUS TAXI PLATFORM UTILISING SPECIALIST CAPABILITIES, ENRICHED PROPRIETARY DATA AND TECHNOLOGY TO PROVIDE DEVELOPMENTAL FINANCE, INSURANCE AND OTHER SERVICES TO EMPOWER SMEs AND CREATE SHARED-VALUE OPPORTUNITIES, THUS ENABLING THE SUSTAINABILITY OF THE MINIBUS TAXI INDUSTRY.

An innovative and pioneering business model with operations expanding throughout the financial services and asset value chain, building a scalable platform that can be leveraged in adjacent markets.

A unique blend of vehicle procurement, retail, repossession and refurbishment capabilities, with financing and comprehensive insurance competencies for focussed vehicle types.

Leveraging innovative technology, and valuable client and market insights developed from overlaying granular telematics, credit, vehicle and other data to enable precise and informed origination, collection decisioning and proactive risk management.

Enabling financial inclusion by proficiently securing funding from local and international debt investors to judiciously extend developmental credit to small and medium-sized enterprises (SMEs) that may otherwise not easily have access to credit from traditional financiers.

Providing complementary business services that assist SMEs to maximise cash flow and protect their income-generating assets, thus improving their ability to succeed, as well as offering value-added services to stakeholders in the wider industry.

Empowering under-served and emerging SMEs to build their businesses, which in turn creates further direct and indirect employment opportunities.

Creating shared-value opportunities by providing services to the wider industry, and facilitating collaboration and investment.

Contributing to the recapitalisation and sustainability of the minibus taxi industry – a critical pillar of the public transport sector that services the majority of South Africa's working population.

SOCIAL RELEVANCE

SA Taxi operates on the premise of inclusive growth, utilising developmental or empowerment financing to fill a critical funding gap to support entrepreneurs who would otherwise remain outside the formal economy, thus also contributing to job creation.

SME EMPOWERMENT AND ECONOMIC TRANSFORMATION

- **100%** black-owned SMEs.
- **23%** women-owned SMEs[1].
- **23%** under the age of 35 years[1].
- **R3.3 billion** loans originated, creating **7 734 SMEs** in 2018.
- **R21.9 billion** loans originated, creating **72 423 SMEs** since 2008.

DEVELOPING PUBLIC TRANSPORT INFRASTRUCTURE

- **7 734** reliable new and pre-owned minibus taxis on the road in 2018.
- Supporting the commuter experience by replacing older minibus taxis with **safer, newer and more reliable** minibus taxis.

SUSTAINABLE JOB CREATION

- **~1.8** direct jobs per minibus taxi.
- **>130 000** direct jobs created by SA Taxi's fleet since 2008.
- **~600 000** indirect jobs enabled by the minibus taxi industry[2].
- **>13 000** direct jobs created by SA Taxi's fleet in 2018.

ENVIRONMENTAL SUSTAINABILITY

- SA Taxi enables replacement of aged and less efficient vehicles with **new and reduced-emission vehicles**.
- **9.8%** abatement in carbon emissions[3].

1. Based on 2018 originations.
2. Department of Transport Minister Dipuo Peters' address at National Council of Provinces Budget vote NCOP 2014/15.
3. Percentage of total carbon dioxide abatement saved in 2017 through SA Taxi's financing activities.

PERFORMANCE OVERVIEW

▲ 21%
HEADLINE EARNINGS
R368 MILLION[1]
(54% OF GROUP)

▲ 13%
GROSS LOANS AND ADVANCES
R9.4 BILLION

17.7%
NON-PERFORMING LOAN RATIO
FROM 17.1% IN 2017

▲ 26%
NON-INTEREST REVENUE
R540 MILLION

47.6%
COST-TO-INCOME RATIO
FROM 48.6% IN 2017

3.3%
CREDIT LOSS RATIO
FROM 3.2% IN 2017

25.9%
RETURN ON EQUITY
FROM 25.3% IN 2017

11.0%
NET INTEREST MARGIN
FROM 11.4% IN 2017

1. *Headline earnings attributable to the group.*

STRATEGIC AND OPERATIONAL HIGHLIGHTS

SOUTH AFRICAN NATIONAL TAXI COUNCIL (SANTACO) ACQUIRES 25% STAKE IN SA TAXI

- Formalises minibus taxi operators' participation in revenue streams of the minibus taxi industry value chain, thereby achieving positive social impact by creating a more sustainable minibus taxi industry while enhancing commercial returns.
- Benefits accrue to the minibus taxi industry through broader participation in the value chain:
  - Ownership held by SANTACO and a trust representing broad-based provincial bodies, ensuring that ownership and associated economic benefits accrue to all levels.
  - 90% of future dividend flows will be applied towards reducing debt, with a 10% trickle dividend for infrastructure and developmental projects.
  - Strict governance framework to ensure value flows to SANTACO and its members.

INITIATIVES PROVIDING BROAD-BASED PARTICIPATION IN THE VALUE CHAIN

- The Black Elite fuel loyalty programme rewards minibus taxi operators with cash back and airtime for their fuel purchases. At 30 September 2018, over 6 300 cards had been distributed with over 40% in active use.
- Providing over 70 patrol vehicles to various regional, provincial and national taxi associations.
- Funding and facilitating Project Refentse to provide certificated skills training for unqualified technicians.

INITIATIVES PROVIDING VALUE TO THE INDUSTRY

- Credit life, a highly competitive and affordable insurance product developed by SA Taxi.
- Taxi Auto Parts (TAP) launched in March 2018, supplies quality refurbished and new parts to minibus taxi operators at affordable prices.
- Focussed loan origination strategies resulting in higher credit quality, supporting lower interest rates:
  - Maximum rate: **26.5%** ▼ from 28.5% in 2017.
  - Average rate: **23.6%** ▼ from 24.4% in 2017.

COLLABORATIVELY ENGAGING WITH INDUSTRY STAKEHOLDERS, SPECIFICALLY GOVERNMENT, REGARDING:

- Government subsidies.
- Government funding.
- Scrapping allowances.

MARKET CONTEXT

DESPITE SOUTH AFRICA'S ECONOMIC CLIMATE, THE MINIBUS TAXI INDUSTRY IS RESILIENT, DEFENSIVE AND GROWING

STRUCTURAL ELEMENTS WITHIN THE PUBLIC TRANSPORT SECTOR SUPPORT SA TAXI'S DEFENSIVE BUSINESS MODEL

40% OF SOUTH AFRICANS USE PUBLIC TRANSPORT – **with minibus taxis as the dominant form of public transport**

BUS

<1 MILLION
COMMUTER TRIPS DAILY

- >19 000 registered buses
- >100 bus stations
- ~1 billion kms travelled per year

BUS RAPID TRANSPORT (BRT)

>120 000
COMMUTER TRIPS DAILY

- 3 metropolitan areas
- <700 registered buses
- ~150 bus stations
- <100 routes

Receives 56% of government subsidy

TRAIN

<800 000
COMMUTER TRIPS DAILY

22%

- ~3 100 kms national network
- ~500 train stations

Receives 44% of government subsidy

MINIBUS TAXIS

>15 MILLION
COMMUTER TRIPS DAILY

- >250 000 minibus taxis
- >2 600 taxi ranks
- ~19 billion kms travelled per year

Receives no government subsidy yet the industry remains commercially self-sustainable

MINIBUS TAXI USAGE – growing at a higher rate than other public transport modes

Minibus taxi usage
INCREASED >25%
since 2013

69% OF ALL HOUSEHOLDS
(being ~9.9 million households) **use minibus taxis** (from 59% in 2003), which also service 76% of all work and educational public transport trips

DRIVEN BY:

- **Population growth** ▲9% since 2013
- **Increasing commuter density** due to urbanisation
- **New passenger vehicles sales** ▼19% since 2013

As minibus taxis are an essential service, spend on minibus taxi transport is non-discretionary

>250 000
MINIBUS TAXIS
operating nationally

STRUCTURAL ELEMENTS SUPPORTING THE RESILIENCE OF THE MINIBUS TAXI INDUSTRY

- **Dominant and growing** mode of public transport
- New passenger vehicle sales ▼19% (2013 to 2018)
- **Commercially self-sustainable**
- **Integrated component** of public transport network
- **Demand** for minibus taxi vehicles **exceeds supply**
  - Ageing national fleet requiring replacement and recapitalisation
  - Driving higher demand for vehicles that are reliable and efficient

THIS IS DRIVING HIGHER DEMAND FOR VEHICLES, FINANCE AND ALLIED SERVICES SUPPLIED BY SA TAXI, RESULTING IN:

- Improved credit performance as SA Taxi is selective on credit risk, due to limited supply
- Improved recoveries as asset retains value due to demand exceeding supply
- Liquid market for high-quality and affordable SA Taxi pre-owned vehicles

Source: Statistics SA Land Transport Survey 2018. I NAAMSA Sales Results. I National Treasury Public Transport & Infrastructure system report. I Department of Transport – Transport Infrastructure Report. I Passenger Rail Agency of SA. I SA Bus Operators Association. I FIN 24 – "New public transport system" 14/10/2017. I Websites: Rea Vaya, MyCiTi, Rustenburg Rapid Transport.

MARKET CONTEXT (CONTINUED)

ENVIRONMENT FOR MINIBUS TAXI OPERATORS –

minibus taxi operators remain resilient in an adverse economic environment

CHALLENGING ENVIRONMENT

VEHICLE PRICES

▲ to 15% VAT RATE (2017: 14%)

R433 300[1] TOYOTA SESFIKILE (DIESEL) PRICE ▲ 20% SINCE 2015

▲ ~R1 900 IMPACT ON MONTHLY INSTALMENT

INTEREST RATES

▼ to 6.62% AVERAGE SOUTH AFRICAN REPO RATE (2017: 6.95%)

23.6% AVERAGE INTEREST RATE AT ORIGINATION SINCE 2015 ▼ 0.2%

▼ ~R52 IMPACT ON MONTHLY INSTALMENT

FUEL PRICES

▲ 12% PETROL[2] R14.61 PER LITRE

▲ 16% DIESEL[2] R12.98 PER LITRE

INDUSTRY RESPONSE

Fare increases in July 2018

Better asset utilisation and productivity

▲ operator income at origination

SA TAXI'S RESPONSE

Lower risk loan origination strategy

Better route selection

EASTERN CAPE
~130 routes selected
AVERAGE FARE INCREASE ▲ 14%

GAUTENG, INCLUDING SOWETO
~240 routes selected
AVERAGE FARE INCREASE ▲ 15%

KWAZULU-NATAL
~250 routes selected
AVERAGE FARE INCREASE ▲ 10%

MPUMALANGA
~80 routes selected
AVERAGE FARE INCREASE ▲ 9%

NORTH WEST
~65 routes selected
AVERAGE FARE INCREASE ▲ 23%

1. Toyota recommended retail price, including VAT, as at 30 September 2018.
2. www.energy.gov.za: 12-month rolling average fuel price (September 2017 to September 2018).
3. Based on SA Taxi's affordability calculator at origination. Average operator profitability varies based on profile of financial deal.
   - Factors include: new versus pre-owned vehicle, loan term, deposit paid, region, association, route dynamics and demand, insurance products taken up.
   - SA Taxi's model measuring operator profitability remains conservative: maintenance and fuel costs per km increased 20% in 2018, accounting for increased fuel price and exchange rate movements.

Source: Industry information. I Websites: Metrorail; Bus Rapid Transport; Rea Vaya; various bus companies.

DESPITE FARE INCREASES, MINIBUS TAXIS REMAIN THE PREFERRED MODE OF PUBLIC TRANSPORT DUE TO COMPETITIVE PRICING, ACCESSIBILITY AND RELIABILITY

SHORT-DISTANCE ROUTE

SOWETO TO JOHANNESBURG: 23KM

	Minibus taxi	Train	Bus	BRT
Accessibility	On route	Station & scheduled	Scheduled stops	Scheduled stops
Affordability 2016	R12.00	R8.50	N/A	R13.30
Increase	17%	12%	N/A	2%
Affordability 2017	R14.00	R9.50	R14.80	R13.50
Increase	14%	0%	20%	11%
Affordability 2018	R16.00	R9.50	R17.80	R15.00
Reliability	**1** association with **~1 400 members**	Every **10 to 20 minutes** Stops at 7pm	A few buses operating on the route	Volume of buses < peak capacity required
Efficiency				

AVERAGE MINIBUS TAXI OPERATOR PROFITABILITY[3]

~R20 000 PER MONTH

LONG-DISTANCE ROUTE

JOHANNESBURG TO DURBAN: 595KM

	Minibus taxi	Train	Bus – Eldo	Bus – Greyhound
Accessibility	On route	Station & scheduled	Scheduled stops	Scheduled stops
Affordability 2016	R270.00	N/A	R210.00	R310.00
Increase	7%	N/A	14%	26%
Affordability 2017	R290.00	R360.00	R240.00	R390.00
Increase	3%	8%	0%	1%
Affordability 2018	R300.00	R390.00	R240.00	R395.00
Reliability	**3** associations with **~690 members**	**3x** per week	**7 departures** each per day (fewer on a Saturday)	
Efficiency				

AVERAGE MINIBUS TAXI OPERATOR PROFITABILITY[3]

~R35 000 PER MONTH

OPERATIONAL PERFORMANCE

CREDIT PROFILE OF LOANS ON BOOK

69 MONTHS
Average loan term at origination

37%
Average approval rate

>R6 000
Minimum monthly operator profit

47 MONTHS
Average remaining loan term

3.3%
Credit loss ratio

>73%
Recovery rates on repossession

SA TAXI'S OPERATOR PROFILE

1.2 VEHICLES PER CUSTOMER

3.9 YEARS AVERAGE AGE OF VEHICLES

47 YEARS AVERAGE AGE OF OWNER

85% TOYOTA VEHICLES

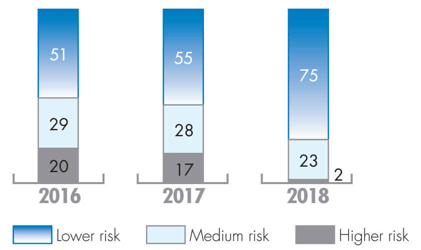
31% LOANS ORIGINATED TO REPEAT CUSTOMERS DURING 2018

TYPICAL NEW CREDIT AGREEMENT

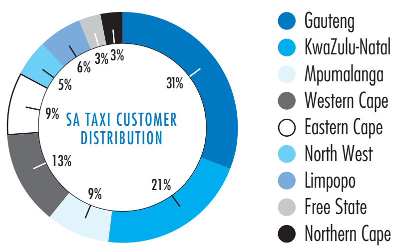
Recommended retail price (Toyota diesel)	R433 300
Interest charged	23.6%
Term in months	72
Origination fee (including VAT)	R2 990
Finance instalment	R11 250
Insurance instalment (comprehensive, credit life and other)	R2 950
Telematics fee	R300
Administration fee (including VAT)	R69
Total monthly instalment	**R14 569**

SERVING HIGHER-QUALITY TAXI OPERATORS TO CREATE A MORE SUSTAINABLE TAXI INDUSTRY

NEW ORIGINATION VOLUMES BY RISK GRADE (%)

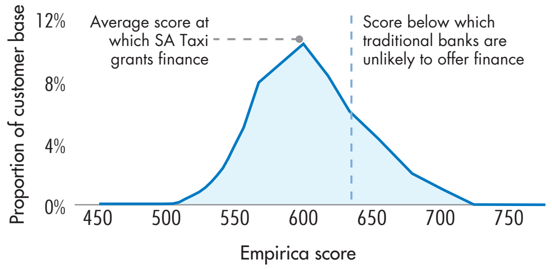


GEOGRAPHIC DISTRIBUTION



SUPPORTING INCLUSIVE GROWTH

- **~80%** of clients classified as previously financially excluded
- SA Taxi grants finance at an average Empirica score* of **~600**
- Traditional banks unlikely to grant finance below Empirica score of **~640**



* Proprietary TransUnion credit score.

SA TAXI'S CREDIT-GRANTING PHILOSOPHY

Niche-specific risk assessment of loans originated

A CREDIBLE OPERATOR
IN A SUITABLE VEHICLE
ON A PROFITABLE ROUTE
MANAGED BY A CREDIBLE ASSOCIATION

This capability evaluates each taxi owner as a small business and not solely on their individual credit score, enabling us to extend credit in this niche, under-served market segment.

ADHERENCE TO SET RISK APPETITE AND STRATEGY THROUGH APPROPRIATE GOVERNANCE
Assurance through independent audit, monitoring specific risk metrics and effective corporate governance frameworks.

INFORMED DECISIONS THROUGH CONSISTENT ANALYSIS OF THE BOOK AND ORIGINATIONS
Regular stress testing and evaluation of the book origination over the short and long term, embedding scenario-based thinking.

MANAGED BY A SUSTAINABLE CREDIT ORIGINATION AND MANAGEMENT PLATFORM
Managing the team and systems that deliver excellence at high volumes by mastering their required competencies.

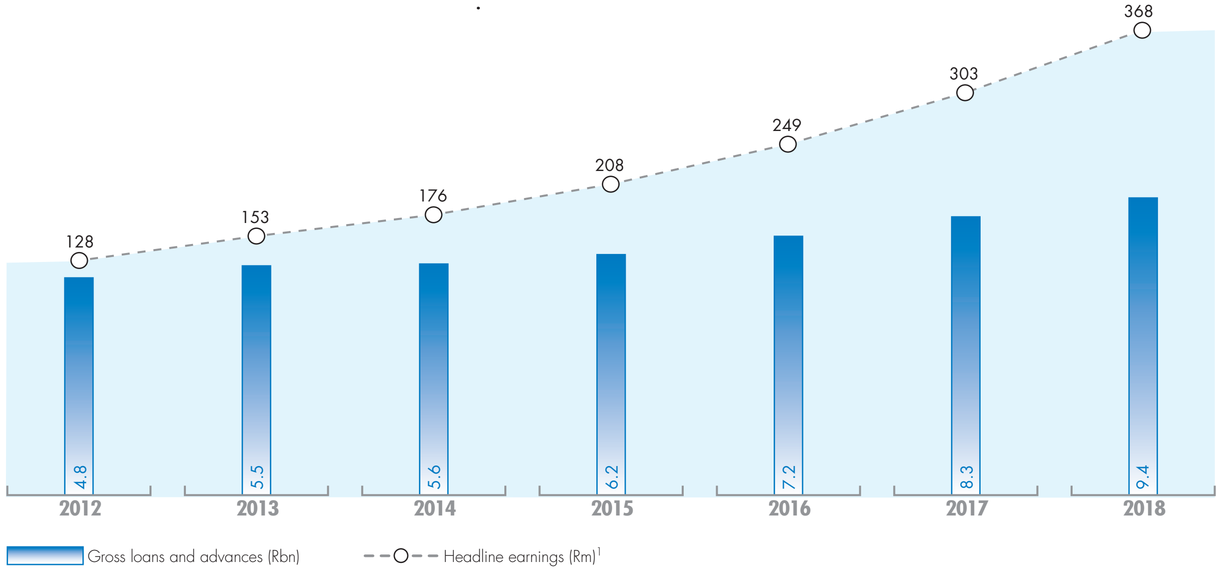
PERFORMANCE SINCE LISTING

COMPOUND ANNUAL GROWTH RATE (CAGR) 2012 to 2018

- ▲ **12%** GROSS LOANS AND ADVANCES
- ▼ **8%** CREDIT LOSS RATIO
- ▲ **19%** HEADLINE EARNINGS[1]
- ▲ **18%** GROSS WRITTEN PREMIUM[2]
- ▼ **9%** NON-PERFORMING LOAN RATIO

NON-INTEREST REVENUE COMPOSITION
▲ to **36%** in 2018
FROM 26% IN 2012

RECOVERY ON REPOSSESSION
▲ to **>73%** in 2018
FROM <65% IN 2012

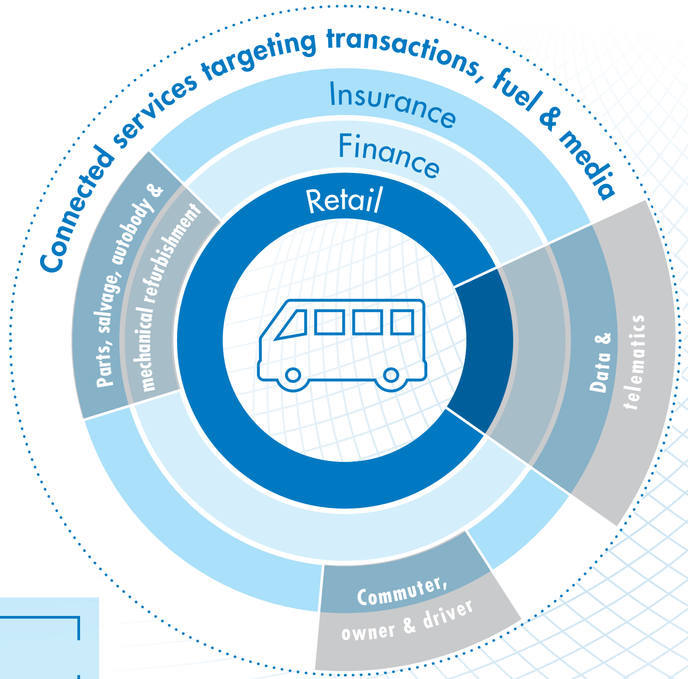


Financial years 1 October to 30 September. I Adopted IFRS 9 in 2015. I 2014 numbers on a pro forma IFRS 9 basis. 2012 and 2013 numbers on an IAS 39 basis as reported.

1. *Headline earnings attributable to the group.*
2. *CAGR from 2014 to 2018.*

BUSINESS ACTIVITIES

A VERTICALLY INTEGRATED BUSINESS MODEL THAT PROVIDES DEVELOPMENTAL FINANCE, INSURANCE AND OTHER ALLIED SERVICES THAT ENABLE THE SUSTAINABILITY OF THE MINIBUS TAXI INDUSTRY.



RETAIL OPERATIONS

TAXIMART DEALERSHIP

SA Taxi originates its loans and allied services through three key distribution channels: affiliated dealers, non-affiliated dealers and SA Taxi's own retail channel.

SA Taxi's retail dealership achieves higher returns and provides a profitable and reliable marketplace for the sale of new and refurbished pre-owned vehicles.

~R800 million VEHICLE TURNOVER IN 2018

~150 VEHICLES SOLD PER MONTH

~8% AVERAGE RETAIL MARGIN PER VEHICLE

GROWTH INITIATIVES

- Better credit performance and insurance take-up.
- Limit unnecessary add-ons, making instalments more affordable for operators.
- Expanding the dealership network:
  - For coverage across Gauteng, Polokwane (opened in October 2018), KwaZulu-Natal and Western Cape.
  - To retail new and refurbished vehicles and spare parts.
  - To distribute parts to SA Taxi's network of preferred external autobody repairers.

CONNECTED SERVICES

A platform to communicate and transact with South Africa's minibus taxi operators, eventually extending to commuters.

Black Elite fuel loyalty programme (LAUNCHED IN APRIL 2018)

>6 300 CARDS DISTRIBUTED

~1.3 million LITRES OF FUEL PURCHASED

GROWTH INITIATIVES

- Broadening SA Taxi's total addressable market.
- Initiation to communicating and transacting with >250 000 minibus taxi operators.
- Migrating to providing financial products and services to the 15 million commuters, or 9.9 million households using minibus taxis.

FINANCING OPERATIONS

Extends developmental credit to taxi operators purchasing new or refurbished pre-owned vehicles.

▲13% R9.4 BILLION GROSS LOANS AND ADVANCES

▲7% 30 617 LOANS ON BOOK

11.0% NET INTEREST MARGIN

3.3% CREDIT LOSS RATIO

17.7% NON-PERFORMING LOAN RATIO

GROWTH INITIATIVES

- Continue to enrich SA Taxi's proprietary database.
- Continue investing in technologies that mitigate risk.

INSURANCE OPERATIONS

All financed vehicles are required to have comprehensive insurance. SA Taxi has designed its highly competitive comprehensive insurance products that are sold through its insurance cell captive established in partnership with Guardrisk Insurance Company.

▲23% R687 MILLION GROSS WRITTEN PREMIUM

>85% FINANCED CLIENTS ALSO INSURED BY SA TAXI

▲10% ~26 000 INSURANCE CLIENTS

~2.0 PRODUCTS PER CLIENT

GROWTH INITIATIVES

- Broadened client base (financed by SA Taxi and other open market clients).
- Mobilised the broker network with over 100 brokers.
- Broadened the product offering (with credit life and Road Cover).
- Reduced the cost of claim by expanding SA Taxi's combined autobody and mechanical refurbishment facility, and increasing efficiencies.

REFURBISHMENT OPERATIONS

TAXIMART AUTOBODY AND MECHANICAL REFURBISHMENT, PARTS AND SALVAGE

SA Taxi manages credit loss and the cost of insurance claims by reducing refurbishment costs and improving turnaround times and product quality. The efficiencies created through SA Taxi's own facility arise from economies of scale and its focus on specific vehicle types, allowing for specialisation, bulk procurement buying power and time saved by controlling the entire process in-house.

>20 000 m^2 COMBINED AUTOBODY REPAIR AND MECHANICAL REFURBISHMENT CENTRE

~220 PER MONTH INTERNAL VEHICLE REFURBISHMENT CAPACITY

TAP TAXI AUTO PARTS — TAXI AUTO PARTS LAUNCHED IN MARCH 2018

GROWTH INITIATIVES

- Deeper vertical integration through opening of TAP, a parts and salvage operation, which imports quality parts at a lower cost, optimises the salvage value of vehicles, and retails quality parts to operators.
- TAP distributes parts to SA Taxi's network of preferred external autobody repairers, thus reducing the cost of insurance claims performed by them.

REPOSSESSION AND RESALE

SA Taxi's ability to refurbish and refinance recovered vehicles enables it to participate in the liquid pre-owned market, ensuring retention of asset value.

>73% RECOVERY RATES ON REPOSSESSION, REFURBISHMENT AND RESALE

DATA AND TELEMATICS OPERATIONS

These capabilities underpin SA Taxi's operations and are key to mitigating risk. The division continues to enrich its proprietary database, with data accumulated daily from each minibus taxi and applied to credit decisions, collections, repossessions and insurance activities.

SA TAXI HAS BEEN TRACKING MINIBUS TAXIS FOR → ~11 years

In addition, SA Taxi continues to invest in information technology, data management and predictive analytics, as well as technologies that improve processing capabilities and extract operational efficiencies.

ON AVERAGE, EACH OF SA TAXI'S VEHICLES TRAVELS → 6 400 kms PER MONTH

SA TAXI'S VEHICLES OPERATE ON → ~6 500 ROUTES COVERING ~800 000 kms

Q&A WITH TERRY KIER
SA TAXI CEO

Q: AS DETAILED IN THE Q&A WITH DAVID HURWITZ, CEO, SA TAXI'S TRANSFORMATIONAL OWNERSHIP TRANSACTION WITH SANTACO DEMONSTRATES A COMMITMENT TO SHARED VALUE. HOW IMPORTANT IS THIS TRANSACTION FOR SA TAXI AND THE INDUSTRY?

This transaction and the resulting partnership is truly ground-breaking. It provides broad-based participation in the value chain in an entirely black-owned industry, comprised entirely of SMEs. The industry has developed without government subsidy into the most critical component of the South African integrated public transport system.

The transaction augments SA Taxi's social impact, which extends to financial inclusion, job creation, skills development and economic transformation, all of which underpin the sustainability of the industry. More broadly, by enabling taxi operators to replace old vehicles with new, safer and lower emission minibus taxis, SA Taxi assists in improving this critically important component of South Africa's integrated public transport network.

The alignment of interests required to conclude the transaction has formalised the industry ecosystem to an extent not achieved before, providing a framework for wide-reaching initiatives to grow and support the sustainability of the minibus taxi industry at all levels.

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

- A highly competitive credit life product, launched in October 2017 and developed by SA Taxi in response to a request from SANTACO.
- The Black Elite fuel loyalty programme in partnership with Shell, launched in April 2018. By providing a platform for operators to benefit from their fuel spend, which is a major operating cost in their business, it makes their business more sustainable, which enhances positive payment behaviour. In the future, similar programmes will be considered, including related rewards and benefits.
- Providing over 70 patrol vehicles, worth more than R20 million, to various regional, provincial and national taxi associations to support industry self-regulation and road safety.
- Funding and facilitating Project Refentse, launched in March 2018, to provide certificated skills training for unqualified technicians currently repairing vehicles at taxi ranks.
- Approaching various industry stakeholders, specifically government, regarding subsidies, funding, or increasing scrapping allowances to facilitate the recapitalisation of the national minibus taxi fleet.

For SA Taxi specifically, the capitalisation of its balance sheet increases its net asset value of R1.6 billion at year end to approximately R3 billion. This will reduce gearing significantly and position SA Taxi strongly for its next wave of organic growth, which will be funded predominantly by more efficiently priced senior debt. Despite the capitalisation, accretive earnings growth in the coming financial year will enable SA Taxi to generate a return on equity of about 20%.

Q: THERE IS A REAL SENSE OF EXCITEMENT ABOUT THE TRANSACTION. WHAT BROADER IMPACT DO YOU SEE IT HAVING OVER TIME?

SA Taxi seeks to deliver commercial benefit and social value. I believe that this transaction will truly support economic emancipation, and in doing so, underpin social transformation.

We must remember the historical context of the industry, which was started in response to the dislocation of people who were removed from urban areas and places of economic activity. The minibus taxi industry rose out of an urgent need to transport this disenfranchised population, giving them access to work and opportunity. Without any formal support, this industry managed to grow and succeed.

Over the past decade, we have seen greater formalisation of the industry. The transaction with SANTACO stands as a statement of support for the crucial role of the minibus taxi industry in South Africa's economy, and ensures that there is greater participation both in the revenue streams of the industry and in the broader economy.

In terms of the pressure on the industry, I believe that the transformational nature of the deal will help drive social change. Firstly, with greater economic participation, there will be a longer-term view of creating wealth, which stands to benefit all areas of the industry. For example, we are already seeing instances of associations banning older, unsafe vehicles and training drivers, so formalising and improving the service and experience offered to commuters. The transaction represents substantial support for the members of SANTACO to grow and improve their businesses.

Secondly, as mentioned by David, part of the dividend income will support relevant infrastructure and other developmental projects that will upgrade and improve the operating environment for the industry and the 15 million commuters who use this network. This is vital in an industry that needs to be acknowledged for the role it plays in our economy. Greater investment in infrastructure will also further integrate the industry into the national transport network.

And lastly, the transaction provides a catalyst for formal engagement between the industry and its stakeholders, be it vehicle manufacturers or tyre companies, government or commercial hubs. In enhancing the legitimacy and negotiating power of the industry, it can, for example, extract value from its substantial buying power, lobby for greater support from government, work with local government to improve supporting infrastructure, and sit with property developers and businesses to negotiate for dedicated services to enhance the experience of commuters around their places of work and even malls.

This presents an opportunity to develop an iconic transport network in South Africa. The industry already provides a high level of convenience for commuters, but greater formalisation of and participation in the industry value chain will drive improvements that can transform this essential component of public transport into a public service all South Africans are proud of.

Q: HOW DOES SA TAXI'S INTEGRATED BUSINESS MODEL DRIVE PERFORMANCE AND SUPPORT ITS CLIENT BASE?

The vertical integration of SA Taxi's business model is key to its ability to drive growth while benefitting its clients through competitive pricing and value-added services.

SA Taxi finances approximately 650 minibus taxis per month, with a loan book of R9.4 billion across 30 000 clients. Over the past 10 years, we have invested over R21 billion in loans that have created over 70 000 minibus taxi SMEs. Around 80% of our clients are classified as previously financially excluded, the developmental financing we provide fills a critical funding gap that supports these entrepreneurs who would otherwise remain outside the formal economy.

We finance minibus taxis through a dealership network that includes affiliated Toyota, Nissan and Mercedes dealerships, and non-affiliated specialist dealerships. SA Taxi's own retail dealership, TaxiMart Direct, offers affordable new and pre-owned taxis, and generates turnover of approximately R800 million per year. The loans we originate through SA Taxi's dealership support enhanced product margins and insurance revenue, as well as better credit performance.

SA Taxi is expanding its dealership network, with a dealership opened in Polokwane during October 2018 and additional dealerships under consideration.

Our finance and retail operations continue to perform well due to the demand for new and quality pre-owned vehicles exceeding supply. These operations also create an opportunity for SA Taxi to provide value-adding products and services. This includes vehicle telematics that track vehicle location and mileage and driver behaviour, which is used throughout our value chain to provide critical insights for enhanced decision-making, as well as provide information to operators to help them manage their businesses better. It also includes our insurance offering, and autobody and mechanical refurbishment offered through TaxiMart.

SA Taxi's insurance business is the main driver of non-interest revenue. SA Taxi Protect, established in partnership with Guardrisk, provides affordable comprehensive vehicle cover, including passenger liability insurance and business interruption cover. Over 85% of our financed client base is covered by this offering. We continue to grow the insurance offering, with strong growth in credit life. Additional products are being developed in collaboration with the industry.

We are also growing the base of open market clients who are not financed by SA Taxi. To support this growth, SA Taxi initiated its broker network strategy during 2018, with more than 100 brokers now participating.

Our bespoke insurance offering is designed and tailored for the specific needs of operators and the sector, based on our long-standing participation in the industry. We accumulate extensive data on current clients and historical data on past incidents, which is used to accurately price insurance risk.

Claims ratios improved further during the year as the proportion of insurance claims processed via SA Taxi's combined autobody and mechanical refurbishment centre continued to grow. Also, the average cost to refurbish and repair repossessed or insured vehicles reduced further, underpinned by greater efficiency achieved in SA Taxi's refurbishment centre. Enhancing the value of repossessed vehicles through refurbishment enables SA Taxi to recover more than 73% of loan value on the sale of repossessed vehicles, which supports our ability to manage insurance premiums, reduce excesses and lower shortfalls for taxi operators.

As a new component of our integrated business model, SA Taxi established its own parts, distribution and salvage operation, TAP, in March 2018. Through TAP, the business is importing quality parts at a lower cost and distributing these to SA Taxi's own refurbishment centre as well as its network of preferred external autobody repairers.

Repossessed vehicles, or those involved in accidents that are not economically viable to repair, are passed to TAP's salvage operation, which optimises the salvage value of vehicles. Certain of the working parts are checked and refurbished to be sold through TAP, with others distributed into SA Taxi's own refurbishment centre. Finally, TAP also benefits taxi operators though the retail of well-priced new and refurbished vehicle parts.

Linking back across the business model, refurbished vehicles are sold through Taximart Direct, providing operators a more affordable alternative to purchasing new vehicles.

Wi-Fi in taxis and ranks, SA Taxi's telematics systems and the Black Elite fuel loyalty programme have culminated in SA Taxi's Connected Services division. We have seen strong take-up in the Black Elite programme. As a card-based system, this further enhances the data SA Taxi already provides to subscribed operators, giving them greater control and insight into their businesses.

The growth strategy for Connected Services is to communicate and transact with South Africa's 250 000 minibus taxi operators. SA Taxi is looking to extend the use of the card into transactions, across vehicle spare parts (through TAP) and integrating payments to operators for the channelled media sold through their taxis. Again, with telematics tracking the routes of each taxi, media can be targeted for greater impact for advertisers. We are also investigating expanding the card across the taxi industry ecosystem, for instance in procuring tyres or windscreens through deals with industry stakeholders that benefit operators through reduced pricing. This also stands to benefit SA Taxi by reducing its credit risk, with lower pricing enhancing the ability of operators to service their loans.

In time, Connected Services could also serve as a gateway to provide relevant financial products and services to the 9.9 million households, or 15 million commuters, who use SA Taxi's minibus taxi infrastructure. In effect, the minibus taxi will serve as a distribution channel for these transactions, with benefits accruing to the operators and drivers by sharing in the revenue of each transaction.

SA Taxi's integrated business model ensures that we participate in margins throughout the vertical and increase cash generation by growing non-interest revenue. It also improves our client value proposition by providing an all-encompassing service, and expands our total addressable market. Vertical integration enhances our ability to effectively manage credit and insurance risk.

66

For details on SA Taxi's financial performance for the year, see the Financial director's report.

For additional details on SA Taxi's integrated business model, view a YouTube video at https://www.youtube.com/watch?v=uRJxshsM2Kk

Q: WHAT IS THE ROLE OF DATA AND TELEMATICS IN SA TAXI'S BUSINESS MODEL?

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

SA Taxi is testing a system that will enable live vehicle diagnostics, to further improve its ability to proactively identify issues for taxi operators.

We have also rolled out DreamTech, a technology-enabled system that feeds information on accidents or insurable events into SA Taxi. This allows the repair channel to plan ahead for the necessary refurbishment, enhances the distribution of parts accordingly, and further reduces the cost of repairs. It also creates a record of the insurable event itself, supporting the claims process.

Q: SA TAXI'S STRATEGY IS DELIVERED BY ITS PEOPLE. WHAT MOTIVATES THE TEAM TO ACHIEVE ITS OBJECTIVES?

SA Taxi has an excellent and dedicated team that drives the culture of our business. We have been able to attract and retain great talent to build a team that understands the industry and thrives on its ability to drive real social change – in driving our nation forward. I think it is a hugely motivating factor to be able to go home after a day of work and know that you have helped to create and sustain small businesses.

We have also implemented the SA Taxi Way, which defines the culture of the business and sets the expected behaviours in the context of the work we perform across SA Taxi.

One of the key reasons for SA Taxi's success is the aggregation of ideas across the business. This is the driving force behind its ability to innovate, deepen its relevance in the industry and achieve excellent performance, despite the challenging economy in South Africa.

TRANSACTION CAPITAL RISK SERVICES

A **TECHNOLOGY-LED, DATA-DRIVEN** PROVIDER OF **CUSTOMER MANAGEMENT SOLUTIONS** IN SOUTH AFRICA AND AUSTRALIA THROUGH A **SCALABLE AND BESPOKE FINTECH PLATFORM,** ENABLING ITS **CLIENTS** TO **MITIGATE RISK** THROUGH THEIR CUSTOMER ENGAGEMENT LIFECYCLE.

Innovative and bespoke technology systems that drive superior performance and efficiency.

Generating in-depth insights from the continuous collection of accurate and valuable data to develop a consolidated view of an individual, which enables precise and informed internal and external decisioning.

Improving its clients' ability to originate, manage and collect from their customers through their lifecycles, thus maximising value.

Assisting its clients by accelerating cash flow as an agent on an outsourced contingency or fee-for-service (FFS) basis, or as a principal in acquiring and collecting non-performing loan (NPL) portfolios.

Proactive workforce management and technology facilitate a flexible and dynamic servicing capability able to meet each client's unique requirements.

Regarded as a trusted partner by large consumer-facing businesses and credit providers across multiple sectors.

Enabling clients to generate higher risk-adjusted returns through their engagement with customers at the point of origination, management and collection.

SOCIAL RELEVANCE

Transaction Capital Risk Services' (TCRS) activities broadly contribute to the efficiency and effectiveness of the South African and Australian credit systems. This includes the acquisition of distressed book debts, which assists clients to strengthen their balance sheets by accelerating cash flow and removing NPLs, thus improving their ability to continue providing debt finance to the consumer market.

TCRS also assists clients to lend responsibly, to identify which consumers to lend to, and to then collect successfully. This supports the affordability of credit by mitigating unnecessary pricing for risk.

In collections, the primary focus is on rehabilitating indebted consumers by helping them understand the importance of repaying their debts as a legal obligation, and structuring payments in a manner they can afford. This enables indebted consumers to remain active in the credit system.

Through Transaction Capital Business Solutions, SMEs that may not otherwise have access to credit gain access to working capital finance.

R596 million
LOANS ORIGINATED TO BLACK-OWNED SMEs IN 2018

PERFORMANCE OVERVIEW

17%
CORE HEADLINE EARNINGS[1]
R273 MILLION
(40% OF GROUP)

86%
PRICE OF PURCHASED BOOK DEBTS ACQUIRED
R662 MILLION

24%
NON-INTEREST REVENUE
R1.8 BILLION

54%
PURCHASED BOOK DEBTS
R1.4 BILLION

76.8%
COST-TO-INCOME RATIO[2]
FROM 77.3% IN 2017

60%
ESTIMATED REMAINING COLLECTIONS[3]
R3.0 BILLION

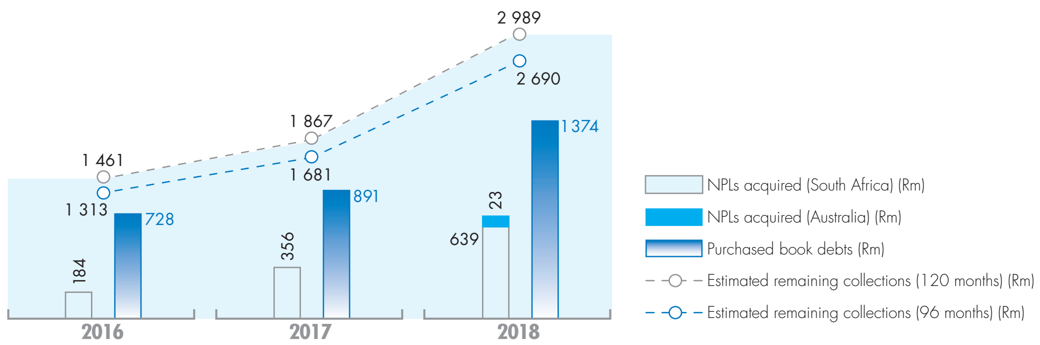
Core financial ratios and results exclude once-off acquisition costs of R22 million incurred during 2017.
1. Headline earnings attributable to the group.
2. Excludes the effect of acquisitions.
3. 120 months.

STRATEGIC AND OPERATIONAL HIGHLIGHTS

ACQUISITION OF NPL PORTFOLIOS AS PRINCIPAL

- Current economic context in South Africa favours acquisition of NPL portfolios.
- Acquired 37 portfolios with a face value of R13.6 billion for R662 million.
- 239 portfolios (including 11 Australian portfolios) owned in total with a face value of R22.4 billion.
- Purchased book debts increased 54% to R1.4 billion, with estimated remaining collections increasing by 60% to R3.0 billion.
- 2018 collections multiple of 2.4 times (> internal target of ~2.2 times).
- Estimated remaining collections are supporting longevity in the yield of principal portfolios on book and positive future performance.
- Revenue from principal collections increased by 22%.

GROWTH TRAJECTORY EXPECTED TO SUPPORT POSITIVE FUTURE PERFORMANCE



MARKET CONTEXT

SOUTH AFRICA: MACRO- AND SOCIO-ECONOMIC ENVIRONMENT

A CHALLENGING CONSUMER CREDIT ENVIRONMENT

37 MILLION ADULTS[1]

25 MILLION CREDIT-ACTIVE CONSUMERS[2]

HOUSEHOLD DEBT-TO-INCOME AT 71.3% — FROM 72.6% IN 2017

9.6 million (~40%) NON-PERFORMING CREDIT CONSUMERS[2]

WAGE GROWTH < INCREASING COST OF HOUSEHOLD ESSENTIALS

MARGINALLY LOWER INTEREST RATE ENVIRONMENT — AVERAGE REPO RATE AT 6.62% — FROM 6.95% IN 2017

ELEVATED LEVELS OF UNEMPLOYMENT AT 27.5% IN THIRD QUARTER OF 2018 — FROM 27.7% Q3 2017

ESCALATING COSTS OF HOUSEHOLD ESSENTIALS OVER THE MEDIUM TERM AT 4.9% — FROM 5.1% IN 2017[3]

IMPROVED POLITICAL BACKDROP (IN THE FIRST QUARTER OF 2018) has not yielded increased credit extension, retail fundamentals or a pick-up in consumption

CREDIT EXTENSION RESTRAINED

OUTLOOK FOR SOUTH AFRICAN CONSUMERS

CONSUMER CONFIDENCE WILL REMAIN SUBDUED unless government implements growth-boosting structural reforms

SLOW DELEVERAGE OF THE SOUTH AFRICAN CONSUMER IN THE MEDIUM TERM

EFFECT ON TCRS

Should an improving consumer credit environment materialise, TCRS is expected to further improve performance due to:

- **Higher levels of consumer credit extension.**
- **An increase in the number of matters handed over in agency mandates.**
- **Increasing yield on previously acquired NPL portfolios.**

AUSTRALIA: MACRO- AND DEBT COLLECTION ENVIRONMENT

AUSTRALIA'S CONSUMER EMPLOYED BUT HIGHLY LEVERAGED

- 5.3% UNEMPLOYMENT (AUGUST 2018)
- >190% HOUSEHOLD DEBT-TO-DISPOSABLE INCOME
- 51% MONTHLY DEBT SERVICING COSTS, EXCLUDING HOME LOANS

DEBT COLLECTION ENVIRONMENT

- Strong levels of credit extension.
- Regulatory environment and legislation more evenly balanced, with no consumer bias.
- High ability to contact and transact through voice and digital channels.
- Moral obligation to repay debt.

Source: Stats SA 2018. I IBIS World report 'Debt Collection in Australia 2017/2018'.

1. *Aged 15 to 65.*
2. *National Credit Regulator data at June 2018.*
3. *Inflation measured at 30 September 2018 and 30 September 2017.*
4. *Transaction Capital estimates per analysis of results reported by companies mentioned.*

SOUTH AFRICA: TRANSACTION CAPITAL'S CONSUMER CREDIT REHABILITATION INDEX

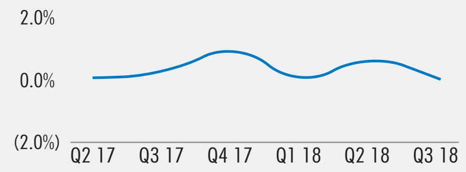
Launched in June 2017

Measures % change in rehabilitation prospects
- Scores propensity to repay debt
- Empirically based with a sample of >5 million South African consumers in credit default

Credit rehabilitation is a crucial element in growing an inclusive economy
- Allows consumers to access credit and re-enter the consumer market
- Allows lenders to maintain cleaner balance sheets to continue extending affordable credit

National rehabilitation prospects for third quarter in 2018
- ▼ by 0.2% quarter on quarter (Q3 18 vs Q2 18)
- ▲ by 0.7% year on year (Q3 18 vs Q3 17)

NATIONAL REHABILITATION PROSPECT TRENDS



AUSTRALIA: DEBT COLLECTION ENVIRONMENT

557 MARKET PARTICIPANTS

ACQUISITION OF NPLs AS PRINCIPAL	**62.7%**
CREDIT CORP	16.4%
COLLECTION HOUSE	12.6%
PIONEER CREDIT LIMIT	4.8%
ACM GROUP	4.0%
CONTINGENCY COLLECTIONS	**30.5%**
ILLION (FORMERLY DUN & BRADSTREET)	3.8%
RECOVERIES CORPORATION (TCRS)	3.5%
OTHER COLLECTIONS	**6.8%**

FRAGMENTED MARKET, COMPRISING THE REMAINING **551 MARKET** PARTICIPANTS

NPL PORTFOLIOS SOLD PER YEAR[4]

~AUD600 million

VERSUS ~R600 TO R700 MILLION IN SOUTH AFRICA

~AUD500 million — Credit Corp Group, CollectionHouse Group, pioneer credit, PANTHERA FINANCE

~AUD100 million — MANY SMALLER PLAYERS IN A FRAGMENTED MARKET

REVENUE OF ~AUD1.2 BILLION FOR 2018

Presenting an opportunity for the selective purchase of NPL portfolios as principal for Recoveries Corporation

COMPETITIVE ADVANTAGES THROUGH TCRS' MARKET POSITIONING

REPUTATION OF PERFORMANCE

- Only local listed industry participant
- Diverse range of local and international stakeholders
- Ranked as best or second best in 93% of mandates in South Africa
- Ranked first or second by clients in 79% of banking, government and commercial mandates in Australia
- Management and business information providing customised insights that add value for clients, allowing TCRS to win more mandates

TCRS' ADVANTAGE

Better performance allows TCRS to either win more mandates or pay more for books, enhancing its ability to buy more books.

TCRS PROPRIETARY DATA

- Database of South Africa's distressed consumers
- Continuously enriched (with collection and ContactAbility results)

TCRS' ADVANTAGE

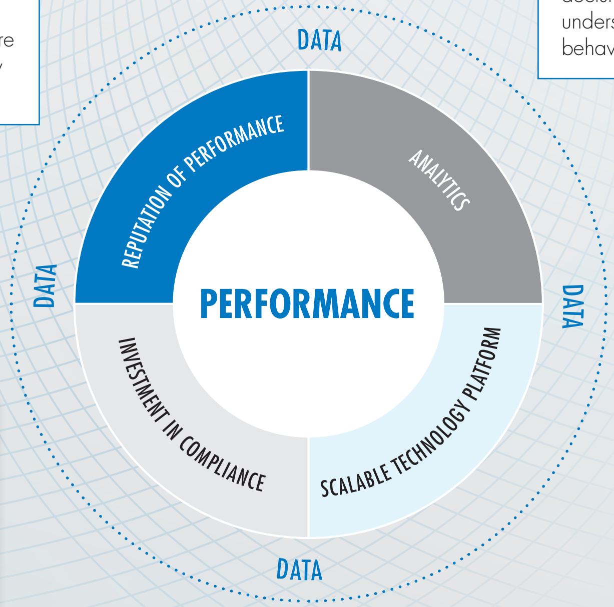
Access to large data volumes enhances TCRS' analytics capabilities, which informs every stage of the collections process, from evaluating and buying books to business optimisation.

ANALYTICS

- Predictive and layered voice analytics to determine:
  - Propensity to pay
  - Right time to call
  - Right day to pay
  - Dynamic matter prioritisation
  - Optimised campaign
  - Veracity of promise to pay

TCRS' ADVANTAGE

Large data volumes and analytics allow TCRS to enhance collection decisions through a thorough understanding of customer behaviour.



SCALABLE TECHNOLOGY PLATFORM

- Dialer enhances scale of ContactAbility
  - Enabled over any omni-channel
  - ~38 million outbound calls per month
  - ~6.1 million voice interactions per month
  - ~650 000 payments received per month
- Workforce management enables
  - Flexible work-hour scheduling
  - ▲ talk time and activations
  - ▼ staff turnover and cost of collection

TCRS' ADVANTAGE

Once collection decisions and campaigns are set, the technology platform allows TCRS to increase volume and reduce average cost per activity, resulting in better performance.

INVESTMENT IN COMPLIANCE

- Fair treatment of our clients' customers
- Compliant with legislation
- Active membership across various professional bodies
- Benchmarking against international best practice

TCRS' ADVANTAGE

Because compliance is a key requirement for clients, a reputation for applying best practice enhances TCRS' ability to win more business.

TCRS' COMPETITIVE ADVANTAGES RESULT IN A VIRTUOUS CYCLE WITH:

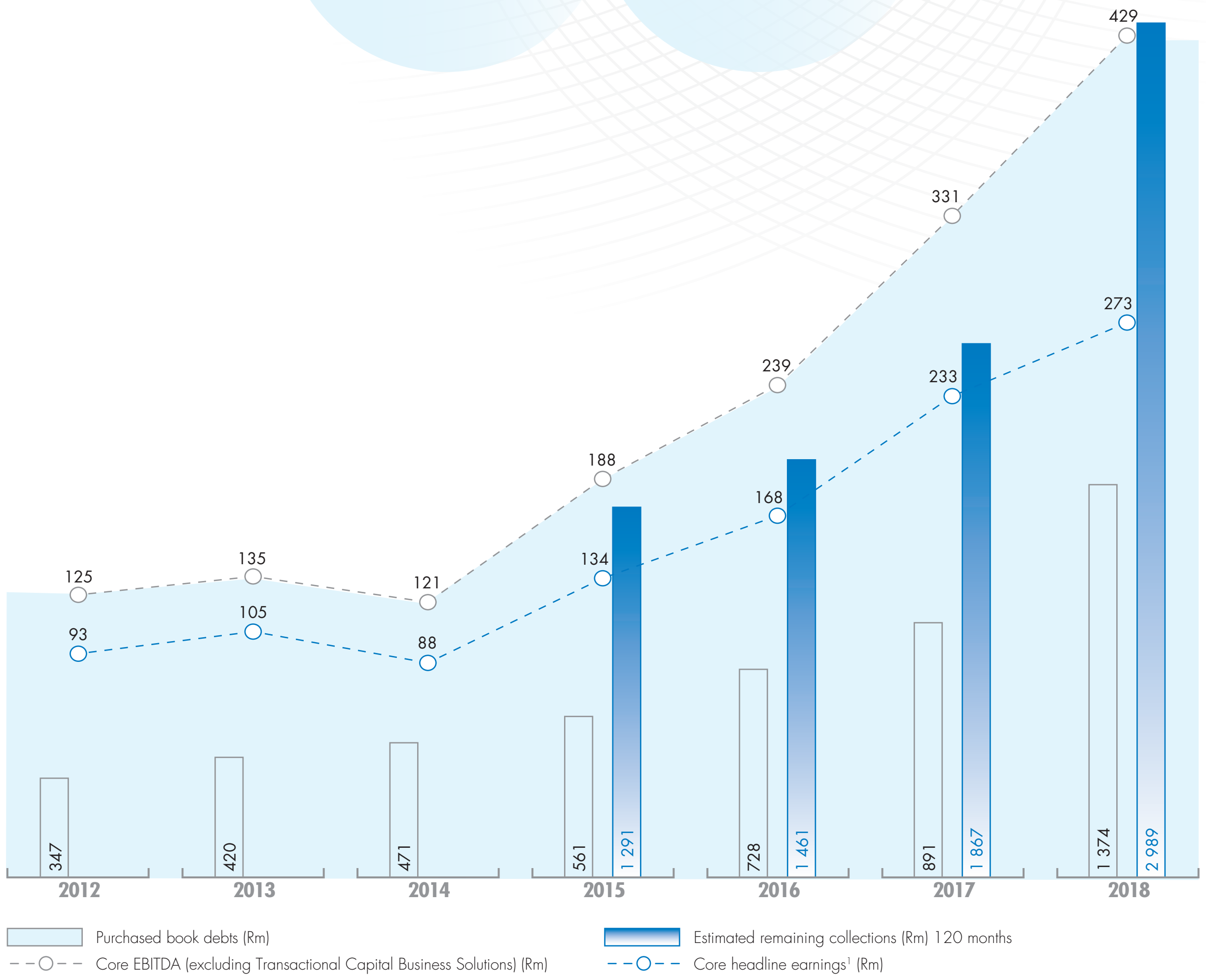
- Analytics informing each area of the business.
- Data supporting better collections.
- Technology enhancing efficiency and thus costs.
- Compliance underpins reputation.
- Performance driving book buying, thus increasing the amount of data to further deepen and enhance its analytics capability.

PERFORMANCE SINCE LISTING

CAGR 2012 TO 2018

▲ 20% CORE HEADLINE EARNINGS[1]

▲ 23% CORE EBITDA



Financial years 1 October to 30 September. I Adopted IFRS 9 in 2015. I 2014 numbers on a pro forma IFRS 9 basis. I 2012 & 2013 numbers on an IAS 39 basis as reported.

1. Headline earnings attributable to the group.

BUSINESS ACTIVITIES

TCRS' DIVERSIFIED BUSINESS MODEL

VALUE-ADDED SERVICES

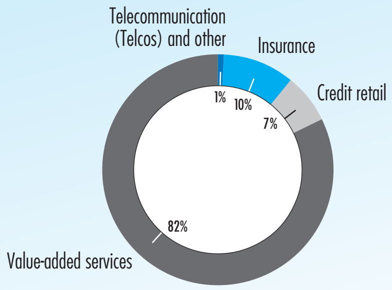
VALUE-ADDED SERVICES, LEAD GENERATION AND CUSTOMER ACQUISITION

Principa
A Transaction Capital Company

Assists clients to identify and win new customers, and provides customer management solutions that leverage consulting, data analytics and technology capabilities.

We Care...

Provider of proprietary value-added services to the mass consumer market on a subscription basis.



GROWTH INITIATIVES

- Apply data and analytics skills to Road Cover.
- Commercialise the master data universe (MDU):
  - Direct sales via MDU to leverage data from rehabilitated principal customers.

TRANSACTIONAL SERVICES

PAYMENT SERVICES AND ACCOUNT MANAGEMENT

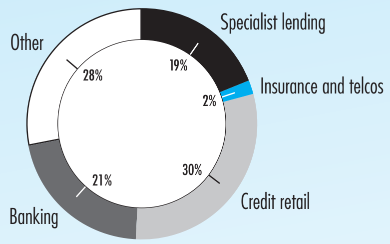
Transaction Capital Payment Solutions

Transaction Capital Business Solutions

Principa A Transaction Capital Company

Accsys A Transaction Capital Company

Specialists in customised, innovative and flexible payment processing services, business solutions, data analytics and people management.



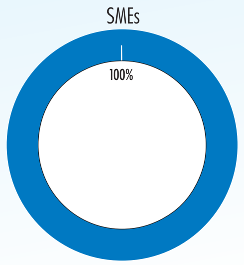
GROWTH INITIATIVES

- Creation of a payment services platform.
- Cross-sell Transaction Capital Payment Solutions and Road Cover services to Accsys clients.

SME FINANCING AND SERVICES

Transaction Capital Business Solutions

Provider of business support and SME finance to small businesses, including invoice discounting, trade finance and property finance.



GROWTH INITIATIVES

- Fintech opportunities in:
  - Online client portal.
  - Technology-based originations.

Sectors split by revenue per segment as at 30 September 2018.

COLLECTION SERVICES

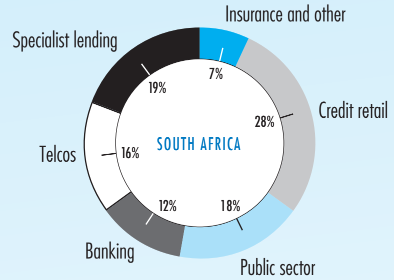
CONTINGENCY AND FEE-FOR-SERVICE

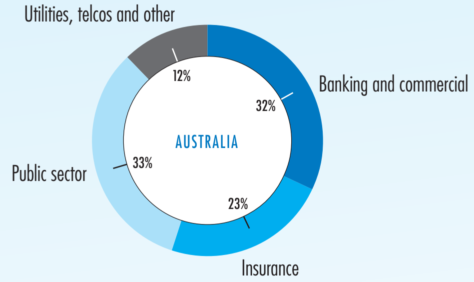
Transaction Capital Recoveries

Provider of collection and recovery services, including early stage rehabilitation, late stage collections and legal recoveries.

recoveriescorp connect. engage. succeed.

Provider of consumer management solutions, including debt recovery solutions, insurance claim recoveries, customer services and litigation management services.





GROWTH INITIATIVES

South Africa:

- Expanding into new sectors across insurance, education and others.
- Developing bespoke solutions (such as early stage collections, debt review and debt administration).
- Increased focus on telcos and tier 1 banks.
- Bolt-on acquisitions (in specialist collections and niche mandates).

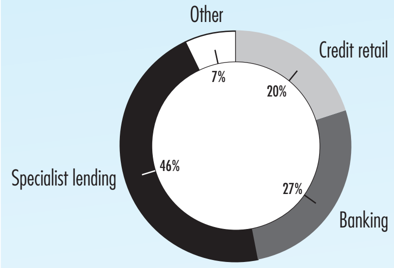
Australia:

- Technology to enhance operational efficiencies.
- Bolt-on acquisitions of specialist collectors.

ACQUISITION OF NPL PORTFOLIOS AS PRINCIPAL

Transaction Capital Recoveries

recoveriescorp connect. engage. succeed.



GROWTH INITIATIVES

South Africa:

- Developing capital solutions with municipalities and state-owned enterprises (SOEs).
- Entering bilateral forward flow and structured transactions.
- Entering alternative asset classes (such as mortgage, vehicle asset finance, debt review and pre write-off portfolios).

Australia:

- Exploring NPL acquisitions selectively.
- Bolt-on acquisitions of specialist NPL acquirers.

DIVERSIFICATION SUPPORTS PERFORMANCE IN VARYING MARKET CONDITIONS AND REDUCES CONCENTRATION RISK

- **Two geographies:** South Africa and Australia.
- **Three business activities:** Value-added, transactional and collection services.
- **Collection services diversified by revenue model:**
  - Acquisition of NPL portfolios.
  - Contingency and FFS collector.
- **Collection services further diversified across:**
  - **Sectors:** banking, specialist lending, credit retail, utilities, telcos, insurance and public sectors.
  - **Client base:** 126 clients (82 in South Africa, 44 in Australia).
  - **Mandates:** 300 mandates (209 in South Africa, 91 in Australia).

TCRS is unique compared to most globally listed peers, which predominantly act only as acquirers of NPL portfolios as principal.

Q&A WITH DAVID MCALPIN TCRS CEO

Q: TCRS' BUSINESS MODEL IS DIVERSIFIED TO SUPPORT ITS PERFORMANCE IN DIFFERENT MARKET CONDITIONS. GIVEN THE CHALLENGING ENVIRONMENT IN SOUTH AFRICA, WHAT STRATEGIC CHOICES HAS THE DIVISION MADE TO ACHIEVE GROWTH?

There is no doubt that the environment has toughened quite dramatically, as evident in many of our key indicators across poor GDP growth, unemployment and high household debt-to-income. This is impacting the ability of indebted consumers to service their debts, and the consumer economy is certainly feeling the pressure. With lower levels of consumer credit extension, there is a corresponding contraction in the volumes of contingency or FFS matters handed over for collection in South Africa by banks, credit retailers and specialist lenders – who are traditionally the core of our contingency business.

We are actively deepening penetration in these traditional market segments, with diversification across clients and mandates. Our ranking in South Africa in first or second place by our clients in 93% of 209 mandates supports our performance. This is further enhanced by our ability to leverage technology to drive efficiencies that benefit our clients in better yields earned on their outstanding debts.

Having identified the environmental risks in this segment a few years ago, we moved quickly to target adjacent sectors that are not directly linked to credit extension, particularly the insurance, telecommunications and public sectors. We have made strong progress here, with these sectors now contributing 38% of TCRS' local contingency and FFS revenue, compared to 27% in the prior year.

We continue to diversify in adjacent sectors, including in education, security and other specialist sectors, and are assessing opportunities for bolt-on acquisitions to support our strategy.

While the contingency business remains a key component of the division's earnings and has performed well, with revenue growth of 19% during the year, the highlight for the year has certainly been our successes in the book-buying business – where we acquire NPL portfolios as principal.

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

Whereas TCRS historically focussed on acquiring portfolios of written-off unsecured retail debt, we have extended our focus to non-performing consumer portfolios in alternative asset classes such as secured loans, debt review portfolios and consumer debt prior to write-off, with the latter typically not sold on a public auction basis.

TCRS achieved 22% revenue growth from principal collections. Estimated remaining collections (based on 120 months) experienced strong growth of 60% to R3.0 billion, from R1.9 billion a year ago, which will underpin future performance.

Since 2015, when we acquired books for R166 million, we have accelerated growth in this segment, with R184 million in 2016, R356 million in 2017 and R662 million in 2018. Book buying generates dependable cash flows, which translates into higher revenue and profit streams in our business due to our stringent focus on efficiencies, data and analytics, and managing cost structures. Also, given the economic climate, we can price for risk accordingly; should the South African economy improve, with higher collections on these books, we will see even higher returns.

66
For details on TCRS' financial performance, including on books purchased, see the Financial director's report.

However, diversification across the revenue models of contingency and acquisition of NPLs as principal ensure that we can weather the current economic environment by focussing on book buying, and be poised for further growth in the contingency business when credit extension recovers.

We also continue to assess additional bolt-on acquisitions to enhance penetration in specialist collection areas and specific mandates.

Q: WHAT PROGRESS HAS BEEN MADE IN RECOVERIES CORPORATION IN AUSTRALIA?

As detailed last year, the acquisition of Recoveries Corporation is part of TCRS' strategy to geographically diversify its earnings in contingency and FFS revenue. For a relatively small initial investment, the acquisition is providing an opportunity to gain a deep understanding of the Australian collections industry and participate in emerging opportunities.

Recoveries Corporation has made excellent progress in driving operational efficiencies by deepening its management competence and overlaying TCRS' technology and business information capabilities, including the dialer and workforce management. We continue to leverage TCRS' access to, and deployment of, leading collections technology to enhance its competitive position and margins.

The business is also diversifying its client base, across the insurance, telecommunications and utilities, banking and commercial, and public sectors. With the operational integration substantially complete, the business is expected to yield an enhanced return on future revenues.

We continue to be cautious as we apply our analytics, pricing expertise and capital raising capabilities to the niche purchase of NPL portfolios in Australia. In Australia's debt collection environment, an estimated AUD600 million is spent annually on acquiring NPL portfolios, which is many times larger than the South African market, and gives an indication of the growth opportunity for TCRS.

55
For details, see Australia's debt collection environment.

Considering the size of and competition in Australia's NPL market, we continue to assess bolt-on acquisitions in specialist collectors to build our data, capabilities and scale as we diversify Recoveries Corporation's revenue model.

We are exploring other synergies between Recoveries Corporation in Australia and Transaction Capital Recoveries (TCR), including running a pilot at the start of 2019 to assess the benefits of outsourcing some Recoveries Corporation call centre work to South Africa. We anticipate that this model will be more cost effective and easier to manage.

Q: WHAT STRATEGIC PROGRESS HAS BEEN MADE IN TRANSACTIONAL SERVICES AND VALUE-ADDED SERVICES OVER THE YEAR?

The transactional services segment includes Transaction Capital Payment Solutions and Transaction Capital Business Solutions (TCBS). Considering the tough environment for SMEs in South Africa, TCBS is being disciplined by intentionally curbing book growth to maintain risk tolerance and ensure high-quality earnings from its SME lending activities.

With tighter credit extension from financial institutions in certain specialist areas, we are assessing opportunities to leverage the division's healthy balance sheet and expand into new asset classes. However, given the economic environment, we will remain cautious as we develop opportunities without taking undue credit risk.

TCBS is developing an online client portal and technology-based origination system to enhance its offering to clients.

During the year, we acquired Accsys, which provides flexible human resource and payroll solutions to SMEs. We see synergies between Accsys and our payment solutions business, as a cluster of assets that we can build and grow.

In value-added services, Principa is transforming from purely a consulting business into a product-led and product solutions business with higher potential to generate annuity income. Road Cover has been fully integrated after the group acquired this business in 2016. Through the application of data and analytical skills to augment its offering, we see encouraging growth prospects for Road Cover, especially in direct sales of subscription-based products and insurance.

We continue to assess opportunities to grow the value-added service segment, but are approaching acquisitions and initiatives cautiously in the challenging market.

Q: HOW DOES TECHNOLOGY, DATA AND ANALYTICS, AS WELL AS TCRS' EVOLVING CAPABILITIES IN FINTECH, UNDERPIN YOUR DIFFERENTIATION IN THE MARKET AND ABILITY TO DEVELOP HIGHLY SPECIALISED PRODUCTS IN THE DIFFERENT BUSINESSES?

TCRS continues to invest in technology, data and analytics. In collections specifically, this allows us to collect more efficiently and effectively as we drive down costs and increase revenue. As mentioned last year, this puts us in a strong position in the market as we can buy more books, price them competitively and enhance the revenue per book. Our success here is evident in the increasing volumes of books purchased over the last four years. In the contingency revenue stream, cost control and efficiencies mean that we achieve higher collections for clients.

At a fundamental level in collections, technology, data and analytics are the science behind the business. It drives our ability to have the right people making a call at the right time to the right number, and then influencing the customer's decision to service their debt based on analytics that show how much they can afford and giving them access to convenient payment channels.

In addition, TCRS is expanding and enriching its proprietary database of South African consumers to include performing and non-performing credit-active consumers. We are also investigating commercialising the database to help prospective clients make better decisions across the credit lifecycle. While businesses can access credit bureau data, our data contains valuable additional information such as how much credit-active consumers are paid and when, and their preferred means of communication.

Our data management is overseen by actuaries and data scientists who maintain appropriate protocols and data screening to check its veracity, accuracy and usefulness, including approximately 500 validation checks to ensure data integrity. It is important to note that we will not compete with the bureaus; rather, we aim to provide our data and insights to help clients make better credit decisions.

Internally, the enhanced data set in the MDU will drive product development and targeted sales, especially in the value-added services segment.

In TCBS, data management allows us to accurately manage the book for our clients, even where we may not fund the whole book. Our core skill is in understanding the detail of exactly what is going on with every debtor of our clients, to the extent that we manage risk for our clients, and in so doing, manage TCBS' credit risk. While it is possible to automate risk assessments, TCBS is a niche business with strong capabilities in risk management. Importantly, it is also a business that relies on relationships, something which technology can support but not replace.

In terms of our evolving capabilities in fintech, we are looking to leverage technology, big data and analytics to develop optimised business solutions for South African businesses.

Q: TCR ACHIEVED A LEVEL 2 BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) RATING THIS YEAR. WHAT CONTRIBUTED TO THIS SUCCESS?

Empowerment is important to us and our clients, and reaching level 2 reflects our ongoing focus across all elements of the B-BBEE scorecard. We have made strong progress in all areas, with the exception of ownership.

I am particularly pleased with our progress in employment equity, where we have a strong cohort of high-performing employees in, and moving into, management positions. This also gives us a strong pipeline of talent for senior management positions, supported by our focus on development and training programmes.

We have implemented a new initiative as part of corporate social responsibility, where we are assisting young entrepreneurs to enter the recoveries sector. TCRS is providing an office, system infrastructure and sharing intellectual property to support this entirely black-owned business. For TCRS, it will extend our market into new segments where we have previously not had exposure.

Q: TCRS HAS BEEN FORMALISING ITS EMPLOYEE VALUE PROPOSITION (EVP). WHAT ARE THE KEY BENEFITS FOR THE DIVISION IN DOING SO?

Internally, it is crucial that we define and communicate our EVP in terms of our position as a leading employer in this sector. It includes the benefits for our employees in ongoing training and development, and opportunities for professional growth in what is increasingly an intellectual property, data and technology-based business.

Also, as we augment our capabilities in data and technology, and increasingly in areas like advanced analytics and artificial intelligence, we are looking to increase our specialist skills base with data scientists, actuaries, mathematicians and statisticians, and technologists. We are already seeing good progress in the quality of candidates coming into our businesses, but we will continue to enhance the marketing of our EVP by demonstrating that the underpin of our business is truly data and technology.

We are also targeting good people managers. Our core business of collections is a challenging environment that attracts managers who thrive in delivering effective people practices. And given that adaptability and change is a feature of a technology-enabled company, change management skills are key.

Q: WHAT ARE YOUR PRIORITIES OVER THE NEXT FEW YEARS?

We will continue to implement the goals and plans that underpin our five strategic thrusts, being driving organic growth, providing bespoke capital solutions, targeting strategic acquisitions, leveraging technology, data and analytics, and engendering a high-performance culture in our people.

Australia is set to be a strong growth play for TCRS. We also anticipate great synergistic opportunities in the outsource model between South Africa and Australia.

PERFORMANCE

FINANCIAL DIRECTOR'S REPORT

RONEN GOLDSTEIN

16%
111.7 CENTS
CORE HEADLINE EARNINGS PER SHARE[1]
(2017: 96.4 CENTS)

25%
50.0 CENTS
TOTAL DIVIDEND PER SHARE
(2017: 40.0 CENTS)

CORE HEADLINE EARNINGS[1]

TRANSACTION CAPITAL GROUP	SA TAXI	TRANSACTION CAPITAL RISK SERVICES
18%	21%	17%
R682 MILLION	R368 MILLION	R273 MILLION

1. Headline earnings attributable to the group.

TRANSACTION CAPITAL'S OPERATIONS DELIVERED PLEASING FINANCIAL RESULTS, DESPITE CHALLENGING MARKET CONDITIONS THROUGHOUT THE 2018 FINANCIAL YEAR.

Since listing on the JSE Limited in June 2012, the group has consistently achieved compound annual growth in earnings per share of 20%, with dividends per share growing even faster at 33%, supported by high cash conversion rates.

In the 2018 financial year, the group extended its track record of high-quality organic earnings growth, with core headline earnings up 18% to R682 million. Core headline earnings per share grew 16% to 111.7 cents, diluted by the issue of 28.4 million shares in the prior year (February 2017) that raised R419 million.

Despite positive political developments, macro- and socio-economic conditions in South Africa have deteriorated, with the economy entering a technical recession in the first half of 2018. SA Taxi and Transaction Capital Risk Services (TCRS) are resilient businesses, strategically well positioned in their chosen markets. They have adjusted to the persistently difficult economic conditions by refining and diversifying their fintech platforms and achieving operational efficiency.

6
For details on the operating environment, see the Chairman's report.

The early adoption of IFRS 9 in the 2015 financial year, ahead of the 2018 deadline, resulted in a lower-risk balance sheet and higher-quality earnings. At 30 September 2018, the group's balance sheet was well capitalised and flexible, with excess capital of approximately R650 million available to fund growth. This is expected to grow to over R1 billion after the transformational ownership transaction between SA Taxi and the South African National Taxi Council (SANTACO) is implemented.

The summarised financial results of the group are included in the financial results section starting on page 118. Core financial results and ratios exclude once-off acquisition costs incurred in the 2017 financial year.

SUMMARISED CONSOLIDATED SEGMENT REPORT

	SA Taxi		Transaction Capital Risk Services		Group executive office (GEO)*		Group	
	2018 Audited Rm	2017 Audited Rm	2018 Audited Rm	2017 Audited Rm	2018 Audited Rm	2017 Audited Rm	2018 Audited Rm	2017 Audited Rm
SUMMARISED INCOME STATEMENT								
FOR THE YEAR ENDED 30 SEPTEMBER								
Net interest income	**979**	885	**51**	77	**70**	45	**1 100**	1 007
Impairment of loans and advances	**(299)**	(253)	**(15)**	(7)	**–**	–	**(314)**	(260)
Non-interest revenue	**540**	427	**1 837**	1 485	**–**	25	**2 377**	1 937
Operating costs	**(723)**	(638)	**(1 510)**	(1 260)	**(11)**	(12)	**(2 244)**	(1 910)
Non-operating loss	**–**	–	**(3)**	(3)	**–**	–	**(3)**	(3)
PROFIT BEFORE TAX	**497**	421	**360**	292	**59**	58	**916**	771
Headline earnings attributable to equity holders of the parent	**368**	303	**273**	211	**41**	41	**682**	555
Once-off transaction and other acquisition-related costs	**–**	–	**–**	22	**–**	–	**–**	22
CORE HEADLINE EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**368**	303	**273**	233	**41**	41	**682**	577
SUMMARISED STATEMENT OF FINANCIAL POSITION								
AT 30 SEPTEMBER								
ASSETS								
Cash and cash equivalents	**677**	608	**168**	161	**55**	175	**900**	944
Loans and advances	**9 026**	7 872	**566**	584	**–**	–	**9 592**	8 456
Purchased book debts	**–**	–	**1 374**	891	**–**	–	**1 374**	891
Other assets	**2 036**	1 438	**1 426**	1 297	**14**	18	**3 476**	2 753
TOTAL ASSETS	**11 739**	9 918	**3 534**	2 933	**69**	193	**15 342**	13 044
LIABILITIES								
Bank overdrafts	**116**	136	**–**	–	**–**	–	**116**	136
Interest-bearing liabilities	**8 333**	6 879	**1 107**	968	**377**	344	**9 817**	8 191
Group loans**	**1 170**	1 164	**238**	107	**(1 408)**	(1 271)	**–**	–
Other liabilities	**482**	408	**698**	501	**36**	36	**1 216**	945
TOTAL LIABILITIES	**10 101**	8 587	**2 043**	1 576	**(995)**	(891)	**11 149**	9 272
TOTAL EQUITY	**1 638**	1 331	**1 491**	1 357	**1 064**	1 084	**4 193**	3 772

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

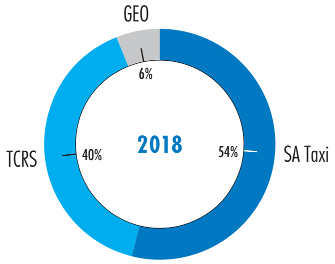
** *Of SA Taxi's group loans of R1 170 million at 30 September 2018 (2017: R1 164 million), R479 million (2017: R400 million) are not permanent facilities. The remaining R691 million (2017: R764 million) group loans are subordinated debt facilities with fixed repayment terms. TCRS' total group loans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

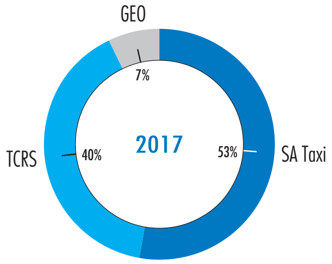
DIVISIONAL REVIEWS

GROUP PORTFOLIO MIX

CORE HEADLINE EARNINGS ATTRIBUTABLE TO GROUP	2018 Rm	2017 Rm	2018 Growth
SA Taxi	**368**	303	**21%**
TCRS	**273**	233	**17%**
Group executive office	**41**	41	**0%**
TOTAL	**682**	577	**18%**
CORE HEADLINE EARNINGS PER SHARE (CENTS)	**111.7**	96.4	**16%**

COMPOSITION OF EARNINGS





SA TAXI

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

38 to 47

For details on SA Taxi's strategic and operational highlights, market context, performance since listing and business activities, see SA Taxi's divisional review.

For the year ended 30 September

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

Ground-breaking ownership transaction and initiatives with SANTACO

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

For more detail on the terms of the transaction, see the SENS announcement released on 19 November 2018 (available at http://www.transactioncapital.co.za/SENS.php).

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

24 and 48

In addition, details on the commercial and financial benefits of the SANTACO transaction are included in the Q&A with David Hurwitz, CEO and the Q&A with Terry Kier, SA Taxi CEO.

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

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

The financial benefit of the transaction (improved net interest margins from lower leverage and interest expense savings) and the operational benefits of a stronger and enhanced relationship with SANTACO are significantly accretive to SA Taxi's earnings over the medium term and are expected to support higher growth rates.

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

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

Vehicle financing

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

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

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

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For further detail on funding initiatives during the year, see the Q&A with Mark Herskovits, executive director: capital management.

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

Vehicle retail

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

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

Vehicle insurance

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

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

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

SA Taxi's insurance operation is consolidated in accordance with IFRS.

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

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

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

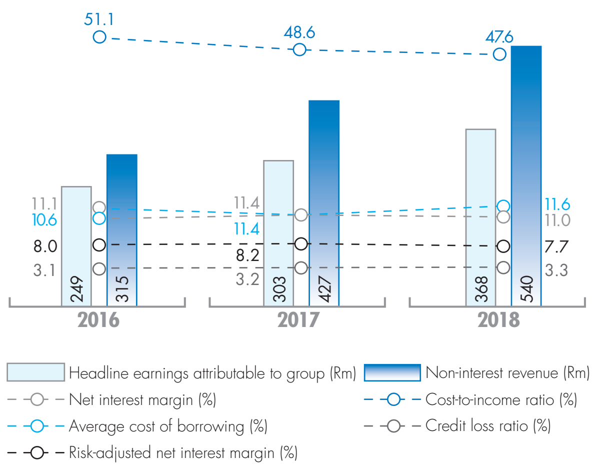
SA Taxi established its own parts procurement and distribution, and vehicle salvage operation in March 2018, called Taxi Auto Parts (TAP). Via TAP, SA Taxi is able to import quality parts directly at a lower cost and distribute these to SA Taxi's own refurbishment centre, as well as its network of preferred external autobody repairers. Through TAP, SA Taxi is also able to optimise the salvage value of vehicles.

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

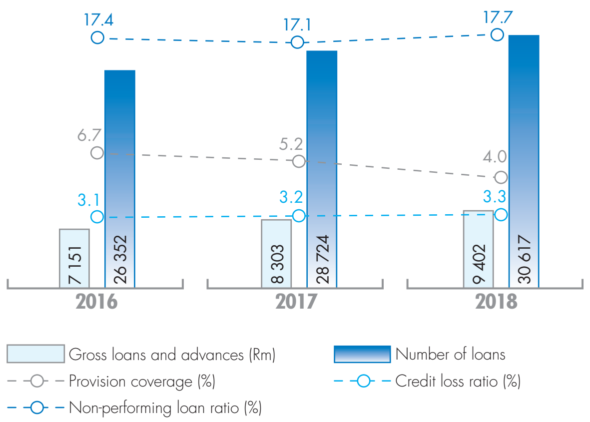
Conclusion

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

FINANCIAL PERFORMANCE



CREDIT PERFORMANCE



TRANSACTION CAPITAL RISK SERVICES

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

52 to 59

For details on TCRS' strategic and operational highlights, market context, performance since listing and business activities, see the TCRS divisional review.

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

Collection services

Acquisition of non-performing loan (NPL) portfolios as principal

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

Whereas TCRS historically focussed on acquiring portfolios of written-off unsecured retail debt, it has extended its focus to non-performing consumer portfolios in alternative asset classes such as secured loans, debt review portfolios and consumer debt prior to write-off, with the latter typically not sold on a public auction basis.

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

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

TCRS grew revenues in this segment organically by 22%.

Contingency and fee-for-service (FFS) revenue

TCRS' strategy to diversify geographically, deepen its penetration in its traditional market segments (banks, retailers and specialist lenders) and grow revenue from adjacent sectors (insurance, telecommunications and public sectors) supported its organic earnings growth.

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

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

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

TCRS grew revenues in this segment by 19%.

Transactional services

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

Value-added services

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

Data and technology

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

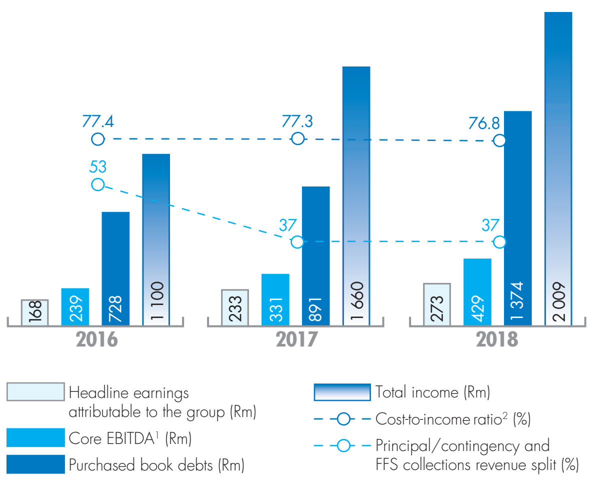
TCRS continues to explore the implementation of new technologies, including artificial intelligence technologies. Changing demographics, increased smartphone penetration and increased access to and reducing cost of data are driving changes in consumers' preferred method of communication to non-voice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

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

Conclusion

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

FINANCIAL PERFORMANCE



1. *Core EBITDA (including Transaction Capital Business Solutions).*
2. *Excluding the effect of acquisitions.*

GROUP EXECUTIVE OFFICE

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

DIVIDEND POLICY AND DECLARATION

Following the interim dividend of 21 cents per share (2017 interim: 15 cents per share), and in line with the stated dividend policy of 2 to 2.5 times, the board has declared a final gross cash dividend of 29 cents per share (2017: 25 cents per share) for the six months ended 30 September 2018. Total dividend cover for the financial year was 2.2 times.

ACCOUNTING POLICIES AND ESTIMATES

Transaction Capital's objective is to ensure that appropriate, understandable and sustainable accounting policies are adopted and implemented, and aligned to the group's commercial realities, risks and strategies to the greatest extent possible.

There were no significant changes in accounting policies during the year under review. Accounting estimates have been assessed for appropriateness and validity.

AUDIT REPORT

The auditors issued an unmodified audit opinion for the financial year. Refer to the 2018 annual financial statements, available on www.transactioncapital.co.za, for more detail.

APPRECIATION

My sincere thanks to the group and operational finance teams for their diligence in ensuring that Transaction Capital is able to provide stakeholders with an accurate and meaningful analysis of its financial and operational performance.

Q&A

WITH

MARK

HERSKOVITS

EXECUTIVE DIRECTOR:

CAPITAL MANAGEMENT

Q: FROM A CAPITAL MANAGEMENT PERSPECTIVE, WHAT ARE THE KEY COMPONENTS OF THE TRANSFORMATIONAL EQUITY DEAL BETWEEN SANTACO AND SA TAXI?

Firstly, the strategic importance of this deal cannot be overstated. It provides SANTACO and its members, who are key stakeholders in the minibus taxi industry, with access to a substantial part of the industry value chain in SA Taxi's business. The 10% trickle dividend income flow into infrastructure and development projects will enhance the sustainability of the industry and stands to improve the experience of commuters. From a commercial perspective, we expect significant financial benefits as a direct result of the transaction, along with operational benefits from an enhanced relationship with SANTACO.

The capital management team's focus for the transaction was raising capital to fund SANTACO's investment. Approaching two of our largest debt funders, Standard Bank of South Africa and Futuregrowth Asset Management, was a natural fit as they understand our business and our ability to manage risk in providing developmental credit in a unique industry. Also, the transformational nature of the equity deal and its importance at a national level made it an attractive proposition for these long-standing funding partners.

Of the R1.7 billion paid for the 25% stake in SA Taxi, Standard Bank and Futuregrowth are co-funding R1.2 billion as the senior funders. SA Taxi is facilitating the transaction by providing subordinated vendor finance of R521 million, which reduces risk for the senior funders. It is important to note that the transaction is based on a full value for SA Taxi, with no discount applied to the shares.

The beneficiary structure will ensure that ownership and associated economic benefits of the investment cascade down to provincial levels as the beneficiaries comprise the broad-based provincial taxi councils.

For Transaction Capital and SA Taxi, it was crucial that SANTACO received independent advice during the negotiations. Accordingly, ENSafrica acted as advisors to SANTACO over the course of the transaction.

The transaction has been structured to account for the unique characteristics of the industry to achieve broad-based benefits, and its scale and potential impact are unmatched. I believe that the deal has challenged conceptual boundaries on transformation in South Africa, and represents the kind of initiative that is required to achieve sustainable shared value in our economy.

Q: WHAT HIGHLIGHTS HAVE THERE BEEN FOR SA TAXI IN CAPITAL MANAGEMENT?

We issued two tranches of Moody's credit rated and JSE-listed debt through the Transsec 3 securitisation programme over the year, with an initial R505 million in November 2017 and a R505 million tap issuance in June 2018. We continue to see strong demand and pricing for SA Taxi debt issuances, with the total Transsec 3 issuance oversubscribed by 2.6 times and more than 80 basis points cheaper than Transsec 2's total issuance.

Also, after the financial year end, we received board approval for USD100 million in debt funding through the African Development Bank in October 2018. The deal is comparable to the funding received last year from the development finance institutions (DFIs) in the United States, in that it shows confidence in our investment proposition. It also recognises SA Taxi's ability to manage the risk of developmental credit in a specialised industry, while delivering measurable social impact. The African Development Bank specifically noted that the loan facility is aligned to its High 5 priorities, which include "Improving the Quality of Life for the People of Africa through improved safety and roadworthiness for commuters", as well as being aligned to its "Private Sector Development Strategy, SME support agenda and the Green Growth Initiative".

Source: African Development Bank Group press release, 22 October 2018, available on https://www.afdb.org/

SA Taxi's funding requirements for the 2019 financial year are secured, with a diversified funding base of 44 distinct debt investors.

Q: ARE TCRS' CAPITAL FUNDING REQUIREMENTS CHANGING?

The funding dynamics for TCRS are different, and traditionally TCRS has not been as capital intensive as SA Taxi. This dynamic will remain going forward; however, with the trend of greater volumes of NPLs being acquired as principal, TCRS will have slightly higher capital requirements than in the past. As a result, the capital management team is working with the division on a revised capital management strategy. As capital was previously raised separately in each of the main balance sheet businesses within TCRS, the new strategy includes changes to the legal and commercial structure by raising capital for the division collectively.

We anticipate that this will achieve better efficiency and cost of capital for TCRS. It will also present an enhanced proposition for investors.

Q: WHAT PROGRESS IS BEING MADE IN THE CAPITAL MANAGEMENT STRATEGY ACROSS THE GROUP?

We continue to focus on investing equity capital, conservatively leveraged with local and international debt, into accurately assessed asset classes to achieve superior risk-adjusted returns. In addition, Transaction Capital is conservatively geared with debt capital accessed through diversified funding structures that are attractive to a broad range of local and international investors who have an in-depth understanding of the underlying businesses and their asset classes.

Due to the dynamics at play in the South African economy, we are seeing lower levels of borrowing by businesses and higher risk aversion to debt being issued, especially by state-owned enterprises who are traditionally the biggest borrowers in the local market. This is resulting in a shortage of quality paper for investors. However, it is good news for companies like Transaction Capital who continue to grow and manage credit risk effectively, as it drives demand for our debt both locally and internationally.

With strong liquidity and approximately R1 billion excess capital on its balance sheet post the SANTACO equity transaction, the group is shifting its focus to optimising capital management from a cost and capital structure perspective. A more disciplined approach to funding, along with demand for our paper, means that we are in a position to be more discerning in the capital we access. As a result, we can manage capital requirements to strike the optimal balance between the right type of funding at the right terms for the right asset classes, according to the unique needs of each division.

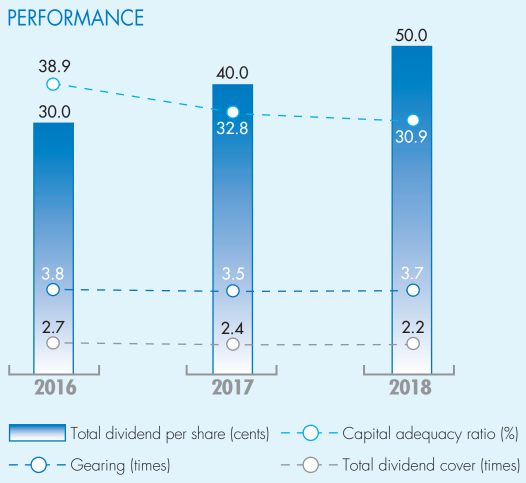
Diversification across debt investors, funding structures and geography remains important. For instance, while the African Development Bank loan has a relatively higher cost of capital (predominantly due to the swap costs and longer duration of the debt), it provides the security of a large quantum of funding over an eight-year period, which is unavailable in the local market. With this type of funding in place, we are in a position to be more selective in accessing other funding.

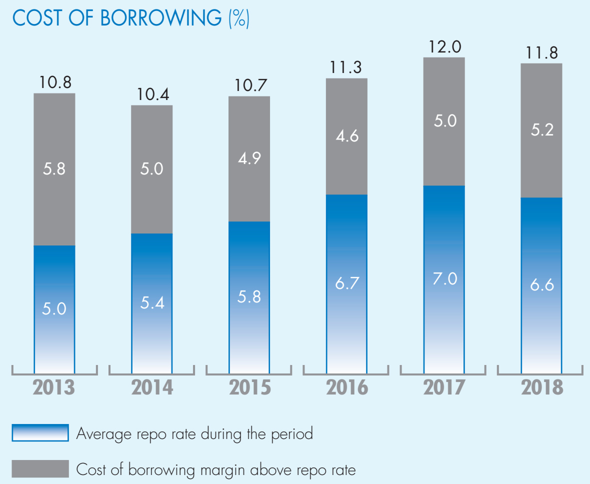
On the other hand, the Transsec 3 issuance has continued the trend of raising cheaper funding for SA Taxi, which enhances our strategy to lower the cost of capital. However, capital management across the group requires that we balance the quantum and tenor of debt capital that we raise with the optimisation of capital structures according to the specific needs of each business.

The demand dynamics in the market and the group's strong performance have enabled this philosophical shift to optimal capital usage for Transaction Capital. Lowering the cost of capital through enhanced capital management stands to improve the group's margins and benefit its clients through more competitive rates. However, considering the time required to arrange large funding transactions and the tenor of these loans, the capital management team will follow a phased approach over time as we become stricter on our selection.

Despite ongoing pressure in the South African economy, Transaction Capital raised approximately R4.9 billion in 2018 from 45 separate funding transactions and added 10 new investors. Group average cost of borrowing improved to 11.8% (2017: 12.0%), with the margin above the repo rate at 5.2%. The foreign debt component remained stable at 20%, which is fully hedged to the Rand.

Our capital adequacy position remains robust at 30.9%, comprised of 22.9% equity and 8.0% subordinated debt.





Q: HAVE THE CHALLENGING ECONOMIC CONDITIONS IMPACTED THE GROUP'S CREDIT RATINGS?

Our ratings performance remains strong and unchanged from last year; the Transsec 3 senior notes are rated Aaa.za(sf) by Moody's and Transaction Capital's R2 billion note programme is rated A-(za) by Global Credit Ratings Co. (GCR). Subsequent to year end, several ratings of Transsec 1 and 2 were upgraded by S&P Global and Transaction Capital was placed on positive ratings watch by GCR as a result of the announcement of the equity transaction with SANTACO.

Q: WHAT IS THE KEY FACTOR UNDERPINNING THE CAPITAL MANAGEMENT TEAM'S ABILITY TO MAINTAIN ROBUST ACCESS TO CAPITAL MARKETS?

It has been another successful year for capital management and the group. Besides the capital markets dynamics mentioned earlier, where a shortage of quality paper is supporting demand for debt issued by Transaction Capital, the group's ability to sustain performance in a challenging environment is key.

Also, our ability to manage the risks that come with providing developmental credit while delivering real and measurable social impact is critical in attracting funding from DFIs.

As mentioned above, we are now in a privileged position to be more discerning in the debt we access. This is based on the strength of our investment proposition and should allow us to reduce the cost of capital over time.

GOVERNANCE

GOVERNANCE REPORT

THE BOARD OF DIRECTORS (THE BOARD) OF TRANSACTION CAPITAL (THE GROUP) IS THE FOCAL POINT AND CUSTODIAN OF ITS CORPORATE GOVERNANCE FRAMEWORK. THE GROUP FOLLOWS A STAKEHOLDER-INCLUSIVE APPROACH TO GOVERNANCE, WITH THE BOARD BEING ULTIMATELY RESPONSIBLE AND ACCOUNTABLE TO STAKEHOLDERS FOR THE PERFORMANCE, ACTIVITIES AND CONTROL OF THE GROUP.

KING IV

Transaction Capital has set out its governance structures in line with the principles set out in the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV). King IV advocates an outcome-based approach and defines corporate governance as the exercise of ethical and effective leadership towards achieving the following governance outcomes:

- An ethical culture.
- Good performance.
- Effective control.
- Legitimacy.

The Transaction Capital board is committed to complying with legislation, regulations and best practices relevant to the group. The board regards the process of assessing and monitoring adherence to adopted governance standards as a dynamic process, and it endeavours to continually improve governance structures within the group. The board assessed the group's alignment to King IV, as reported in the 2017 integrated annual report.

In line with this review, the following actions have been implemented in the current financial period:

- The composition of the remuneration committee and social and ethics committee was enhanced by including non-executive director representation.
- Remuneration policies and reporting were aligned to the King IV principles. The remuneration policy and the remuneration implementation report presented to shareholders at the 2017 annual general meeting (AGM) held on 8 March 2018 received the required support from shareholders.
- The board charter and terms of reference for the board sub-committees were updated to align with King IV.
- A diversity policy that includes voluntary targets on gender and race diversity at board level was adopted.
- IT policies aligned to King IV were rolled out within each of the divisions.
- As part of refreshing the group sustainability policy and embedding the shared-values approach to sustainability and stakeholder issues, the following matters are in the process of being implemented:
  - The group ethics charter is being updated to align with current best practice, and to ensure that it is practical and addresses the key ethical risks of the group. A new value of 'accountability' has been added as a core value.
  - The adoption of a transformation and Broad-Based Black Economic Empowerment (B-BBEE) policy as a sub-policy of the sustainability policy, to specifically address the group's commitment to transformation and the spirit of B-BBEE.

The application of King IV is on an apply and explain basis, and many of the practices underpinning the principles form an integral part of the group's internal controls, policies and procedures governing corporate conduct. The recommended practices have been adopted and reported as necessary, taking into account Transaction Capital's business operations and its governance structure.

Transaction Capital's report on the application and disclosure of the 17 King IV principles can be accessed on the group website at http://www.transactioncapital.co.za/about.php

OVERSIGHT

The board maintains a high level of individual and collective responsibility, accountability, fairness and transparency, which together drive a culture of risk awareness, ethical behaviour and value creation.

The board is responsible for the strategic direction of the group, which it considers in conjunction with the group's values and ethics charter. The group's values provide the foundation for effective and ethical leadership, and are the basis for all deliberations, decisions and actions at board level and within every area of the business.

The group's values can be accessed on the group's website at http://www.transactioncapital.co.za/about.php

ETHICS

Based on an ethical foundation, the board provides effective and responsible leadership by directing strategy and operations in a way that supports sustainable business while considering the short- and long-term impacts on society, the environment and stakeholders, as per the group's sustainability policy.

Transaction Capital's ethics charter outlines the group's core values of integrity, respect, excellence, accountability and innovation. In addition, it describes Transaction Capital's guiding business principles that direct all business dealings within the group and with other stakeholders. As an ethical roadmap for the group, the ethics charter requires all group operations and employees to conduct business with honesty and integrity, and in accordance with the highest legal and ethical standards.

The group chief executive officer (CEO) and divisional CEOs are the custodians of the charter, assisted by the group's ethics officer. The board reviews the charter regularly.

Transaction Capital maintains an independent whistle blowing hotline operated by an external service provider. Reports can be made anonymously through the hotline and are directed to the group ethics officer. Each incident is investigated independently, with reports provided to the group ethics officer or executive management on the results of the investigation and actions taken. In addition, reporting of unethical or fraudulent behaviour to line management and the respective human resources departments of the group's businesses is encouraged. This is reported in the social and ethics committee meetings (and audit, risk and compliance (ARC) committee meetings where relevant) as well as the relevant board meetings.

Sustainability framework

The sustainability policy has been approved by the board and adopted by the group. Each division's social relevance is core to achieving the group's strategic objectives. In addition, the ARC committee oversees the preparation of the integrated annual report, with certain sections being reviewed by the external and internal auditors where appropriate.

STAKEHOLDER ENGAGEMENT

Engaging with stakeholders forms an integral part of Transaction Capital' strategy. The sustainability policy governs the relationship and interaction with stakeholders, with the board and social and ethics committee assuming responsibility for stakeholder engagement.

Stakeholder engagement takes place at all levels, across subsidiaries and the group. At a shareholder and investor level, engagement takes place on a continuous basis through site visits, roadshows, meetings and ongoing interactions by the investor relations team. A stakeholder engagement report is submitted to the board bi-annually.

Engagement with employees and other key stakeholders is reported at each social and ethics committee meeting, the minutes of which are included in the board packs ahead of quarterly board meetings.

93 to 97

The Risk report sets out details on the key concerns of stakeholders.

The divisions each have their own tailored stakeholder engagement plans in place, which are reported, considered and discussed at their respective board meetings.

RESPONSIBLE CORPORATE CITIZENSHIP

Ultimate responsibility for corporate citizenship lies with the board, with oversight vested in the social and ethics committee and the ARC committee. The principles of responsible corporate citizenship underpin all key aspects of the business.

The social and ethics committee monitors many of the aspects listed under the King IV practices (including employment equity, fair remuneration, equal work for equal pay, safety, health, economic transformation, public health and safety, consumer protection, community development and protection of human rights). The ARC committee is responsible for the prevention, detection and response to fraud and corruption. It is also responsible for tax policy.

Governance framework and structures

THE ROLE OF THE BOARD OF DIRECTORS

The board acts as the custodian of governance and has approved a formal charter that sets out its responsibilities in this regard. The board, in conjunction with the nominations committee, is responsible for appointing the CEO and for monitoring his management of the performance of Transaction Capital's assets and resources against approved strategic and financial objectives.

Transaction Capital's governance and compliance framework facilitates the board's role of providing direction and oversight. It sets the group's risk appetite and a high level of accountability to support consistent compliance with regulatory requirements, while also encouraging an entrepreneurial mindset as a key driver of performance.

The board delegates specific responsibilities to appropriately mandated and constituted sub-committees, set out on page 88. The ARC committee and the social and ethics committee fulfil the statutory governance requirements on behalf of Transaction Capital, its divisions and group subsidiaries.

STRATEGY AND REPORTING FUNCTIONS OF THE BOARD

The board has set out its mission (page 10), strategy (pages 14 to 23) and associated risks (pages 91 to 101) in this integrated annual report. The board considers the risks and opportunities related to the context in which the group operates in directing strategy, assessing its business model and enhancing sustainability to create value for all stakeholders.

12
The group's key stakeholder propositions and interaction with stakeholders are depicted in the group business model.

38 and 52
For further details on the social relevance of Transaction Capital's divisions, refer to SA Taxi and TCRS.

92
Details of risk categories managed by the board sub-committees are included in the Risk report.

The board has delegated the formulation and implementation of group strategy to management with the required input from the board. The board has approved the group strategy along with key performance criteria and targets for management to assess its implementation. An authority framework is in place for the group that governs the authority delegated to group management and matters reserved for approval by the board.

The ARC committee assists the board with the governance of risk, as detailed in the committee's terms of reference. The board assesses the overall viability of the company in regard to its reliance and effects on capital, solvency and liquidity, and its status as a going concern.

The integrated annual report enables stakeholders to make an informed decision about the group's strategic direction and prospects. Based on the recommendation of the ARC committee, the board approves the annual financial statements, the integrated annual report and any other reports published by the company.

The board has adopted the board charter and approves board sub-committee terms of reference and group policies. The board charter and group policies regulate how the board conducts itself in the best interest of the company and its stakeholders, taking into account the principles of good corporate governance and legislation.

BOARD COMPOSITION

The board, in conjunction with the nominations committee, assesses the composition and membership of the board and board committees holistically on an annual basis.

The non-executive directors of the board bring independent judgement and experience to the board's deliberations and decisions. No one individual or group of individuals has unfettered powers of decision-making.

The board charter and nominations committee terms of reference prescribe that the selection of non-executive directors should be based on the appropriateness of their business skills and expertise to the strategic direction of the group. The nominations committee and the board take into account the academic qualifications, technical expertise, industry knowledge, experience, business acumen and diversity when board appointments are considered. In addition, the board considers the integrity and leadership skills as well as other directorships and commitments of all directors to ensure that they have sufficient time available to fulfil their responsibilities.

The 2018 annual board review determined that the board was satisfied with the composition of the board and its sub-committees.

DIVERSITY

Transaction Capital supports the principles and aims of diversity at board level. Accordingly, the group has adopted a diversity policy to address gender and racial diversity. The voluntary target of employing at least three female directors and three black directors at board level was met in the reporting period. Going forward, the nominations committee will assess diversity targets and progress in meeting targets annually.

INDEPENDENCE

In terms of their fiduciary duties, directors should act independently in exercising their judgement and fulfilling their duties, and should not have their discretion fettered in any way. This requires that directors apply their minds honestly and make decisions in the best interest of the group on all matters presented to the board. Directors do not participate on matters in which they may be conflicted.

Based on its most recent assessment performed in November 2018, the board, together with the nominations committee, is satisfied that the board's overall composition reflects an appropriate combination of knowledge, skills, experience, diversity and independence.

All committees have fully functional structures, with clear objectives set out in their respective terms of reference. Through the chairman of each committee, the committees report back to the board at each board meeting. The committees also report to stakeholders annually as required (be it in the integrated annual report and/or at the AGM).

APPOINTMENT OF DIRECTORS

The nominations committee assists in identifying suitable board members, and performs background and reference checks prior to their appointment.

New directors are introduced to Transaction Capital through a formal induction programme, which is the responsibility of the company secretary and/or financial director, and consists of an information pack, detailed discussions on the environment and operations of each of the major businesses, and site visits.

Formal induction processes were fulfilled for the directors appointed during the reporting period.

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The curricula vitae of group directors are provided in the Directorate section.

CONSULTATION PROCESS

Directors are encouraged to take independent advice, where necessary, for the proper execution of their duties and responsibilities. This is done at Transaction Capital's expense, after consultation with the chairman. In addition, directors have unrestricted access to the group's auditors and professional advisers, and to the advice and services of the company secretary.

After advising the group CEO of their intention to do so, directors may attend any committee or subsidiary board meeting, and have unrestricted access to any executive, manager or employee in the group as well as to any information generated by the group.

In addition, the company provides training to directors, as required.

BOARD APPOINTMENTS, EVALUATIONS AND PROCESSES

Transaction Capital's board comprises the following members:

INDEPENDENT NON-EXECUTIVE DIRECTORS*

- Christopher Seabrooke (chairman)
- Phumzile Langeni
- Kuben Pillay
- Diane Radley (appointed 15 July 2018)
- Buhle Hanise (appointed 1 January 2019)

Olufunke Ighodaro resigned as an independent non-executive director on 30 November 2018.

* *Assessed as independent as part of the 2018 annual board review process.*

NON-EXECUTIVE DIRECTORS

- Roberto Rossi
- Paul Miller

EXECUTIVE DIRECTORS

- David Hurwitz (CEO)
- Ronen Goldstein (financial director)
- Mark Herskovits (executive director: capital management)
- Jonathan Jawno (executive director)
- Michael Mendelowitz (executive director)

This year, Kuben Pillay, Roberto Rossi and Michael Mendelowitz will retire by rotation and are standing for re-election at the AGM. These directors have been appraised by the board and their re-election is recommended. In addition, Diane Radley and Buhle Hanise, who were appointed in the 2018 and 2019 financial years respectively, will also be nominated for election as directors.

ASSESSMENT OF THE EFFECTIVENESS OF THE BOARD, ITS COMMITTEES AND THE COMPANY SECRETARY

Formal performance evaluations of the board, its committees and the company secretary are conducted annually by means of an evaluation questionnaire. The evaluations assess the combination of skills, performance during the year, contribution and independence of individual directors, and the effectiveness of committees. Results of the evaluations provide the basis for enhancements of the board and its committees for the following year.

The nominations committee workplan includes discussions on board performance as well as that of committees, the chair and members.

Based on the annual evaluations undertaken during November 2018, the board is satisfied that:

- All directors are committed to their roles and are performing to acceptable standards.
- The board and its committees are effective and operating to an appropriate standard.
- The group's risk management processes are operating effectively.
- All directors and committee members have the appropriate qualifications, experience and skills required to fulfil the respective committee's mandate.
- Independent non-executive directors meet the criteria for independence in terms of King IV.
- The expertise, performance and experience of the chairman, CEO, financial director, internal audit executive and the company secretary are adequate (as detailed below).

Chairman

Christopher Seabrooke is the independent non-executive chairman of the Transaction Capital board and is responsible for leading the board in fulfilling its mandate. The offices of chairman and CEO are separate.

The board appoints the chairman from among its members annually and, together with the nominations committee, is responsible for the succession plan of the chairman. The chairman's performance is reviewed as part of the annual board review, the result of which showed that the chairman leads effectively and ethically.

Chief executive officer

David Hurwitz is the group CEO, responsible for the leadership of Transaction Capital and the implementation of the strategies, structures and policies adopted by the board.

The board appoints the CEO and sets the terms of his employment contract. The board has a delegation of authority framework in place, in terms of which the CEO clearly leads the implementation and execution of approved strategy, policy and operational planning, and serves as the link between the board and management. The CEO is accountable to and reports to the board. The role of CEO is clearly defined and his performance assessed by the board.

During November each year, the chairman and company secretary facilitate a formal performance appraisal of the CEO, which comprises an evaluation by each director. In addition, the CEO's employment contract is assessed for adequacy on an annual basis. The annual review concluded that the CEO is effective and ethical in leading and managing the group.

Financial director

Ronen Goldstein is the financial director of Transaction Capital and is responsible for reporting on Transaction Capital's financial performance.

The ARC committee and the board are satisfied with the financial director's qualifications, experience and competence to fulfil this role. The finance function was assessed as adequate by the ARC committee for the financial period.

Company secretary

Theresa Palos is the company secretary of Transaction Capital. The board is satisfied with the qualifications, experience and competence of the company secretary.

All directors have access to the services and advice of the company secretary, who supports the board as a whole and the directors individually in fulfilling their duties.

The company secretary is required to fulfil duties under the Companies Act and the JSE Listings Requirements, and to ensure that appropriate procedures and processes are in place for board proceedings. The company secretary is a resource in the group on governance, and together with the group ethics officer and legal executive, is responsible for ethics and legislative changes. The company secretary is entitled to obtain independent advice to achieve these objectives.

The board has assessed the company secretary function as adequate and is satisfied that an arm's length relationship is maintained between the board and the company secretary.

SUCCESSION PLANNING

The nominations committee is responsible for formulating the formal succession plans of the board, the CEO and the CEO's direct reports. The committee reviews these succession plans annually. On approval of the succession plans, the CEO conducts alignment discussions with potential successors, where necessary, which may result in direct development interventions.

BOARD MEETINGS

Directors are required to attend all board meetings. The board follows a formal workplan that includes strategy, operational and financial performance, risk and governance. Progress against the group's strategic objectives is reported on at each meeting.

The company secretary is responsible for circulating the agenda and other meeting papers in good time. Formal board papers are prepared for each item on the meeting's agenda, including reports by the executive office. At least four board meetings are held annually, one of which includes a strategic review.

BOARD AND COMMITTEE MEETING ATTENDANCE FOR THE YEAR UNDER REVIEW

		Board	Audit, risk and compliance	Nominations	Remuneration	Social and ethics	Asset and liability
Number of meetings held for the year		**5**	**3**	**2**	**2**	**2**	**4**
Board member	Status						
Christopher Seabrooke	Independent non-executive	5	3	2	2	–	3
Phumzile Langeni	Independent non-executive	5	3	–	–	2	–
Kuben Pillay[1]	Independent non-executive	5	–	2	2	2	–
Olufunke Ighodaro[2]	Independent non-executive	4	3	–	–	–	4
Diane Radley[3]	Independent non-executive	3	1	–	–	–	1
Roberto Rossi	Non-executive	5	–	2	2*	–	–
Paul Miller[1]	Non-executive	5	–	–	2	–	–
David Hurwitz	Executive	5	3*	2*	2*	2	4
Ronen Goldstein	Executive	5	3*	2*	2*	–	4*
Mark Herskovits	Executive	5	–	–	–	–	4
Jonathan Jawno	Executive	4	3*	2*	2*	–	3
Michael Mendelowitz	Executive	5	–	2*	2*	–	–

* *Invitee.*

1. *Kuben Pillay was appointed as member of the social and ethics committee and Paul Miller was appointed as member of the remuneration committee on 1 November 2017.*
2. *Olufunke Ighodaro resigned as an independent non-executive director and as chairperson of the ARC committee on 30 November 2018. Diane Radley was appointed as chairperson of the ARC committee on this date.*
3. *Diane Radley was appointed as an independent non-executive director and a member of the ARC and asset and liability committee on 15 July 2018.*

BOARD SUB-COMMITTEES

Terms of reference for board sub-committees are reviewed annually. The governance function of the board sub-committees is outlined in the respective committee terms of reference approved by the board.

Included in each committee's terms of reference is the imperative to enhance the standard of governance within the group, together with clearly defined authority delegation and reporting procedures. The board receives formal feedback from the chairperson of each committee at each board meeting. Copies of the minutes of committee meetings are included in the board documentation.

BOARD SUB-COMMITTEES AT DATE OF REPORT

	AUDIT, RISK AND COMPLIANCE	NOMINATIONS	REMUNERATION	SOCIAL AND ETHICS	ASSET AND LIABILITY
Chairperson	Diane Radley[1]	Christopher Seabrooke[1]	Kuben Pillay[1]	Phumzile Langeni[1]	David Hurwitz[2]
Members	Phumzile Langeni[1] Christopher Seabrooke[1] Buhle Hanise[1]	Roberto Rossi[3] Kuben Pillay[1]	Christopher Seabrooke[1] Paul Miller[3]	Kuben Pillay[1] David Hurwitz[2]	Christopher Seabrooke[1] Mark Herskovits[2] Jonathan Jawno[2] Diane Radley[1] Buhle Hanise[1]
Functions managed	■ Accounting, tax and compliance ■ Information and technology ■ Internal audit ■ Risk ■ Credit	■ Directors ■ People ■ Succession	■ People ■ Remuneration ■ Retention	■ Stakeholders (in particular employees) ■ Transformation ■ Sustainability ■ Ethics	■ Funding ■ Liquidity ■ Capital
Number of meetings per year	At least three	At least two	At least two	At least two	At least four
Composition	Independent non-executive directors.	Non-executive directors, the majority of whom are independent. The chairperson is the independent non-executive chairman of the board.	All members are non-executive, the majority of whom are independent.	The chairperson is an independent non-executive director. The committee comprises a majority of non-executive directors.	Includes independent non-executive directors as necessary.

1. Independent non-executive director.
2. Executive director.
3. Non-executive director.

SUBSIDIARY BOARDS

Each of Transaction Capital's divisions has its own board of directors, with each division's governance processes aligned to Transaction Capital's governance framework, thereby appropriately allocating levels of authority to individuals and committees throughout the group structure.

The composition of each division's board includes non-executive directors, some of whom may be executive or non-executive directors of Transaction Capital. Directors of these boards are of sufficient calibre, experience, diversity and number for their views to carry significant weight in board decisions.

The activities of each division's board include reviewing and providing input on the corporate strategy, business plans, risk propensity, budgets and sustainability. The strategies, business plans and performance criteria for each division are clearly defined, with appropriate key performance indicators in place to measure and monitor performance against their strategies.

Combined assurance framework

AUDIT, RISK AND COMPLIANCE

The ARC committee oversees the external audit function and the internal audit function, and is responsible for overseeing the combined assurance model and objectives, which include:

- Enabling an effective internal control environment.
- Supporting the integrity of information used for internal decision-making by management, the board and its committees.
- Supporting the integrity of external reports.

Internal audit, risk management and compliance collaborate on combined assurance to support the board, and to effectively cover the group's significant risks and material matters.

EXTERNAL AUDIT

The ARC committee is satisfied that the external auditor remains independent of the organisation and the group has a policy in place to address the provision of non-audit services by the external auditors.

The ARC committee considers the financial reporting procedures that are in place and whether these procedures are operating effectively.

INTERNAL AUDIT

The purpose, authority and responsibility of the internal audit function are defined in the internal audit charter, which is aligned to the requirements of the International Standards for the Professional Practice of Internal Auditing.

The group internal audit executive reports administratively to the CEO and functionally to the chairperson of the ARC committee. Internal audit has remained independent of all operational functions.

The role of internal audit is to support the achievement of strategic objectives (and the supporting operational, financial and compliance objectives) through a systematic, disciplined approach to evaluating and recommending improvements that serve to increase the effectiveness of internal controls, risk management and governance processes. The annual internal audit plan is based on an assessment of risk areas identified by internal audit and management, and is updated as appropriate to ensure it is responsive to changes in the group and its businesses. An independent quality review on internal audit was conducted during 2016, and the internal audit function was found to generally conform to the International Standards for the Professional Practice of Internal Auditing, which is the highest rating awarded during such a review.

In accordance with Transaction Capital's combined assurance model, internal audit continues to liaise with external audit and other identified assurance providers to effectively assure against key risks.

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Further detail is available in the Risk report.

RISKS AND OPPORTUNITIES

Transaction Capital has a board-approved risk framework, which sets the policy, risk appetite and tolerance levels of the group, identifies the top risks, and ensures ongoing risk oversight and monitoring for the group.

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See strategic objective 3 that sets out Transaction Capital's strategy around data, technology and analytics.

INFORMATION AND TECHNOLOGY

The board has delegated the governance of information and technology (IT) to the ARC committee, which also ensures that an IT governance reporting framework is in place. Chief information officers are appointed at each division, with the appointments ratified by the group CEO. IT expenditure is reported on and governed under the group's authority framework. In the current financial year, the group implemented an updated IT policy that addresses the governance of IT in line with the recommended practices of King IV.

Each subsidiary sets its own strategy with regards to IT, and reports thereon to its board and the ARC committee. Disaster recovery and business continuity plans are in place for the group and are tested regularly. Compliance, information security, cybersecurity, risk and the control environment are all dealt with within each IT team.

In summary, IT governance ensures that IT goals are met and IT risks are mitigated so that IT delivers value to sustain and grow the divisions. IT forms an integral part of the business.

Compliance framework

COMPLIANCE STRUCTURES

The ARC committee and social and ethics committee are responsible for compliance oversight. Board processes are in place to keep up to date with changes in the legislative landscape. The group-wide risk framework specifically manages compliance risk, with dedicated internal compliance functions in place within the divisions.

Regulatory compliance is non-negotiable. This approach is explicitly articulated in Transaction Capital's values and ethics charter.

The board proactively oversees the review of the group's systems of control and governance. It also continuously recommends enhancements to ensure that each division is managed ethically, in compliance with legislative requirements and in line with best practice governance guidelines.

Suitably qualified compliance officers are employed in the divisions. The roles of the compliance officers are to:

- Identify the applicable legislative, regulatory and governance requirements.
- Prepare relevant monitoring programmes relating to these requirements.
- Recommend improvements to the functional heads within the businesses, and assist with implementation.

Quarterly compliance reports are submitted by the divisions to the ARC committee and board for consideration.

The divisions actively engage with legal counsel where necessary for advice on the application and implementation of any proposed new legislation, as well as potential effects on their respective businesses.

As per the requirements of the JSE Debt Listings Requirements, adherence to the governance framework and King IV principles in relation to TransCapital Investment Limited have been overseen by Transaction Capital's board and ARC committee.

REGULATORY ENVIRONMENT

Due to the nature of its businesses, the group is subject to a range of regulations and legislation including, without limitation:

- National Credit Act.
- Debt Collectors Act.
- Financial Sector Regulation Act.
- Insurance-related legislation including the Financial Advisory and Intermediary Services Act, the Insurance Act, the Short-term Insurance Act and Long-term Insurance Act.
- Financial Intelligence Centre Act.
- Consumer Protection Act.
- Competition Act.
- Legislation relating to the corporate affairs of the group, including the Companies Act, the Financial Markets Act, the JSE Listings Requirements and the JSE Debt Listings Requirements.
- Tax-related legislation, including the Income Tax Act and the Value-Added Tax Act.
- Labour-related legislation, including the Labour Relations Act, the Basic Conditions of Employment Act and the Employment Equity Act.
- Second-hand Goods Act.

Compliance with the letter and spirit of all laws, regulations and codes is required. The board, supported by the ARC committee, is responsible for keeping abreast of changes to the legislative landscape.

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Details of the remuneration policy and its implementation are set out in the Remuneration report.

REMUNERATION GOVERNANCE

The remuneration committee is responsible for establishing and overseeing the group's remuneration policy, which promotes the achievement of strategic objectives and encourages individual performance at all levels within the group.

Remuneration consists of base pay and short- and long-term incentives that are deemed to adequately remunerate executives while aligning executives with the requirements of shareholders. The remuneration policy and its implementation are put forward for separate non-binding advisory votes at the AGM. Shareholder approval is required for non-executive directors' fees.

RISK REPORT

APPROACH TO RISK MANAGEMENT

TRANSACTION CAPITAL DEFINES RISK AS UNCERTAIN FUTURE EVENTS THAT COULD INFLUENCE ITS ABILITY TO ACHIEVE ITS OBJECTIVES.

Risk is a condition in which the possibility of loss is inextricably linked to uncertainty, and is quantified by the combination of the probability of an event occurring and the consequence thereof. Thus, a detailed framework for managing risk is required to facilitate rational decision-making.

Risk management entails the deliberate planning, arranging and controlling of activities and resources to minimise the negative impact of all risks to tolerable levels, and to maximise the potential opportunities and positive impacts of all risks in the pursuit of achieving the group's strategic objectives.

Risk tolerances on key performance and strategic metrics are determined by the group's divisions and approved and monitored by the ARC committee.

RISK FRAMEWORK AND THE GOVERNANCE OF RISK

The board is ultimately responsible for the governance of risk. The board delegates the responsibility for managing risk to respective board committees, divisional boards and management, and monitors risk identification and management quarterly.

In terms of the enterprise-wide risk management framework, the board itself retains responsibility for monitoring reputational and sustainability risk. The monitoring of risks is assigned to sub-committees with continuous board oversight, in line with the overall governance structure.

The risk framework specifically identifies the risk categories that comprise the group's risk universe. These risk categories, and the respective committees to which oversight responsibility is mandated, are illustrated on the next page.

RISK UNIVERSE

REMUNERATION COMMITTEE
People, remuneration and retention

ASSET AND LIABILITY COMMITTEE
Funding, liquidity and capital

AUDIT, RISK AND COMPLIANCE COMMITTEE
Accounting, tax, compliance, information and technology, internal audit, risk and credit

BOARD
Reputation, sustainability, strategic, new business and acquisition

NOMINATIONS COMMITTEE
Directors, people and succession

SOCIAL AND ETHICS COMMITTEE
Stakeholders (in particular employees), transformation, sustainability and ethics

Risk management committees are in place for each division, significant business functions (such as the capital markets team) and for the group as a whole. These committees are responsible for maintaining detailed risk registers, including mitigating factors and management's responses thereto. The individual risk registers are reported and discussed at divisional board meetings, with material risks and mitigations reviewed by the ARC committee and board, where appropriate.

In addition, monthly credit committee meetings take place at SA Taxi and Transaction Capital Business Solutions, quarterly insurance advisory committee meetings take place at SA Taxi, and investment committee meetings take place at Transaction Capital Risk Services (TCRS) as required with regards to the acquisition of purchased book debts. These committees also include non-executive directors as members where relevant.

The profile of each risk details the nature of the threats faced by the group, their impact on the business (taking into account financial and non-financial impacts) and the likelihood of occurrence. The profile also incorporates information pertaining to the level of controls in place and the corrective actions either required or in place.

The group considers financial risk against targets according to a return on equity (ROE) model, which is considered appropriate as the group's sustainability is founded on profit measures coupled with appropriate capital structures. In this regard, the group's capital structure is managed centrally by the executive, capital markets, risk and cash management teams, and is monitored by the asset and liability committee (ALCO).

Ongoing engagement with stakeholders ensures that external views are represented in the risk identification process. For this purpose, stakeholders are prioritised according to their influence, the time and effort the group invests in managing these relationships, and the group's dependency on them. Transaction Capital's sustainability policy sets out the responsibility for overseeing the relationship with each stakeholder group.

Engagement with stakeholders is considered and discussed at divisional and group board level. Group-wide stakeholder engagement is reported on at each social and ethics committee meeting, the minutes of which are included in the board packs ahead of quarterly board meetings. A stakeholder engagement report is submitted to divisional and group boards bi-annually.

SIMPLIFIED RISK FRAMEWORK

ESTABLISH OBJECTIVE
- Link to strategy
- Set financial and non-financial targets and timelines

IDENTIFY RISK
- Stakeholder engagement
- Risk workshops
- Understand key revenue/loss points
- Relevant data

QUANTIFY RISK
- Event description
- Likelihood assessment (per approved risk quantification framework)
- Impact assessment (per approved risk quantification framework)

MITIGATE RISK
- Existing controls
- Required improvements, including responsibilities and timelines
- Monitoring
- Opportunity maximisation

DETERMINE ADDITIONAL CAPITAL HELD FOR RISK PURPOSES
- Risk exposure quantified
- Simple 'rule of thumb' calculations
- Mathematical simulations using actual loss data
- Market guidance on capital levels including existing investors and/or credit rating agents

TOP RISKS

TOP RISKS ARE IDENTIFIED THROUGH AN ENTERPRISE RISK MANAGEMENT (ERM) PROCESS. THE GROUP'S TOP RISKS, MITIGATING ACTIONS AND RELATED STAKEHOLDER CONCERNS ARE AS FOLLOWS:

RISK 01

Funding and capital risk, relating to:

> A challenging debt and capital raising environment due to market events (such as the potential for further sovereign ratings downgrades and generally challenging market conditions).

> Inappropriate deployment of capital.

Stakeholder concerns
- Maintaining appropriate access to funding in an environment where funding may be difficult to obtain.
- Increased costs of funding impacting net interest margin earned.
- Inappropriate allocation of capital resulting from sub-optimal capital management.

MITIGATION
A dedicated capital markets team manages the group's funding requirements, including a diversified fundraising strategy and a focussed strategy for each funding source. The group's funding strategy seeks to diversify funding sources on the basis of:

- Geography (local and international funders).
- Funder type (including banks, asset managers, institutional investors, development finance institutions, impact investors and hedge funds).
- Individual investors.
- Structure type (including securitisation, note programmes, syndicated loan programmes and bespoke funding structures).
- Instrument (such as rated or unrated, listed or unlisted, bilateral and syndicated loans, and bespoke debentures).

Quarterly ALCO meetings provide rigorous monitoring and oversight of concentration, roll-over, interest rate, counterparty, liquidity and regulatory risks. ALCO has approved and established policies and tolerances to manage these risks while providing the flexibility needed to maintain agility in responding to changing economic and business conditions.

The above-mentioned measures have led to SA Taxi fulfilling its annual debt requirements for the 2019 financial year, and TCRS raising adequate funding facilities to fund its book buying aspirations.

In terms of the South African National Taxi Council (SANTACO) equity transaction, SA Taxi will raise net proceeds of approximately R1.2 billion from the issue of shares to SANTACO. Of this, SA Taxi will use approximately R1 billion to settle external and shareholder debt, with the remainder retained by SA Taxi to fund growth. As a result, SA Taxi's balance sheet will be strengthened, rebasing its gearing to lower levels. In addition, SA Taxi's interest expense will reduce dramatically due to the reduction of interest-bearing debt by approximately R1 billion. As a result, SA Taxi's net interest margin is expected to increase commensurately.

From a group perspective, the group executive office's balance sheet will be free of debt post the transaction, with approximately R1 billion of excess cash.

In 2019 and beyond, SA Taxi and TCRS will continue to focus on reducing their cost of borrowing further through the various fundraising strategies mentioned above.

Rigorous investment criteria are adhered to (see risk 2 and 3 that follow), with active treasury management of excess funds.

76 *See the Q&A with Mark Herskovits, executive director: capital management, for further detail.*

RISK 02

Acquisition risk, including the ability to identify, implement and integrate potential acquisitions, and the potential for disproportionate demands on executives' time.

Stakeholder concerns

- Inappropriate identification of targets and the ineffective subsequent integration thereof adversely affecting the returns and value proposition of the group.

MITIGATION

Acquisitions are assessed against Transaction Capital's acquisition strategy and stringent investment criteria.

Collectively, the board applies its mind to the funding of acquisitions to ensure an appropriate combination of debt and equity funding to maintain appropriate risk-adjusted returns.

In addition, appropriate board approval is required to conclude transactions. Rigorous implementation processes ensure that Transaction Capital's governance and reporting requirements are adequately met, the progress of which is monitored by the divisional and group boards.

Transaction Capital executives are actively involved in the management and ongoing affairs of acquisitions after a transaction is completed.

20 *See strategic objective 4 for Transaction Capital's acquisition strategy and investment criteria.*

10 *See Transaction Capital's investment case.*

RISK 03

Risk of reduced ROE following recent acquisitions.

Stakeholder concerns

- Transaction Capital's inability to generate returns on invested capital to meet shareholder requirements.

MITIGATION

In line with the strict acquisition criteria discussed under risk 2, the group's recent acquisitions by TCRS have been ROE accretive.

In particular, TCRS' recent acquisitions have reduced the group's concentration risk by further diversifying business activity across collection, transactional and value-added services, as well as across geography and product.

Group executives oversee the successful integration and implementation of acquisition strategies. Skilled employees are recruited or relocated to augment the existing staff complement. With the operational integration of the recent acquisitions substantially complete, the businesses are expected to yield an enhanced return on future revenues.

While SA Taxi's ROE is expected to reduce due to the SANTACO equity transaction, its balance sheet has been strengthened and the division is poised for growth.

Transaction Capital maintains active and appropriate representation on the boards of the acquired companies, and regular reporting to the Transaction Capital board is implemented.

RISK 04

Uncertain regulatory environment, including the volume of new or amended regulations being promulgated, and the potential for unintended consequences of pro-consumer regulations.

Stakeholder concerns

- Transaction Capital's ability to effectively and efficiently respond to regulatory uncertainty and change.
- The impact of regulatory uncertainty and change on the profitability of the business.

MITIGATION

Ongoing engagement with regulators and appropriate representation on industry bodies is maintained to gain an early understanding of proposed legislation and position Transaction Capital appropriately for change.

Compliance functions are embedded within the divisions that have high levels of regulatory compliance requirements, to act as a resource for regulatory compliance information and provide guidance to avoid regulatory breaches.

The group legal function partners with the divisions to provide guidance on the interpretation of legal and regulatory requirements, and facilitates the process of obtaining independent views from attorneys and senior counsel, where doubt exists in the interpretation of regulatory requirements.

Mitigation efforts have resulted in Transaction Capital being largely unaffected by regulatory developments.

RISK 05

The ability to acquire a sufficient number of non-performing loan (NPL) portfolios at an acceptable price, and to then generate sufficient yield from these acquired portfolios (applicable to Transaction Capital Recoveries (TCR)).

Stakeholder concerns

- Inappropriate return on funds invested to acquire purchased books.

MITIGATION

Operational initiatives include:

- Substantial investment in and development of technology infrastructure to further improve collections.
- Continuous enhancement of analytics capabilities to leverage superior data and determine the appropriate pricing of NPL portfolios. Generally, the price offered for purchased NPL portfolios has reduced in line with the difficult economic environment, ensuring that the returns achieved on collections remain robust.
- Centralised call centre infrastructure to ensure consistent and efficient collections performance.
- Obtaining appropriate group and divisional executive approval for potential purchases.
- Initiating and concluding exclusive negotiations with several of its larger clients, ensuring high-quality purchases and enabling bespoke purchase agreements while providing structured solutions for clients.
- Engaging with clients to acquire portfolios earlier in the credit cycle to further enhance the quality of collections.

66 *See the Financial director's report for performance in acquiring NPL portfolios.*

RISK 06

The impact of difficult economic conditions and stringent regulatory requirements on revenue; in particular, the lower levels of consumer credit extension (applicable to TCRS).

Stakeholder concerns

- Lower growth in revenue.

MITIGATION

- TCRS' strategy is to deepen its penetration in its traditional market segments (across retailers, banks and specialist lenders) and grow revenue from adjacent sectors (across insurance, telecommunications and public sectors).
- Revenue streams continue to be developed by innovative, bespoke product offerings and solutions.
- TCRS continues to focus on its performance, being ranked either as the best or second-best recoveries agent.
- Recent acquisitions by TCRS have further enhanced the diversification of its product offering and geographic footprint.

RISK 07

Public sector finances are generally in a poor state, making it a class of counterparty that needs to be managed closely to ensure payments are received timeously (applicable to TCR).

Stakeholder concerns

- Non-adherence to payment terms and working capital strain.

MITIGATION

Management engages regularly with relevant parties in the public sector to ensure compliance with agreement terms.

RISK 08

The ability to diversify revenue streams beyond minibus taxis into other market segments, to ensure growth over the longer term (applicable to SA Taxi).

Stakeholder concerns

- Constraints to long-term sustainable growth.

MITIGATION

SA Taxi is strategically positioned to deepen its vertical integration in its current market segment while leveraging its existing competencies. This includes expanding its direct sales retail channel, enhancing its telematics services and expanding its insurance offering.

38 to 51 *See SA Taxi's divisional review, which includes the Q&A with Terry Kier, for more information on how the division is expanding beyond the financing of minibus taxis.*

RISK 09

Market forces beyond the group's control (interest rates, exchange rates, fuel prices, limited fare increases, increases in vehicle prices) impacting the affordability of monthly instalments (applicable to SA Taxi).

Stakeholder concerns

- Protest action from within the South African taxi industry.
- Credit quality of the book and of new business may be negatively impacted.
- Muted collections performance and/or origination activity due to affordability.

MITIGATION

- Credit policies are adjusted appropriately and adhered to stringently, with credit vintages being consistently monitored.
- The ability to grant credit to creditworthy customers not being serviced by traditional credit providers to secure an under-served market segment.
- The efficiency of SA Taxi's ability to repossess, refurbish and resell vehicles assists in maintaining low levels of ultimate credit loss.
- Intensive and continuous engagement and collaboration with key industry stakeholders and associations to ensure the sustainability of the taxi operator and industry as a whole, including concluding the SANTACO equity transaction.
- Focus on ensuring maximum reach on collection activity.
- The effectiveness of SA Taxi's ability to manage this risk is reflected in its credit performance.
- The development of the pre-owned market as a source for cheaper quality vehicles, which aids affordability.

98 *Further detail on SA Taxi's credit performance.*

RISK 10

Original equipment manufacturers (OEMs) as suppliers of vehicles and parts (applicable to SA Taxi).

Stakeholder concerns

- Reliance on OEMs for the supply of vehicles and parts.
- Limited monthly supply of vehicles not being sufficient to meet market demand.

MITIGATION

- Ongoing engagement with OEMs to secure a consistent supply of vehicles, product offering and parts into the market.
- Promoting pre-owned vehicles as a viable alternative for customers.
- The opening of Taxi Auto Parts (TAP) to ensure a consistent and cheaper source of parts.

KEY RISKS

Key risks are those risks that require specific and ongoing operational, governance and strategic management. They differ from top risks (set out on pages 93 to 97) as key risks are anticipated to be ongoing due to the strategy and business model of the group; top risks are identified through the ERM process.

Transaction Capital's key risks are as follows:

CREDIT RISK

Credit risk, or default risk, relates to the lender's risk of loss arising from a borrower who does not pay their full contractual instalment. In the case of Transaction Capital, and as a result of its target market, the risk of non-payment is higher than for traditional lenders. This heightened credit risk is controlled through substantial operational capacity, coupled with a higher risk-adjusted yield.

IFRS 9 was early adopted in the 2015 financial year, resulting in a higher quality of earnings due to a more conservative provisioning methodology against loans and advances, and the amortisation profile of purchased book debts being better aligned with the collection profile. This early adoption reduced balance sheet risk for Transaction Capital and removed uncertainty relating to the implementation of IFRS 9 on future financial results and ratios.

The loss allowance for a financial instrument is measured against expected credit losses over its lifetime if the credit risk on that financial asset has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. Purchased NPL portfolios are considered credit-impaired assets that are specifically impaired (stage 3) and are measured using lifetime expected credit losses from the onset. These assets remain in stage 3 for the duration of the financial instrument.

Loan portfolios are divided into performing loans and NPLs. As the group's assets are developmental in nature, in terms of the traditionally under-served market segments it lends to, a higher than average level of arrears is expected, which may not necessarily result in credit loss. The group's impairment provision models take into account both contractual default and recent payment history. Provisions are held against financial assets to cover expected losses in terms of IFRS 9.

At group level, credit risk is monitored by the ARC committee, while SA Taxi and Transaction Capital Business Solutions (TCBS) have their own credit committees responsible for credit risk (of which membership includes group executives), which meet at least quarterly.

Aspects of credit risk that are monitored include changes to origination strategies and channels (including consideration of credit granting criteria), new business approvals, collections strategy and performance.

Credit risk is managed operationally at the time of origination and in terms of collections thereafter. While SA Taxi services the minibus taxi industry exclusively, it has limited exposure to a single counterparty, with the largest exposure to a single borrower being negligible as a percentage of assets exposed to credit risk. Repeat customers represent approximately 31% of origination value, which assists in appropriate credit profiling of repeat customers. In addition, loans originated through SA Taxi's dealership perform better from a credit performance perspective.

SA TAXI

The cost of the risk relating to SA Taxi at 30 September is detailed below.

	2018	2017
Interest income – % average gross loans and advances	**22.3**	22.7
Interest expense – % average gross loans and advances	**(11.3)**	(11.3)
Net interest income – % average gross loans and advances (net interest margin)	**11.0**	11.4
Impairment expense – % average gross loans and advances (cost of credit)	**(3.3)**	(3.2)
Risk-adjusted net interest income – % average gross loans and advances	**7.7**	8.2

In line with its credit strategies implemented during the year, SA Taxi progressed substantially in its efforts to provide finance to lower-risk grade customers, which resulted in 'interest income – % average gross loans and advances' reducing over the period. This is in line with the weighted average interest rate at origination reducing to 23.6% (2017: 24.4%). However, 'interest expense – % average gross loans and advances' remained largely consistent with the prior period, with SA Taxi's foreign-based funding contributing to interest costs remaining at similar levels to 2017, despite SA Taxi's balance sheet de-gearing slightly.

The credit loss ratio increased marginally to 3.3%. As a result the factors detailed above, the risk-adjusted net interest income margin remained robust at 7.7%.

SA Taxi's provisions and NPLs are set out below.

		2018	2017
Non-performing loan ratio	%	**17.7**	17.1
Provision coverage	%	**4.0**	5.2
Credit loss ratio	%	**3.3**	3.2

As detailed on the previous page, the credit loss ratio increased marginally to 3.3% and remains at the bottom end of the division's risk tolerance of 3% to 4%. This increase was partly due to SA Taxi electing to dispose of a portion of repossessed vehicles via auction or salvage as opposed to refurbishment and refinance.

Enhancing the value of vehicles through refurbishment enables SA Taxi to recover more than 73% of the loan value on the sale of repossessed vehicles. The division operates the largest minibus taxi repair facility in Africa, and with the launch of TAP in March 2018, the average cost to repair repossessed vehicles was reduced further in the year.

However, difficult economic conditions combined with high minibus vehicle prices and escalating fuel costs resulted in an increase in SA Taxi's NPL ratio to 17.7%. The marginally higher NPL ratio was offset by the reduced average cost to refurbish repossessed vehicles and higher recoveries on the resale of these vehicles, which resulted in the division reducing provision coverage to 4.0%. At this level, SA Taxi's after-tax credit loss remains covered at 1.7 times.

The business continues to rely on Toyota minibus taxis for new vehicle originations, with potential shortages of these vehicles presenting a risk. The dominance of Toyota supports a stable market value for the sale of repossessed refurbished vehicles, which underpins SA Taxi's credit model.

SA Taxi is continually diversifying its product lines to counter the reliance on Toyota minibus taxis, including working with Nissan and Mercedes (with the Mercedes Sprinter mainly used for long-distance routes) to ensure the division's minibus taxi vehicle market is sustainable. SA Taxi is also increasing the supply of repossessed refinanced (i.e. pre-owned) Toyota minibus vehicles to meet supply shortfalls.

95 See risk 5 for details on initiatives to mitigate risk in the acquisition of NPL portfolios.

TCRS

In TCR, purchased NPL portfolios have inherent credit risk that is reflected in the heavily discounted purchase price to face value. TCR has its own investment committee responsible for credit risk, which meets as required when portfolios are being considered for acquisition. The approval of an investment in a new NPL portfolio involves the divisional executives and group executive directors, depending on whether its value falls above a certain threshold.

The current economic climate and TCRS' data, scale and capital position favour the acquisition of NPL portfolios in South Africa from risk averse clients who prefer an immediate recovery against their NPLs.

TCRS acquired 37 portfolios with a face value of R13.6 billion for R662 million during the year. TCRS now owns 239 principal portfolios (including 11 Australian portfolios) with a face value of R22.4 billion, valued at R1.4 billion at 30 September 2018. TCRS' strong balance sheet, which has been augmented with available debt facilities, positions it to acquire a strong pipeline of NPL portfolios coming to market. As a result, TCRS' cost of funding increased slightly to 9.8% in the period.

		2018	2017
Asset turnover ratio	%	**51.5**	52.1
Estimated remaining collections (120 months)	Rm	**2 989**	1 867

TCBS remains disciplined, being cognisant of higher risk in the small- and medium-sized enterprises (SME) lending environment. TCBS has intentionally curbed book growth to maintain risk tolerance and ensure high-quality earnings from its SME lending activities.

LIQUIDITY RISK

Liquidity risk arises when a borrowing entity within the group does not possess adequate cash resources to meet its payment obligations as they fall due, or where it can only access liquidity on materially disadvantageous terms.

Liquidity risk in the group is primarily controlled through cash-flow matching. This is achieved through setting the duration and repayment terms of debt facilities at the time of issue to suit the projected cash inflows from assets, and through careful monitoring and management of the maturity of debt that has a lump-sum payment due at maturity, where these exist.

The group's positive liquidity mismatch is favourable to debt investors, where asset receipts occur in advance of debt payments, resulting in reduced liquidity risk.

76 See the Q&A with Mark Herskovits, executive director: capital management, for more detail on diversification by funding category and funding structure.

The group's funding strategy is directed by the funding requirements established in the divisional budgets and forecasts, and approved by the divisional and group boards. The capital markets team is mandated to raise sufficient capital, taking into account business needs, the specific demands and the state of the debt markets, and the requirements of debt investor mandates. This results in a well-diversified funding base.

CAPITAL RISK

Capital risk is the risk that the group will have insufficient capital to absorb its losses and fund its growth.

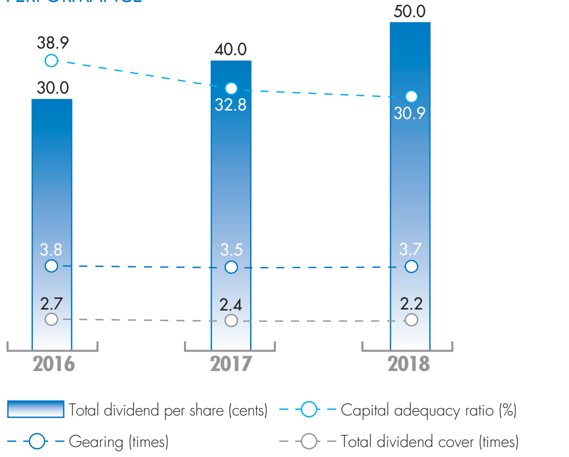
The divisions of the group are not subject to regulatory capital adequacy requirements. Capital is managed using internally generated capital adequacy models, taking into account targeted growth rates, ROE, contractual financial covenants, stress testing and targeted credit ratings.

Equity capital is raised at group level where necessary and then allocated to the divisions based on the capital requirements for each funding structure. Goodwill is not included in assets and is deducted from capital in line with market practices when calculating the capital adequacy ratio.

Following the equity transaction with SANTACO, the group will have excess cash of approximately R1 billion, which will provide the flexibility for immediate cash settlement of any future acquisitions. In addition, Transaction Capital's net asset value per share is estimated to increase by approximately 105 cents per share immediately after the implementation of the transaction.

The dividend policy has been maintained at a cover ratio of 2 to 2.5 times (previously 2.5 to 3 times), with the 2018 dividend cover approximating 2.2 times. This supports the strong quality of earnings as evidenced by high cash conversion rates and low balance sheet risk, the stable capital requirements of the group, and the ungeared net position of the holding company. These factors allow for a higher sustainable dividend policy going forward.

PERFORMANCE



INTEREST RATE RISK

Interest rate risk is the risk that arises from fluctuating interest rates.

The group's general interest rate risk management strategy is to match the repricing characteristics of assets to liabilities; thus, if a division originates floating-rate assets, it should issue floating-rate debt or hedge accordingly.

However, each division can deviate from this policy, subject to ALCO approval. In this instance, ALCO reviews the decisions of management and can exercise its discretion to change these decisions if it considers the risk to be out of line with the group's risk tolerance and interest rate forecast. Strategies, including hedging, are used to limit losses arising from interest rate basis risk or to take advantage of structurally low rates. Hedge accounting is applied to remove unnecessary volatility from the income statement.

Furthermore, the group typically manages interest rate risk through risk-adjusted excess spread, where asset yields are sufficient to absorb movements in interest rates, as well as interest rate risk strategies.

The group prepares an interest rate forecast quarterly for budgets, forecasts and interest rate decision-making purposes. ALCO monitors the sensitivity of the group's net interest income in response to a parallel yield curve shift. Hedges are considered where undue volatility in earnings can materialise. In addition, loans denominated in foreign currency are all fully hedged as Transaction Capital does not take exchange rate risk.

INSURANCE RISK

Insurance operations form an integral part of the group's and SA Taxi's income and profits. Insurance risks may include claims exceeding premiums and/or the insurance cover over loan security being inadequate or from an inappropriate party.

A quarterly insurance advisory committee has been established, which includes non-executive and executive directors of the group and SA Taxi, as well as independent insurance specialists. SA Taxi utilises a Guardrisk cell captive for insurance operations. In conjunction with Guardrisk, the insurance advisory committee reviews the performance of the insurance operations, its capital requirements and provisioning adequacy, the results of which are reported to the ALCO and ARC committees.

SA Taxi's insurance business is the main driver of non-interest revenue, growing faster than the vehicle financing business. SA Taxi continues to broaden its client base and product offering. More than 85% of SA Taxi's financed clients are insured by SA Taxi, with the remainder insured by other reputable insurers. In addition, SA Taxi continues to grow its base of open market insurance clients (that is, insurance clients not financed by the division). SA Taxi initiated its broker network strategy during 2018, with more than 100 brokers participating.

The insurance claims ratio is rigorously managed. Significant investments have been made into TAP and its salvage operations, and capacity in SA Taxi's combined autobody and mechanical refurbishment facility has been increased accordingly. These initiatives continue to improve insurance claims ratios.

INFORMATION AND TECHNOLOGY RISK

The group manages and maintains a significant volume of confidential personal information in its daily operations. Through the consideration of relevant International Organization for Standardization standards and best practice, the group has executed appropriate measures to protect this information against loss, damage, destruction and unlawful access. In addition to physical security, key interventions implemented include state-of-the-art firewalls enabled for deep packet inspection, encryption technology, rigorous scanning processes to detect viruses and malware, and ongoing external vulnerability testing. The group has adopted a paperless policy, and employee training programmes geared towards IT security and awareness are conducted regularly.

The group invests heavily in IT to ensure that its businesses are efficient and to reduce the risk of disruption.

48 and 60

See the Q&As with Terry Kier and David McAlpin for further details in this regard.

OPERATIONAL RISK, INCLUDING PEOPLE RISK

To manage operational risk, the group adopts specific operational risk practices that assist management to understand the risks and reduce the risk profile, in line with the group's risk appetite. The objective in managing operational risk is to increase the efficiency and effectiveness of the group's resources, minimise operational losses and exploit opportunities.

People risk relates to the risk of inadequate management of human capital practices, policies and processes, resulting in the inability to attract, manage, develop and retain competent resources. People risk management includes recruitment procedures for screening employees, training and change management programmes, and human resource and succession planning policies.

The group's human capital statistics and policies are reviewed by the social and ethics committee. This includes employment equity, fair remuneration, equal work for equal pay, public health and safety, and the protection of human rights.

Succession planning is performed by each division, with the nominations committee (and ultimately the board) reviewing succession plans at least annually.

90

See the Governance report for applicable legislation.

102

See the Remuneration report for more information on the group's remuneration policy and implementation.

TRANSFORMATION RISK

As a responsible corporate citizen, the group supports transformation objectives in South Africa that seek to address historical imbalances. The group views the principles of economic and social transformation in South Africa as an integral component of our business. The group has adopted a transformation and B-BBEE policy (as a sub-policy of its sustainability policy) to specifically address the group's commitment to transformation and the spirit of B-BBEE.

Many of the group's businesses are required to maintain minimum B-BBEE scores to retain clients. In this regard, TCR, Principa and Road Cover have appropriate ownership transactions with the iThemba Trust to augment their B-BBEE scorecards.

While it is not a specific B-BBEE transaction, the SANTACO equity transaction is transformative to SA Taxi, the taxi industry and its constituents. The transaction is expected to be beneficial to SA Taxi's B-BBEE scorecard in the future.

Transformation risk is monitored by the social and ethics committee, as well as the divisional and group boards.

COMPLIANCE RISK

Compliance risk is the risk of legal or regulatory sanctions, financial loss or damage to reputation the group may suffer as a result of failure to comply with laws, regulation and similar standards and/or internal group policies, authority levels, prescribed practices and ethical standards applicable to its subsidiaries.

Compliance risk is monitored by the ARC committee. Each division with high levels of regulatory compliance requirements has a suitably experienced compliance officer, who remains abreast of all existing and emerging regulations and similar standards applicable to that specific division.

The group retains central legal advisory resources while compliance governance levels at each business remain appropriate. Ongoing engagement with regulators and appropriate representation on industry bodies is maintained to gain early understanding of proposed legislation and to appropriately position the group for change.

REMUNERATION REPORT

FOR TRANSACTION CAPITAL, COMPENSATION IS A CRITICAL DETERMINANT OF ORGANISATIONAL PERFORMANCE AND SUSTAINABILITY.

This view is based on the belief that all factors which underpin enhanced performance require the highest calibre of leadership and specialist technical expertise, and that stakeholders' interests are best served by aligning strategy, business model, structure, staffing and compensation.

Without attracting, motivating and retaining the best available talent, even the best strategies, business models and structures will fail.

These principles are reflected in Transaction Capital's fifth strategic objective (page 21), which emphasises the group's commitment to investing in human and intellectual capital. This investment is informed firstly by the view that there is a normal distribution of talent in every field of endeavour, and secondly that the performance and sustainability of Transaction Capital will correlate highly with where its employees rank within that distribution. Put simply, the better Transaction Capital's people, the better the company. This is all the more relevant in the current environment, where the entrepreneurial flair of the group is augmented by the depth and quality of management.

Attracting and retaining high-calibre talent depends on providing both intrinsic and extrinsic rewards. While this remuneration report deals with the latter, intrinsic rewards are reflected in Transaction Capital's employee value proposition, which strives to provide talented individuals with good leadership, personal development and support, and meaningful work in an intellectually stimulating and demanding environment. To complement this, compensation policies are directed at sustaining a performance-driven culture where the most talented people at all levels consider Transaction Capital and its divisions an employer of choice.

GOVERNANCE OF COMPENSATION

Principle 14 of the King IV report states:

"The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term."

To provide stakeholders with insight into Transaction Capital's remuneration policies and structures, the group continues to refine the remuneration report in line with King IV and the JSE Listings Requirements. The board of directors approved the remuneration report and believe that the performance criteria used to measure and determine short- and long-term incentive awards are appropriately aligned with Transaction Capital's goals, strategies and outcomes, and with the requirements of all stakeholders.

REMUNERATION COMMITTEE COMPOSITION AND MANDATE

The board of directors has ultimate responsibility for the appropriateness of remuneration policies and executive remuneration. The board delegated oversight of this responsibility to the group's remuneration committee, which comprises the following non-executive directors, the majority of whom are independent:

- **KUBEN PILLAY** – chairperson of the committee; independent non-executive director.
- **CHRISTOPHER SEABROOKE** – chairman of the board; independent non-executive director.
- **PAUL MILLER** – non-executive director, who replaced Jonathan Jawno on the committee on 1 November 2017.

The remuneration committee's mandate is to ensure that the group's remuneration policies:

- Are fair, responsible and transparent.
- Attract, motivate, reward and retain human capital.
- Promote the achievement of strategic objectives within the organisation's risk appetite.
- Promote positive outcomes.
- Promote an ethical culture and responsible corporate citizenship.

Within this mandate, the remuneration committee believes that a well-designed remuneration policy strikes a balance between the interests of shareholders and executives, and the principles of good governance. The remuneration committee assesses the mix of fixed remuneration, variable remuneration and long-term incentives to meet the group's needs and strategic objectives, in addition to reviewing the robustness of incentive schemes in ensuring continued contribution to shareholder value.

It is the responsibility of the remuneration committee to oversee that the implementation and execution of the remuneration policy achieves its objectives.

PRINCIPLES OF REMUNERATION

The following overarching principles are applied to remuneration:

- Remuneration policies are approved by the remuneration committee and the board.
- Transaction Capital attempts to eliminate differential compensation related to gender, race and location, and applies the principle of equal work for equal pay.
- Compensation is defined on a cost-to-company basis, with all benefits included and fully taxed.
- Formal and informal research and benchmarking are performed to determine market norms for similar positions.
- Remuneration is aligned to individual financial and non-financial outputs measured through performance management systems that focus on goals achieved and exceeded.
- Performance incentives are used to drive specific behaviours that support group, divisional or departmental performance and their ability to contribute as a responsible corporate citizen. Incentives and bonuses at executive level are aligned to profit growth and relevant returns metrics, key non-financial measures, and additional key outputs and personal performance.
In certain instances, a portion of these incentives may be deferred or delivered in the form of share plan awards to support retention.
- In instances where an executive's decisions are likely to have a material impact on shareholder value, an element of their compensation may be aligned with the medium- to longer-term value of Transaction Capital or each respective division; specifically through defined long-term incentive schemes (see part 1 that follows for the group's compensation principles).
- Any change to the compensation of any individual at every level of the group must be approved by the supervisor of the individual's supervisor, with the remuneration committee approving the compensation of all executive directors, including the CEO and his direct reports, and certain functional specialists.
- No employees or directors have employment terms that exceed six months' notice.
- Where relevant, the company is not under any obligation to make exit payments for executives leaving the group, and this may be considered on a case-by-case basis. Subject to the remuneration committee's approval, 'good leavers' will receive a pro rata benefit due to them in terms of long-term incentives, subject to meeting each tranche's performance requirements.

SHAREHOLDER ENGAGEMENT

At the 2017 AGM (held on 8 March 2018), 84.93% of shareholders present at the meeting voted in favour of the group's remuneration policy, with 91.14% voting in favour of the remuneration implementation report. No significant changes in the remuneration policy have occurred in the current year.

The group's remuneration policy and its implementation is presented to shareholders annually for consideration and approval under the terms of separate advisory non-binding votes at the AGM as recommended by King IV and prescribed by the JSE Listings Requirements.

In the event that 25% or more of the votes cast are recorded against either the remuneration policy resolution or the remuneration implementation resolution, or both, then pursuant to paragraph 3.91 of the JSE Listings Requirements, the company will extend an invitation to dissenting shareholders to engage with the company to discuss the reason for their dissenting votes.

PART 1

OVERVIEW OF REMUNERATION POLICY

The success of Transaction Capital and its divisions relies on a wide range of leadership, managerial, functional and technical skills. Many of these skills are unique to specific divisions, departments or organisational levels. The entrepreneurial spirit of the group requires that the remuneration policy remains competitive and flexible, while encouraging positive outcomes and promoting an ethical culture and good corporate citizenship.

GENERAL STAFF

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

LEADERSHIP

Transaction Capital regards the individual and collective intellectual acuity, education, experience and industry knowledge of its most senior leaders and talent pool as a core capability and a source of competitive advantage. As such, the compensation, recruitment, performance, development and succession of the group's top executives are monitored directly by the CEO, together with his direct reports, with oversight by the remuneration and nominations committees and the board.

Executive compensation strives to attract, reward and retain the highest calibre of individuals in terms of education, expertise and experience, while aligning executive remuneration with stakeholder priorities.

The group operates on a total cost-to-company philosophy, where base package and benefits (including defined contributions to retirement funds, medical aid and other insured benefits) form part of the employees' fixed cost-to-company remuneration. Employees also participate in the short-term incentive scheme in the form of a performance bonus plan. Two key long-term incentive plans are in operation – the share appreciation rights (SAR) plan and the conditional share plan (CSP).

The different components of remuneration, the policy that governs it and the strategic intent and drivers are summarised in the table below.

REMUNERATION COMPONENT	REMUNERATION POLICY	STRATEGIC INTENT AND DRIVERS
Basic salary	Total guaranteed package (TGP) measured against the 60th percentile of the market.	The TGP is market-related, provides executives with a competitive stable income and provides a standard of living consistent with the demands of a specific position. The fixed portion represents a sufficiently high portion of the total remuneration to avoid overdependence on the variable components.
Benefits	Group life, provident fund, medical cover and disability cover.	Provides financial structures for death, retirement, health and wellness.
Short-term incentives (STIs)	Variable annual incentives based on achieving divisional/group quantitative objectives, with a qualitative portion of the bonus awarded based on non-financial measures as well as individual performance (where appropriate). A portion of the STI may be deferred in certain circumstances. STIs are bespoke (according to the requirements of the group, division and function) and are specifically designed with individualised qualitative objectives to promote performance and/or achieve predefined performance requirements (which include financial objectives and other return metrics where appropriate). Financial objectives include profit growth and relevant returns (for example, return on invested capital in SA Taxi or return on sales in TCRS. Non-financial objectives include achieving employment equity targets (with growth in black senior and middle management), maintaining or improving B-BBEE scorecard levels, and executing strategy. Additional qualitative STIs may be awarded for superior performance.	STIs reward specific behaviour and promote retention. Executives are assessed on their performance as well as the performance of the business. In defining an individual's performance, the remuneration committee considers financial and non-financial performance. The STI provides means to enjoy a higher quality of life through superior performance.
Long-term incentives (LTIs)	Executives participate in LTI schemes where their decisions or behaviour is likely to have an impact on shareholder value. These schemes serve to harmonise the required attributes of shareholder alignment, retention of key talent and long-term sustained performance. LTI schemes relate to the valuation of the group or its divisions, realisable over the medium to long term. Refer to page 106 for a full description of the LTIs available to executives.	LTIs reward executives for achieving strategic objectives and positive outcomes in the medium to long term, while aligning objectives with stakeholders. Market-related long-term reward and retention for executives and key talent provides an opportunity to accumulate wealth based on continued employment, and company performance and valuation.
Total reward	Providing a competitive and attractive total compensation with a portion paid over the medium to long term.	To attract, motivate, align and retain scarce talent, and discourage dysfunctional short-term behaviour.

LONG-TERM INCENTIVES

SHARE APPRECIATION RIGHTS PLAN

The SAR plan allows executives and senior managers to participate in the appreciation of Transaction Capital's share price over time, subject to predefined performance criteria.

The SAR plan is an option-type plan (at no cost to the participant), with SARs awarded being equity-settled subsequent to the exercise thereof. The SAR plan awards a conditional right to a participant to receive a number of shares, the value of which is equal to the difference between the market value of the Transaction Capital share on the date of exercise and the date of grant. In other words, the participant is able to enjoy the increase in Transaction Capital's share price from the date of grant until the date on which the conditional rights are exercised.

The share price growth over the SAR plan period is settled in Transaction Capital ordinary shares, with the gain subject to income tax. To the extent that the SAR plan grant price exceeds Transaction Capital's share price at the time of exercise, no gain or cost is realised by participants.

Subject to the specific performance criteria of achieving continuous growth in group headline earnings per share of 5% above consumer price inflation (CPI), the SAR plan vests in full after four years of the award date and are exercisable for a 12-month period. SAR plan awards granted up to May 2014 were awarded with a three-year vesting period, with all awards after this date vesting four years after the award date.

While the SAR plan has been a successful retention mechanism since listing, the group favours the conditional share plan (discussed below) as a more appropriate retention tool with better alignment of performance to shareholder interests. This is in line with international trends towards less volatile and lower geared LTIs, which have proved to provide better alignment with shareholder interests and are more likely to avoid extreme payouts. As such, no new SAR plan awards were granted in the current year. The remuneration committee will assess the future use of SARs on a periodic basis, as required. Those SAR plan awards already in issue will continue to vest as per the SAR plan.

CONDITIONAL SHARE PLAN

Transaction Capital has adopted a decentralised management structure by devolving authority and responsibility to its respective divisions, namely SA Taxi and TCRS. This strategic objective has resulted in the requirement for an LTI scheme with a primary objective to link the scheme's performance to that of the division, which is achieved through the CSP.

The CSP caters for divisional executives who are believed to be in a position to directly impact and shape the performance of a division, while delivering on the division's strategy. Its purpose is to incentivise participants to deliver on the division's business strategy over the long term, and acts as a retention mechanism and tool to attract prospective employees. Furthermore, the CSP provides participants with an opportunity to share in the success of the division in which they are employed, and provides direct alignment between the participants and shareholders as the value of the CSP is based on the valuation of each division.

Transaction Capital group executives are incentivised based on the performance of the group as a whole.

The first tranche of CSPs was awarded in November 2016. Annual CSP awards occur in November/December each year, with interim awards catering for new joiners and special circumstances. All awards are subject to remuneration committee approval.

The remuneration committee believes that the CSP is a superior long-term incentive for Transaction Capital's objectives. The CSP offers participants certainty in that it comprises a fixed number of conditional shares. While its ultimate value will depend on performance, CSP awards will always have value.

The CSP mechanism is overseen and approved by the remuneration committee, and operates as follows:

- A valuation of each division is performed by an independent expert on the date of the CSP award (to obtain a valuation per notional share of each division). Transaction Capital executives are awarded CSPs at the prevailing share price of Transaction Capital on date of award.
- Key executives are awarded notional CSPs in each division (or in Transaction Capital for group executives) for zero cost, based on retention and/or performance criteria set by the remuneration committee.
- The CSPs awarded to executives are based on a notional share held in each division, giving executives direct exposure to the performance of that division (or based on Transaction Capital's share price for group executives).
- An updated valuation of each division is performed by an independent expert on the date of vesting of the CSP.
- Employees are required to remain in the employ of the group to be eligible for vesting of the CSP (subject to standard 'good leaver' rules).
- Employees who resign or are dismissed forfeit any CSP awards that have not vested.
- Once the vesting period has passed and/or performance criteria are met (where relevant), the participant receives shares in Transaction Capital to the value of the notional CSP on date of vesting.

The CSP achieves the following objectives:

- It motivates and rewards participants for creating long-term value through the opportunity to earn significant reward for superior performance.
- It creates a direct line of sight between the performance of each division and the incentive earned.
- Participants receive a right to a full share as opposed to the increase in value of a share.
- The CSP directly aligns the interests of the participants with those of shareholders.

The remuneration committee approved a policy stipulating that the number of Transaction Capital shares issued in terms of the CSP awards will not exceed more than 5% of the issued ordinary shares of Transaction Capital at the time of approval of the CSP by shareholders. The CSP was approved by shareholders at a general meeting held on 20 October 2016.

GENERAL SHARE PURCHASE SCHEME

The general share purchase scheme facilitated voluntary investment, whereby executives were able to receive loan funding to purchase shares at market value. The scheme primarily operated prior to the listing of Transaction Capital in 2012 and was largely wound down in the 2014 financial year. No further allocations will be made in terms of this scheme, which terminated in December 2017.

DIRECT INVESTMENT

In appropriate circumstances, senior executives of a business may be afforded the opportunity to co-invest in that business (generally by way of an equity subscription partly funded by the company), thereby incentivising and aligning their long-term interests with those of the business, Transaction Capital and its shareholders.

FOUNDERS

Jonathan Jawno and Michael Mendelowitz are executive directors of the group, while Roberto Rossi is a non-executive director with a consulting and project contract, and therefore not independent by definition.

As the founding directors, Jonathan Jawno, Michael Mendelowitz and Roberto Rossi continue to be actively involved in various aspects of the group's businesses in supporting executive line management. This involvement includes strategy, operations, acquisitions, disposals, capital raising and management, regulatory matters and participation in group and divisional management where appropriate. The board believes that the founding directors' participation in this manner adds considerable value for shareholders on an ongoing basis.

Everglen Capital Proprietary Limited (in which the respective family trusts of Michael Mendelowitz and Roberto Rossi hold equal shareholdings) and the Kimberley Investment Trust (comprising the family trust of Jonathan Jawno) continue to be the largest shareholders of reference of the group.

Due to circumstances and history, the remuneration and fee arrangements of the founding directors are not conventionally structured. None of the founding directors participate in any of the group's employee share schemes or other LTI plans. The base packages of the executive founding directors are well below market-related fees for directors of their calibre. The non-executive directors' fees and consulting services of the non-executive founding director are also below market. At the end of each financial year, the independent non-executive members of the remuneration committee, in consultation with the CEO, consider the founding directors' inputs and successes during the year. The remuneration committee then awards incentive bonuses and contract adjustments relative to quantitative and qualitative performance, with reference to market benchmarks for listed companies comparable in size and industry.

NON-EXECUTIVE DIRECTORS

The annual fees paid to non-executive directors of the company for their services as directors and as members of the various board committees are determined on a market-related basis and are benchmarked against industry norms. No additional meeting attendance fees are paid.

The fees are approved by the remuneration committee and the board prior to being presented to shareholders for approval at the company's AGM.

Directors are required to retire on the third anniversary of their appointment and may offer themselves for re-election. As appropriate, the board, through the nominations committee, proposes their re-election to shareholders.

Non-executive directors do not participate in any of the group's LTI plans.

PART 2

IMPLEMENTATION REPORT

EXECUTIVE COMPENSATION

The following table provides a breakdown of the annual remuneration (excluding SAR and CSP awards) of directors and prescribed officers for the year ended 30 September:

	2018				2017			
	Salary R	Benefits R	Annual incentive bonus R	Total R	Salary R	Benefits R	Annual incentive bonus R	Total R
EXECUTIVE DIRECTORS								
David Hurwitz	3 320 046	563 914	3 501 816	7 385 776	3 150 802	548 207	2 728 688	6 427 697
Mark Herskovits	2 320 484	412 310	2 530 628	5 263 422	2 194 536	436 401	2 618 140	5 249 077
Jonathan Jawno	1 327 341	197 709	4 500 000	6 025 050	1 341 480	183 570	4 000 000	5 525 050
Michael Mendelowitz	1 292 885	232 165	4 500 000	6 025 050	1 341 480	183 570	4 000 000	5 525 050
Ronen Goldstein	1 719 900	201 663	1 102 500	3 024 063	1 592 500	186 725	1 166 667	2 945 892
PRESCRIBED OFFICERS								
Terry Kier	3 012 417	2 223 361	3 244 395	8 480 173	2 842 422	2 327 828	2 040 500	7 210 750
David McAlpin	3 049 257	309 719	2 477 538	5 836 514	2 824 393	292 007	2 337 300	5 453 700
TOTAL	16 042 330	4 140 841	21 856 877	42 040 048	15 287 613	4 158 308	18 891 295	38 337 216

TOTAL GUARANTEED PACKAGE

Executive TGP is determined against the findings of an outsourced benchmarking engagement, utilising the Paterson Classic system as an indicator of grades for the executive team. Formal and informal research, coupled with market norms and industry practice, also influence the policies and practices in place. The remuneration committee believes that the TGP is fair in light of the outcomes of the benchmarking undertaken and relative market norms.

SHORT-TERM INCENTIVES

QUANTITATIVE

Bespoke and individualised quantitative targets are preset and assessed annually by the remuneration committee to promote individual and group performance. The following factors are taken into account:

- Group:
  - Growth in headline earnings per share above CPI.
  - Return on equity achieved.
- Divisions:
  - Growth in earnings per share above CPI.
  - Return on invested capital.
  - Where relevant, return on sales and new business origination.
- Where appropriate, STIs were awarded for individualised targets being met.
- In general terms, employees can achieve a maximum quantitative STI of up to nine months of the employee's TGP.

QUALITATIVE

Where individual performance warrants, the remuneration committee may reward superior qualitative performance over and above quantitative targets set. The remuneration committee will consider individual performance in meeting strategic imperatives such as capital management, acquisitions, operational projects and integration. In exercising this discretion, the remuneration committee must satisfy itself that such payments are fair and reasonable, and are disclosed to shareholders as required by remuneration governance principles.

The overall award of STIs for executive directors mirrors the performance of the business, and hence is determined as reasonable and aligned with shareholder interests. STIs promote the achievement of strategic objectives within the organisation's risk appetite as well as positive outcomes.

Non-financial key performance indicators are also considered in the qualitative STI awards.

The rationale and context for the remuneration of executive directors is as follows:

CHIEF EXECUTIVE OFFICER

David Hurwitz

David Hurwitz' incentive bonus of R3 501 816 for 2018 comprised:

- A quantitative bonus for the growth of the group's headline earnings per share and return on equity achieved.
- A qualitative bonus for the overall improvement in the state of the group during 2018, the continued integration of the acquisitions completed in 2017, and progress in achieving the group's strategic objectives, including stringent capital management in a challenging trading environment.

EXECUTIVE DIRECTOR: CAPITAL MANAGEMENT

Mark Herskovits

Mark Herskovits' incentive bonus of R2 530 628 for 2018 comprised:

- A quantitative bonus for the growth of SA Taxi's earnings per share and return on equity achieved.
- A qualitative bonus for meeting the group's capital management requirements well into the 2019 financial year, diversifying the group's funding sources and managing the group's cost of funding.

EXECUTIVE DIRECTOR

Jonathan Jawno

Jonathan Jawno's incentive bonus of R4 500 000 for 2018 comprised:

- A quantitative bonus for the growth of the group's headline earnings per share.
- A qualitative bonus for his specific role in the management of risk and capital.

EXECUTIVE DIRECTOR

Michael Mendelowitz

Michael Mendelowitz' incentive bonus of R4 500 000 for 2018 comprised:

- A quantitative bonus for the growth of the group's headline earnings per share.
- A qualitative bonus for his specific contribution toward capital deployment as well as strategic and acquisitive opportunities.

FINANCIAL DIRECTOR

Ronen Goldstein

Ronen Goldstein's incentive bonus of R1 102 500 for 2018 comprised:

- A quantitative bonus for the growth of the group's headline earnings per share and return on equity achieved.
- A qualitative bonus for the overall continued improvement in the state of the financial, risk and reporting structures of the group during 2018, and the implementation of key group projects.

PRESCRIBED OFFICER

Terry Kier

Terry Kier's incentive bonus of R3 244 395 for 2018 comprised:

- A quantitative bonus for the growth of the division's earnings.
- A qualitative bonus for the progress in achieving the division's strategic objectives, including stringent capital management in a challenging trading environment and the ongoing management of industry interaction as a key stakeholder of SA Taxi.

PRESCRIBED OFFICER

David McAlpin

David McAlpin's incentive bonus of R2 477 538 for 2018 comprised:

- A quantitative bonus for the growth of the division's earnings.
- A qualitative bonus relating to the continued integration of the acquisitions completed in 2017 and progress in achieving the division's strategic objectives.

LONG-TERM INCENTIVES

SHARE APPRECIATION RIGHTS PLAN

All SAR plan awards were approved by the remuneration committee. No SARs were awarded in the current year. In previous years, executives were awarded SARs based on executive performance, potential, tenure, job grade, current fixed compensation and STIs relative to market benchmarks; the recommendation of the CEO; and the reasonably expected growth in Transaction Capital's share price.

The following table shows the SAR position of executive directors and prescribed officers as at 30 September 2018:

	Present value of SARs R	Number of SARs	Vesting period (years)	Number of SARs vested during the year and not exercised	Number of SARs exercised during the year	Gains on SARs exercised during the year R
EXECUTIVE DIRECTORS						
David Hurwitz						
Granted on 11 July 2013[1]	–	–	3	–	2 004 494	22 303 067
Granted on 18 November 2013[2]	–	–	3	–	979 049	10 379 705
Granted on 25 November 2014	1 029 000	300 000	4	–	–	–
Granted on 26 November 2015	830 000	250 000	4	–	–	–
Mark Herskovits						
Granted on 11 July 2013[1]	–	–	3	–	939 607	10 099 004
Granted on 18 November 2013[2]	–	–	3	–	1 251 578	13 220 041
Granted on 25 November 2014	857 500	250 000	4	–	–	–
Granted on 26 November 2015	498 000	150 000	4	–	–	–
Ronen Goldstein						
Granted on 18 November 2013[2]	–	–	3	–	70 180	717 703
Granted on 25 November 2014	343 000	100 000	4	–	–	–
Granted on 26 November 2015	498 000	150 000	4	–	–	–
PRESCRIBED OFFICERS						
Terry Kier						
Granted on 18 November 2013[2]	–	–	3	–	979 049	10 012 188
David McAlpin						
Granted on 25 November 2014	2 578 280	751 685	4	–	–	–
Granted on 26 November 2015	664 000	200 000	4	–	–	–

1. Tranche vested and exercisable from July 2016. SARs exercised by participants in the 2017 financial year.
2. Tranche vested and exercisable from November 2016. SARs exercised by participants in the 2017 financial year.

Jonathan Jawno and Michael Mendelowitz do not participate in the SAR plan.

Refer to note 22.1 in the annual financial statements for further details on the SAR plan.

CONDITIONAL SHARE PLAN

The CSP operates as a specific LTI scheme that directly links to the performance of each division. It caters for divisional executives who are believed to be in a position to directly impact and shape the performance of a division, while delivering on the division's strategy. Transaction Capital group executives are incentivised based on the performance of the group as a whole.

The purpose of the CSP is to incentivise participants to deliver the relevant division's business strategy over the long term, and acts as a retention mechanism and tool to attract prospective employees. The CSP will furthermore provide participants with the opportunity to share in the success of the relevant division in which they are employed, and provide alignment between the participants and shareholders.

In general terms, the remuneration committee approved the following criteria for the CSP awards:

Vesting period

- Retention element (30% of award): to vest in equal proportions in full after years three and four, subject to continued employment (November 2016 and May 2017 awards: to vest in full after three years, subject to continued employment).
- Performance element (70% of award): to vest as follows (and linked to performance criteria below):
  - Two years: 14.0%
  - Three years: 17.5%
  - Four years: 17.5%
  - Five years: 21.0%

(November 2016 and May 2017 awards: to vest in equal proportions in years two, three and four, and linked to performance requirements.)

Performance criteria

The following performance criteria have been set (per division for divisional executives, and on a consolidated basis for group executives):

CONTINUING HEADLINE EARNINGS PER SHARE GROWTH OVER VESTING PERIOD*	% of CSP to be awarded
CPI	20%
CPI +5%	100%

** Growth levels between bands will be vested on a proportionate basis.*

It is the view of the remuneration committee that STI plan awards serve to reward annual earnings growth rates of the group, while the LTI awards promote long-term value creation to employees and shareholders alike. As the value of the CSP on vesting is based on the valuation of each division (and Transaction Capital group for group employees), employees are rewarded for the quality and sustainability of earnings over the long term, thus aligning their interests with the group's shareholders. As a result, the growth hurdle of the CSP is viewed to be appropriate.

The performance and vesting periods of awards are assessed for appropriateness by the remuneration committee on an annual basis.

The following table shows the CSP position of executive directors and prescribed officers as at 30 September 2018:

	Component	Present value of CSP award on issue R	Number of CSPs	Vesting period (years)
EXECUTIVE DIRECTORS				
David Hurwitz	Group			
Granted on 22 November 2016		1 684 672	131 821	2 to 4
Granted on 22 November 2017		1 665 106	132 186	2 to 5
Granted on 20 November 2018		2 990 230	183 554	2 to 5
Mark Herskovits	SA Taxi			
Granted on 22 November 2016		1 249 900	159 977	2 to 4
Granted on 29 May 2017		1 663 004	214 988	2 to 4
Granted on 22 November 2017		839 072	94 480	2 to 5
Granted on 20 November 2018		1 286 537	130 059	2 to 5
Ronen Goldstein	Group			
Granted on 22 November 2016		1 273 374	99 638	2 to 4
Granted on 22 November 2017		823 797	65 398	2 to 5
Granted on 20 November 2018		1 345 616	82 600	2 to 5
PRESCRIBED OFFICERS				
David McAlpin	TCRS			
Granted on 22 November 2016		5 892 530	1 303 817	2 to 4
Granted on 22 November 2017		5 689 807	1 181 474	2 to 5

Jonathan Jawno, Michael Mendelowitz and Terry Kier do not participate in the CSP.

Refer to note 22.2 in the annual financial statements for further details on the CSP.

TRANSACTION CAPITAL GENERAL SHARE SCHEME

The following table shows the position as at 30 September:

	2018			2017		
	Number of shares R	Value of shares R	Value of funding R	Number of shares	Value of shares R	Value of funding R
EXECUTIVE DIRECTOR						
David Hurwitz	–	–	–	77 409	1 180 487	662 599
TOTAL	–	–	–	77 409	1 180 487	662 599

All amounts outstanding were settled in December 2017, with this scheme being discontinued.

DIRECT INVESTMENT

At 30 September 2018, Terry Kier (CEO of SA Taxi) held a direct investment of 2.0% (2017: 2%) in SA Taxi Holdings Proprietary Limited, incentivising him and directly aligning his long-term interests with those of SA Taxi, Transaction Capital and its shareholders.

Terry Kier owed a wholly-owned subsidiary of Transaction Capital an amount of R26 million at 30 September 2018. The loan was granted on an interest-free basis and will be repaid upon certain predetermined events. Appropriate fringe benefits tax has been levied on the interest-free loan, the benefit of which is included in the executive compensation table.

Terry Kier no longer participates in the SAR or CSP plans.

SHAREHOLDING

The executive directors of the group own (directly or indirectly) the following shares in Transaction Capital Limited as at 30 September, aligning their interests with the broader shareholder base:

	2018		2017	
	Number of shares '000	Shareholding %	Number of shares '000	Shareholding %
INDIRECT NON-BENEFICIAL HOLDINGS				
Dovie Trust*	**4 640**	**<1**	4 562	<1
Everglen Capital Proprietary Limited**	**178 000**	**29**	250 000	41
DIRECT NON-BENEFICIAL HOLDINGS OF DIRECTORS				
David Hurwitz	**125**	**<1**	125	<1
Mark Herskovits	**1 368**	**<1**	1 368	<1
Ronen Goldstein	**30**	**<1**	30	<1
TOTAL	**184 163**		256 885	
Percentage of issued shares	**30%**		42%	

* *David Hurwitz is a discretionary beneficiary of Dovie Trust.*

** *The trusts of Jonathan Jawno, Michael Mendelowitz and Roberto Rossi each held equal holdings in Everglen Capital Proprietary Limited (Everglen) at 30 September 2018. See the chairman's report on page 6 for details on the off-market sale and acquisition of ordinary shares by the Kimberley Investment Trust (KIT, of which Jonathan Jawno is a trustee and contingent discretionary beneficiary). The combined shareholding of Everglen and KIT remains at 29%.*

NON-EXECUTIVE DIRECTORS' FEES FOR 2018

The following table details fees paid to non-executive directors for directorship and membership of committees, with no additional meeting attendance fees. This is due to board members providing input to the company on an ongoing basis, and is thus not limited to the attendance of meetings.

The fees paid to non-executive directors have been determined on a market-related basis, as recommended by the remuneration committee and the board, and approved by shareholders at the AGM. As from 1 June 2017, VAT is payable on non-executive directors' fees, where appropriate.

BOARD MEMBERS	C Seabrooke[1] R	P Langeni[2] R	R Rossi[3] R	K Pillay[4] R	O Ighodaro R	P Miller[5] R	D Radley[6] R	Total R
Chairman (including committee attendance)	1 552 500	–	–	–	–	–	–	**1 552 500**
Director	–	362 250	362 250	362 250	362 250	362 250	77 292	**1 888 542**
Audit, risk and compliance committee (chairperson)	–	–	–	–	388 125	–	–	**388 125**
Audit, risk and compliance committee (member)	–	155 250	–	–	–	–	33 125	**188 375**
Asset and liability committee (member)	–	–	–	–	124 200	–	26 500	**150 700**
Remuneration committee (chairperson)	–	–	–	258 750	–	–	–	**258 750**
Remuneration committee (member)	–	–	–	–	–	114 200	–	**114 200**
Nominations committee (member)	–	–	124 200	124 200	–	–	–	**248 400**
Social and ethics committee (chairperson)	–	258 750	–	–	–	–	–	**258 750**
Social and ethics committee (member)	–	–	–	114 200	–	–	–	**114 200**
TOTAL ANNUAL FEES	1 552 500	776 250	486 450	859 400	874 575	476 450	136 917	**5 162 542**

1. *Christopher Seabrooke is also the chairperson of the nominations committee and a member of the remuneration committee, ARC committee and asset and liability committee.*
2. *In addition to the fees reported above, Phumzile Langeni received directors' fees of R117 700 for acting as an independent non-executive director of Transaction Capital Risk Services (Pty) Ltd and SA Taxi Finance Holdings (Pty) Ltd. Phumzile resigned as a director from the Transaction Capital Risk Services (Pty) Ltd board effective 28 March 2018 and the SA Taxi Finance Holdings (Pty) Ltd board effective 31 July 2018.*
3. *In addition to the fees reported above, Roberto Rossi received R1 096 667 for consulting services and R4 000 000 for corporate finance and legal services rendered to the group.*
4. *Appointed as a member of the social and ethics committee effective 1 November 2017.*
5. *Appointed as a member of the remuneration committee effective 1 November 2017.*
6. *Appointed as a non-executive director effective 15 July 2018. In addition to the fees reported above, Diane Radley received directors' fees of R65 250 for acting as an independent non-executive director of SA Taxi Finance Holdings (Pty) Ltd and Transaction Capital Risk Services Holdings (Pty) Ltd.*

NON-EXECUTIVE DIRECTORS' FEES FOR 2017

BOARD MEMBERS	C Seabrooke[1] R	D Woollam[2] R	P Langeni[3] R	D Tabata[4] R	R Rossi[5] R	M Kgosana[6] R	K Pillay R	O Ighodaro[7] R	P Miller[8] R	Total R
Chairman (including committee attendance)	1 375 000	–	–	–	–	–	–	–	–	**1 375 000**
Director	–	104 167	308 333	104 167	308 333	286 458	308 333	175 000	87 500	**1 682 291**
Audit, risk and compliance committee (chairperson)	–	–	–	–	–	341 146	–	23 438	–	**364 584**
Audit, risk and compliance committee (member)	–	62 500	150 000	–	–	–	–	65 625	–	**278 125**
Asset and liability committee (chairperson)	–	52 083	–	–	–	–	–	–	–	**52 083**
Asset and liability committee (member)	–	–	–	–	–	–	–	60 000	–	**60 000**
Remuneration committee (chairperson)	–	–	–	52 083	–	–	145 833	–	–	**197 916**
Remuneration committee (member)	–	–	–	–	–	–	25 000	–	–	**25 000**
Nominations committee (member)	–	–	–	25 000	95 000	–	70 000	–	–	**190 000**
Social and ethics committee (chairperson)	–	–	197 917	–	–	–	–	–	–	**197 917**
TOTAL ANNUAL FEES	1 375 000	218 750	656 250	181 250	403 333	627 604	549 166	324 063	87 500	**4 422 916**

1. *Christopher Seabrooke is also the chairperson of the nominations committee and a member of the remuneration committee, ARC committee and asset and liability committee.*
2. *Resigned as a non-executive director effective 2 March 2017.*
3. *In addition to the fees reported above, Phumzile Langeni received directors' fees of R247 797 for acting as an independent non-executive director of SA Taxi Finance Holdings (Pty) Ltd and Transaction Capital Risk Services (Pty) Ltd.*
4. *Resigned as a non-executive director effective 2 March 2017.*
5. *In addition to the fees reported above, Roberto Rossi received R1 096 667 for consulting services and R2 400 000 for corporate finance and legal services rendered to the group.*
6. *Resigned as a non-executive director effective 8 September 2017.*
7. *Appointed as a non-executive director effective 1 April 2017.*
8. *Appointed as a non-executive director effective 1 July 2017.*

FINANCIAL INFORMATION

FINANCIAL RESULTS

The information presented on pages 118 to 121 is an extract from the audited annual financial statements, but is not itself audited. The directors take full responsibility for the preparation of the information presented in this section, and that the information has been correctly extracted from the underlying audited financial statements.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER

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

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

SUMMARISED CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER

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

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER

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

SUMMARISED CONSOLIDATED HEADLINE EARNINGS RECONCILIATION

FOR THE YEAR ENDED 30 SEPTEMBER

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

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

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER

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

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

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

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

GROUP DATA SHEET

All numbers and ratios presented in this data sheet include the consolidated results of acquisitions from the effective transaction dates, as follows:

2018: • Accsys (effective 1 December 2017)

2017: • Road Cover (effective 1 December 2016);
- The Beancounter (effective 1 December 2016);
- Recoveries Corporation (effective 31 December 2016); and
- SA Taxi cell captive (effective 30 June 2017).

The 2017 results included transaction and other acquisition-related costs of R22 million, which have been excluded from the core numbers and ratios presented in this data sheet.

		Year ended 30 September			Movement	
		2018	2017	2016	**2018**	2017
TRANSACTION CAPITAL GROUP						
SUMMARISED CONSOLIDATED INCOME STATEMENT						
Interest and other similar income	Rm	**2 154**	1 971	1 688	**9%**	17%
Interest and other similar expense	Rm	**(1 054)**	(964)	(809)	**9%**	19%
Net interest income	Rm	**1 100**	1 007	879	**9%**	15%
Impairment of loans and advances	Rm	**(314)**	(260)	(209)	**21%**	24%
Risk-adjusted net interest income	Rm	**786**	747	670	**5%**	11%
Non-interest revenue	Rm	**2 377**	1 937	1 279	**23%**	51%
Core operating costs	Rm	**(2 244)**	(1 888)	(1 348)	**19%**	40%
Advertising, marketing and public relations	Rm	**(23)**	(12)	(11)	**92%**	9%
Amortisation of intangible assets	Rm	**(41)**	(31)	(13)	**32%**	>100%
Amortisation of principal book portfolio	Rm	**(117)**	(117)	(112)	**0%**	4%
Audit fees	Rm	**(17)**	(17)	(11)	**0%**	55%
Bank charges	Rm	**(25)**	(20)	(14)	**25%**	43%
Commissions paid	Rm	**(27)**	(19)	(17)	**42%**	12%
Communication costs	Rm	**(87)**	(79)	(56)	**10%**	41%
Consulting fees	Rm	**(28)**	(32)	(23)	**(13%)**	39%
Depreciation	Rm	**(37)**	(32)	(22)	**16%**	45%
Electricity and water	Rm	**(22)**	(19)	(14)	**16%**	36%
Employee expenses	Rm	**(1 283)**	(1 055)	(708)	**22%**	49%
Fees paid	Rm	**(43)**	(39)	(34)	**10%**	15%
Handling, logistics and storage	Rm	**(72)**	(38)	(40)	**89%**	(5%)
Information technology	Rm	**(48)**	(40)	(29)	**20%**	38%
Non-executive directors' emoluments	Rm	**(6)**	(5)	(4)	**20%**	25%
Operating lease rentals	Rm	**(87)**	(70)	(30)	**24%**	>100%
Professional fees	Rm	**(19)**	(16)	(15)	**19%**	7%
Risk management	Rm	**(20)**	(18)	(12)	**11%**	50%
Staff welfare	Rm	**(26)**	(21)	(12)	**24%**	75%
Travel	Rm	**(19)**	(16)	(12)	**19%**	33%
Training and seminars	Rm	**(11)**	(12)	(7)	**(8%)**	71%
Other	Rm	**(186)**	(180)	(152)	**4%**	18%

		Year ended 30 September			Movement	
		2018	2017	2016	**2018**	2017
TRANSACTION CAPITAL GROUP *continued*						
SUMMARISED CONSOLIDATED INCOME STATEMENT *continued*						
Core operating income	Rm	**919**	796	601	**15%**	32%
Non-operating loss	Rm	**(3)**	(3)	–	**0%**	100%
Core profit before tax	Rm	**916**	793	601	**15%**	32%
Income tax expense	Rm	**(218)**	(203)	(138)	**7%**	47%
Core profit for the year	Rm	**698**	590	463	**18%**	27%
Core profit and headline earnings for the year attributable to:	Rm	**698**	590	463	**18%**	27%
Ordinary equity holders	Rm	**682**	577	458	**18%**	26%
Non-controlling interests	Rm	**16**	13	5	**23%**	>100%
Transaction and other acquisition-related costs	Rm	**–**	22	–	**(100%)**	100%
SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
Assets						
Cash and cash equivalents	Rm	**900**	944	1 276	**(5%)**	(26%)
Inventories	Rm	**478**	212	201	**>100%**	5%
Loans and advances	Rm	**9 592**	8 456	7 190	**13%**	18%
Purchased book debts	Rm	**1 374**	891	728	**54%**	22%
Other investments	Rm	**–**	–	477	**n/a**	(100%)
Intangible assets	Rm	**283**	247	93	**15%**	>100%
Goodwill	Rm	**1 142**	1 135	200	**1%**	>100%
Property and equipment	Rm	**167**	150	104	**11%**	44%
Other assets	Rm	**1 406**	1 009	822	**39%**	23%
Total assets	Rm	**15 342**	13 044	11 091	**18%**	18%
Liabilities						
Bank overdrafts	Rm	**116**	136	173	**(15%)**	(21%)
Interest-bearing liabilities	Rm	**9 817**	8 191	7 477	**20%**	10%
Senior debt	Rm	**8 753**	7 228	6 512	**21%**	11%
Subordinated debt	Rm	**1 060**	963	965	**10%**	(0%)
Finance lease	Rm	**4**	–	–	**100%**	n/a
Other liabilities	Rm	**1 216**	945	463	**29%**	>100%
Total liabilities	Rm	**11 149**	9 272	8 113	**20%**	14%
Equity						
Equity attributable to ordinary equity holders of the parent	Rm	**4 134**	3 718	2 944	**11%**	26%
Non-controlling interests	Rm	**59**	54	34	**9%**	59%
Total equity	Rm	**4 193**	3 772	2 978	**11%**	27%
Total equity and liabilities	Rm	**15 342**	13 044	11 091	**18%**	18%

		Year ended 30 September			Movement	
		2018	2017	2016	**2018**	2017
TRANSACTION CAPITAL GROUP *continued*						
SHAREHOLDER STATISTICS						
Number of shares	m	**610.2**	610.1	571.9	**0%**	7%
Weighted average number of shares in issue	m	**610.3**	598.3	568.5	**2%**	5%
Core headline earnings per share	cents	**111.7**	96.4	80.6	**16%**	20%
Net asset value per share	cents	**677.5**	609.4	514.8	**11%**	18%
Interim dividend per share	cents	**21.0**	15.0	12.0	**40%**	25%
Final dividend per share	cents	**29.0**	25.0	18.0	**16%**	39%
Total dividend per share	cents	**50.0**	40.0	30.0	**25%**	33%
Total core dividend cover	times	**2.2**	2.4	2.7		
CAPITAL ADEQUACY						
Equity	Rm	**4 193**	3 772	2 978	**11%**	27%
Subordinated debt	Rm	**1 060**	963	965	**10%**	(0%)
Total capital	Rm	**5 253**	4 735	3 943	**11%**	20%
Less: goodwill	Rm	**(1 142)**	(1 135)	(200)	**1%**	>100%
Total capital less goodwill	Rm	**4 111**	3 600	3 743	**14%**	(4%)
Total assets less goodwill and cash and cash equivalents	Rm	**13 300**	10 965	9 615	**21%**	14%
Capital adequacy ratio	%	**30.9**	32.8	38.9		
Equity	%	**22.9**	24.0	28.9		
Subordinated debt	%	**8.0**	8.8	10.0		
PERFORMANCE INDICATORS						
Total income	Rm	**4 531**	3 908	2 967	**16%**	32%
Core cost-to-income ratio	%	**64.5**	64.1	62.5		
Average cost of borrowing	%	**11.8**	12.0	11.3		
Core return on average assets	%	**4.9**	4.8	4.4		
Core return on average equity	%	**17.7**	17.2	16.9		
Average assets	Rm	**14 218**	12 370	10 422	**15%**	19%
Average equity attributable to ordinary equity holders of the parent	Rm	**3 856**	3 364	2 718	**15%**	24%
Average interest-bearing liabilities	Rm	**8 936**	8 009	7 142	**12%**	12%
Gearing	times	**3.7**	3.5	3.8		
Debt funders	number	**45**	42	35	**7%**	20%
CREDIT RATINGS						
Transaction Capital R2 billion Domestic Note Programme (GCR rated)						
Long-term		**A-(za)**	A-(za)	n/a		
Short-term		**A1-(za)**	A1-(za)	n/a		
Employees	number	**4 445**	4 095	3 260	**9%**	26%

		Year ended 30 September			Movement	
		2018	2017	2016	**2018**	2017
SA TAXI						
SUMMARISED INCOME STATEMENT						
Interest and other similar income	Rm	**1 991**	1 765	1 486	**13%**	19%
Interest and other similar expense	Rm	**(1 012)**	(880)	(742)	**15%**	19%
Net interest income	Rm	**979**	885	744	**11%**	19%
Impairment of loans and advances	Rm	**(299)**	(253)	(206)	**18%**	23%
Non-interest revenue	Rm	**540**	427	315	**26%**	36%
Operating costs	Rm	**(723)**	(638)	(541)	**13%**	18%
Profit before tax	Rm	**497**	421	312	**18%**	35%
Profit after tax	Rm	**376**	309	254	**22%**	22%
Profit and headline earnings for the year attributable to:	Rm	**376**	309	254	**22%**	22%
Ordinary equity holders	Rm	**368**	303	249	**21%**	22%
Non-controlling interests	Rm	**8**	6	5	**33%**	20%
OTHER INFORMATION						
Depreciation	Rm	**15**	15	12	**0%**	25%
Amortisation of intangible assets	Rm	**12**	10	6	**20%**	67%
SUMMARISED STATEMENT OF FINANCIAL POSITION						
Assets						
Cash and cash equivalents	Rm	**677**	608	761	**11%**	(20%)
Inventories	Rm	**478**	212	201	**>100%**	5%
Loans and advances	Rm	**9 026**	7 872	6 675	**15%**	18%
Other investments	Rm	**–**	–	477	**n/a**	(100%)
Intangible assets	Rm	**46**	44	30	**5%**	47%
Goodwill	Rm	**499**	499	63	**0%**	>100%
Property and equipment	Rm	**88**	79	71	**11%**	11%
Other assets	Rm	**925**	604	599	**53%**	1%
Total assets	Rm	**11 739**	9 918	8 877	**18%**	12%
Liabilities						
Bank overdrafts	Rm	**116**	136	173	**(15%)**	(21%)
Interest-bearing liabilities	Rm	**8 333**	6 879	6 482	**21%**	6%
Senior debt	Rm	**7 649**	6 292	5 991	**22%**	5%
Subordinated debt	Rm	**684**	587	491	**17%**	20%
Group loans	Rm	**1 170**	1 164	913	**1%**	27%
Other liabilities	Rm	**482**	408	167	**18%**	>100%
Total liabilities	Rm	**10 101**	8 587	7 735	**18%**	11%
Segment net assets	Rm	**1 638**	1 331	1 142	**23%**	17%

		Year ended 30 September 2018	2017	2016	Movement 2018	2017
SA TAXI *continued*						
CAPITAL ADEQUACY						
Equity	Rm	**1 638**	1 331	1 142	**23%**	17%
Group loans*	Rm	**691**	764	913	**(10%)**	(16%)
Subordinated debt	Rm	**684**	587	491	**17%**	20%
Total capital	Rm	**3 013**	2 682	2 546	**12%**	5%
Less: goodwill	Rm	**(499)**	(499)	(63)	**0%**	>100%
Total capital less goodwill	Rm	**2 514**	2 183	2 483	**15%**	(12%)
Total assets less goodwill and cash and cash equivalents	Rm	**10 563**	8 811	8 053	**20%**	9%
Capital adequacy ratio	%	**23.8**	24.8	30.8		
Equity	%	**17.3**	18.1	24.7		
Subordinated debt	%	**6.5**	6.7	6.1		
FINANCIAL MEASURES						
Total income	Rm	**2 531**	2 192	1 801	**15%**	22%
Pre-provision profit	Rm	**796**	674	518	**18%**	30%
Net interest margin	%	**11.0**	11.4	11.1		
Risk-adjusted net interest margin	%	**7.7**	8.2	8.0		
Cost-to-income ratio	%	**47.6**	48.6	51.1		
Average cost of borrowing	%	**11.6**	11.4	10.6		
Gearing	times	**7.4**	7.7	8.0		
Debt funders	number	**44**	41	34	**7%**	21%
Return on average assets	%	**3.5**	3.3	3.1		
Return on average equity	%	**25.9**	25.3	25.5		
Weighted average interest rate at origination	%	**23.6**	24.4	25.2		
Average assets	Rm	**10 840**	9 410	8 259	**15%**	14%
Average equity attributable to ordinary equity holders of the parent	Rm	**1 422**	1 199	996	**19%**	20%
Average gross loans and advances	Rm	**8 936**	7 786	6 697	**15%**	16%
Average interest-bearing liabilities	Rm	**8 687**	7 704	7 006	**13%**	10%
Employees	number	**1 098**	965	840	**14%**	15%

* *Of the total group loans of R1 170 million at 30 September 2018 (2017: R1 164 million), R479 million (2017: R400 million) are not permanent facilities and as such have been excluded from the capital adequacy calculation. The remaining R691 million (2017: R764 million) group loans are subordinated debt facilities with fixed repayment terms.*

		Year ended 30 September 2018	2017	2016	Movement 2018	2017
SA TAXI *continued*						
OPERATIONAL MEASURES						
Status						
Number of loans	number	**30 617**	28 724	26 352	**7%**	9%
Gross loans and advances	Rm	**9 402**	8 303	7 151	**13%**	16%
Impairment provision	Rm	**(376)**	(431)	(476)	**(13%)**	(9%)
Net loans and advances	Rm	**9 026**	7 872	6 675	**15%**	18%
Premium/entry-level (gross loans and advances, on value)	%	**100/0**	100/0	99/1		
Originations						
Number of loans originated	number	**7 734**	7 480	6 866	**3%**	9%
Value of loans originated	Rm	**3 288**	3 027	2 495	**9%**	21%
Average loan term at origination	months	**69**	67	67	**3%**	0%
Average remaining loan term	months	**47**	47	44	**0%**	7%
New/repeat clients (on value)	%	**69/31**	74/26	73/27		
Average origination value	R	**425 194**	404 679	363 388	**5%**	11%
Credit performance						
Credit loss ratio	%	**3.3**	3.2	3.1		
After tax credit loss coverage	times	**1.7**	2.3	3.1		
Provision coverage	%	**4.0**	5.2	6.7		
Non-performing loans	Rm	**1 667**	1 421	1 242	**17%**	14%
Non-performing loan ratio	%	**17.7**	17.1	17.4		
INSURANCE PERFORMANCE						
Gross written premium	Rm	**687**	557	451	**23%**	24%
Annualised new business written premium	Rm	**349**	283	246	**23%**	15%
Products per insured client	number	**2.0**	1.8	1.7	**11%**	6%
CREDIT RATINGS						
Transsec 1 R4 billion Asset Backed Note Programme (S&P rated)						
Class A Notes		**zaAA-(sf)**	zaAA(sf)	zaAAA(sf)		
Class B Notes		**zaAA-(sf)**	zaAA(sf)	zaAA(sf)		
Class C Notes		**zaAA-(sf)**	zaAA(sf)	zaA(sf)		
Class D Notes		**zaA+(sf)**	zaA+(sf)	zaBBB-(sf)		
Transsec 2 R4 billion Asset Backed Note Programme (S&P rated)						
Class A Notes		**zaAA-(sf)**	zaAA(sf)	zaAAA(sf)		
Class B Notes		**zaAA-(sf)**	zaAA-(sf)	zaA(sf)		
Class C Notes		**zaA(sf)**	zaA(sf)	zaBBB(sf)		
Transsec 3 R2.5 billion Asset Backed Note Programme (Moody's rated)						
Class A1 Notes		**P-1.za(sf)**	P-1.za(sf)	n/a		
Class A2 Notes		**Aaa.za(sf)**	Aaa.za(sf)	n/a		
Class A3 Notes		**Aaa.za(sf)**	Aaa.za(sf)	n/a		
Class B Notes		**Aa3.za(sf)**	Aa3.za(sf)	n/a		

		Year ended 30 September			Movement	
		2018	2017	2016	2018	2017
SA TAXI *continued*						
ENVIRONMENT						
Estimated minibus taxi market ('000)	vehicles	**>250**	>200	200		
Price of a new Toyota Sesfikile (petrol)*	R	**408 900**	401 300	393 500	**2%**	2%
Price of a new Toyota Sesfikile (diesel)*	R	**433 300**	421 100	412 900	**3%**	2%
Average repo rate	%	**6.62**	6.95	6.70		
Average petrol price per litre	R	**14.61**	13.00	12.29	**12%**	6%
Average diesel price per litre	R	**12.98**	11.19	10.42	**16%**	7%
TRANSACTION CAPITAL RISK SERVICES (TCRS)						
SUMMARISED INCOME STATEMENT						
Interest and other similar income	Rm	**172**	175	136	**(2%)**	29%
Interest and other similar expense	Rm	**(121)**	(98)	(71)	**23%**	38%
Net interest income	Rm	**51**	77	65	**(34%)**	18%
Impairment of loans and advances	Rm	**(15)**	(7)	(3)	**>100%**	>100%
Non-interest revenue	Rm	**1 837**	1 485	964	**24%**	54%
Core operating costs	Rm	**(1 510)**	(1 238)	(796)	**22%**	56%
Non-operating loss	Rm	**(3)**	(3)	–	**0%**	n/a
Core profit before tax	Rm	**360**	314	230	**15%**	37%
Core profit after tax	Rm	**281**	240	168	**17%**	43%
Core profit and headline earnings for the year attributable to:		**281**	240	168	**17%**	43%
Ordinary equity holders	Rm	**273**	233	168	**17%**	39%
Non-controlling interests	Rm	**8**	7	–	**14%**	100%
Transaction and other acquisition-related costs	Rm	**–**	22	–	**(100%)**	100%
Core EBITDA (excluding Transaction Capital Business Solutions (TCBS))	Rm	**429**	331	239	**30%**	38%
OTHER INFORMATION						
Depreciation	Rm	**21**	16	9	**31%**	78%
Amortisation of intangible assets	Rm	**29**	21	7	**38%**	>100%

* *Including value added tax (VAT).*

		Year ended 30 September			Movement	
		2018	2017	2016	2018	2017
TCRS *continued*						
SUMMARISED STATEMENT OF FINANCIAL POSITION						
Assets						
Cash and cash equivalents	Rm	**168**	161	72	**4%**	>100%
Loans and advances	Rm	**566**	584	515	**(3%)**	13%
Purchased book debts	Rm	**1 374**	891	728	**54%**	22%
Property and equipment	Rm	**78**	69	30	**13%**	>100%
Intangible assets	Rm	**237**	203	63	**17%**	>100%
Goodwill	Rm	**646**	639	76	**1%**	>100%
Other assets	Rm	**465**	386	195	**20%**	98%
Total assets	Rm	**3 534**	2 933	1 679	**20%**	75%
Liabilities						
Interest-bearing liabilities	Rm	**1 107**	968	558	**14%**	73%
Senior debt	Rm	**1 103**	968	558	**14%**	73%
Finance lease	Rm	**4**	–	–	**100%**	n/a
Group loans*	Rm	**238**	107	230	**>100%**	(53%)
Other liabilities	Rm	**698**	501	285	**39%**	76%
Total liabilities	Rm	**2 043**	1 576	1 073	**30%**	47%
Segment net assets	Rm	**1 491**	1 357	606	**10%**	>100%
FINANCIAL MEASURES						
Total income	Rm	**2 009**	1 660	1 100	**21%**	51%
Non-interest revenue net of amortisation	Rm	**1 720**	1 368	852	**26%**	61%
Core cost-to-income ratio	%	**80.0**	79.3	77.4		
Average cost of borrowing	%	**9.8**	9.7	10.1		
Gearing	times	**2.4**	2.2	2.8		
Core return on average assets	%	**8.6**	9.4	11.3		
Core return on average equity	%	**20.0**	22.2	31.5		
Core return on average assets (excluding TCBS)	%	**10.2**	11.2	15.0		
Core return on sales	%	**14.0**	14.5	15.3		
Average assets	Rm	**3 279**	2 544	1 482	**29%**	72%
Average equity attributable to ordinary equity holders of the parent	Rm	**1 366**	1 051	534	**30%**	97%
Average interest-bearing liabilities	Rm	**1 239**	1 008	701	**23%**	44%
Average book value of purchased book debts	Rm	**1 092**	884	599	**24%**	48%
Employees	number	**3 322**	3 102	2 395	**7%**	30%

* *The total group loans at 30 September 2018 of R238 million (2017: R107 million) are not permanent facilities.*

		Year ended 30 September			Movement	
		2018	2017	2016	2018	2017
TCRS *continued*						
OPERATIONAL MEASURES						
Contingency and fee-for-service (FFS)/principal collections revenue split	%	**63/37**	63/37	47/53		
Face value of purchased books acquired	Rb	**13.6**	5.2	2.6	**>100%**	100%
Price of purchased book debts acquired	Rm	**662**	356	184	**86%**	93%
Asset turnover ratio	%	**51.5**	52.1	71.1		
Estimated remaining collections – 120 months	Rm	**2 989**	1 867	1 461	**60%**	28%
Estimated remaining collections – 96 months	Rm	**2 690**	1 681	1 313	**60%**	28%
TCRS South Africa						
Number of contingency and FFS clients	number	**82**	86	83	**(5%)**	4%
Number of direct staff	number	**2 238**	2 017	2 035	**11%**	(1%)
Call centres	number	**6**	7	6	**(14%)**	17%
Assets under management	Rb	**50.0**	33.2	35.4	**51%**	(6%)
Contingency and FFS	Rb	**27.9**	21.0	16.1	**33%**	30%
Principal	Rb	**22.1**	12.2	19.3	**81%**	(37%)
TCRS Australia						
Number of contingency and FFS clients	number	**44**	41	n/a	**7%**	n/a
Number of direct staff	number	**477**	543	n/a	**(12%)**	n/a
Call centres	number	**3**	3	n/a	**0%**	n/a
Assets under management	Rb	**11.1**	9.6	n/a	**16%**	n/a
Contingency and FFS	Rb	**10.8**	9.6	n/a	**13%**	n/a
Principal	Rb	**0.3**	–	n/a	**100%**	n/a
TCBS						
Gross loans and advances	Rm	**573**	570	497	**1%**	15%
Impairment provision	Rm	**(21)**	(8)	(11)	**>100%**	(27%)
Loans and advances	Rm	**552**	562	486	**(2%)**	16%
SERVICER RATINGS						
Primary Servicer (GCR rated)		**SQ1-(za)**	SQ1-(ZA)	SQ1-(za)		
Special Servicer (GCR rated)		**SQ1(za)**	SQ1(ZA)	SQ1(za)		
ENVIRONMENT: SOUTH AFRICA*						
Credit active consumers (million)	number	**24.6**	24.7	23.9	**(0%)**	3%
Non-performing credit consumers (million)	number	**9.6**	9.7	9.6	**(1%)**	1%
Household debt to income	%	**71.3**	72.6	74.8		
Unemployment rate	%	**27.5**	27.7	27.1		

* *Latest available published information at time of reporting.*

		Year ended 30 September			Movement	
		2018	2017	2016	2018	2017
GROUP EXECUTIVE OFFICE*						
SUMMARISED INCOME STATEMENT						
Net interest income	Rm	**70**	45	70	**56%**	(36%)
Non-interest revenue	Rm	**–**	25	–	**(100%)**	100%
Operating costs	Rm	**(11)**	(12)	(11)	**(5%)**	9%
Profit before tax	Rm	**59**	58	59	**2%**	(2%)
Profit after tax	Rm	**41**	41	41	**0%**	0%
Headline earnings	Rm	**41**	41	41	**0%**	0%
OTHER INFORMATION						
Depreciation	Rm	**1**	1	1	**0%**	0%
SUMMARISED STATEMENT OF FINANCIAL POSITION						
Assets						
Cash and cash equivalents	Rm	**55**	175	443	**(69%)**	(60%)
Property and equipment	Rm	**1**	2	3	**(50%)**	(33%)
Other assets	Rm	**13**	16	89	**(19%)**	(82%)
Total assets	Rm	**69**	193	535	**(64%)**	(64%)
Liabilities						
Interest-bearing liabilities	Rm	**377**	344	437	**10%**	(21%)
Group loans	Rm	**(1 408)**	(1 271)	(1 143)	**11%**	11%
Other liabilities	Rm	**36**	36	11	**0%**	>100%
Total liabilities	Rm	**(995)**	(891)	(695)	**12%**	28%
SEGMENT NET ASSETS	Rm	**1 064**	1 084	1 230	**(2%)**	(12%)
Employees	number	**25**	28	25	**(11%)**	12%

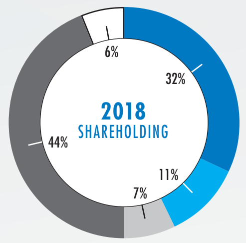
* *Group executive office numbers are presented net of group consolidation entries.*

SHAREHOLDER INFORMATION

SHAREHOLDER ANALYSIS

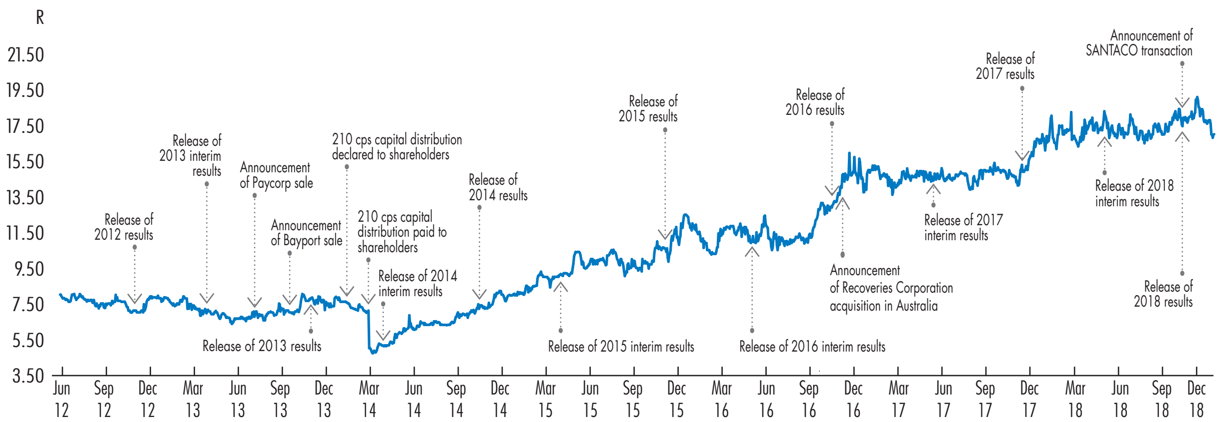
AT 30 SEPTEMBER 2018

	Number of shareholders	Number of shares million	Number of shares %
NON-PUBLIC			
Directors of Transaction Capital, its subsidiaries and their associates	13	195	32
SUB-TOTAL	**13**	**195**	**32**
PUBLIC			
Old Mutual Investment Group	1	68	11
Allan Gray	1	43	7
Remaining institutional shareholders	97	268	44
Retail investors	780	36	6
SUB-TOTAL	**879**	**415**	**68**
TOTAL	**892**	**610**	**100**



- Directors of Transaction Capital, its subsidiaries and their associates
- Old Mutual Investment Group
- Allan Gray
- Remaining institutional shareholders
- Retail investors

TRANSACTION CAPITAL SHARE PRICE PERFORMANCE SINCE LISTING (JUNE 2012)



— Transaction Capital closing share price

PERFORMANCE ON THE JSE LIMITED

1 OCTOBER 2017 – 30 SEPTEMBER 2018

Traded share prices		
Closing	R	**17.69**
High	R	**18.64**
Low	R	**13.65**
Volume weighted average	R	**16.41**
Closing price/net asset value per share	times	**2.61**
Price earnings ratio based on headline earnings for the year	times	**15.84**
Volume of shares traded during the year	units	**117 139 586**
Market capitalisation	Rb	**10.8**

NOTICE OF ANNUAL GENERAL MEETING

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

ACTION REQUIRED

If you are in any doubt as to what action you should take arising from this notice, please consult with your broker, representative/agent/manager, banker, accountant, attorney or other professional advisor immediately.

If you have disposed of all of your shares in Transaction Capital, please forward this notice to the purchaser of such shares or to the broker, CSDP representative/agent/manager, banker, accountant, attorney or other agent through whom the disposal of your Transaction Capital shares was effected.

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 Transaction Capital shares to notify such shareholder of this notice and the annual general meeting.

Transaction Capital

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

NOTICE TO SHAREHOLDERS OF ANNUAL GENERAL MEETING

FOR THE YEAR ENDED 30 SEPTEMBER 2018 AND CONVENED IN TERMS OF SECTION 61(7) OF THE COMPANIES ACT, NO. 71 OF 2008, AS AMENDED ('THE COMPANIES ACT')

Notice is hereby given that the annual general meeting of shareholders of the company will be held in the William Meeting Room, Ground Floor, Transaction Capital, 230 Jan Smuts Avenue, Dunkeld West on Thursday, 7 March 2019 at 09:00 or any other adjourned or postponed date and time determined in accordance with the provisions of sections 64(4) or 64(11)(a)(i) of the Companies Act, as read with the JSE Limited ('JSE') Listings Requirements (the 'JSE Listings Requirements') for the purposes of transacting the business set out below and considering (and, if deemed fit, passing, with or without modification) the ordinary and special resolutions contained in this notice in the manner required by the Companies Act and subject to the JSE Listings Requirements.

Record date to receive notice of annual general meeting	Friday 18 January 2019
Posting date of integrated annual report and notice of annual general meeting	Monday 28 January 2019
Last date to trade to be eligible to attend, participate in and vote at annual general meeting	Tuesday 26 February 2019
Record date to be eligible to attend, participate and vote at annual general meeting	Friday 1 March 2019
Forms of proxy to be lodged preferably by 09:00 on	Tuesday 5 March 2019

This document is important and requires your immediate attention.

Shareholders' attention is drawn to the notes at the end of this notice, which contain important information regarding shareholders' participation at the annual general meeting.

Copies of the integrated annual report containing this notice are available in English only and may be obtained from the date of issue of this notice of annual general meeting until the date of the annual general meeting, both days inclusive, during normal business hours from the registered office of the company and the offices of the transfer secretaries, the addresses of which are set out in the "Administration" section of the integrated annual report and at the end of this notice.

The purpose of the annual general meeting is for the following business to be transacted and for the ordinary and special resolutions set out below to be proposed:

A. AUDITED FINANCIAL STATEMENTS

To present the audited financial statements of the group and the company as envisaged in section 30 of the Companies Act, including the directors' report, external auditor's report and the audit, risk and compliance committee report for the year ended 30 September 2018.

B. ORDINARY AND SPECIAL RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions:

1. ORDINARY RESOLUTION NUMBER 1

RE-ELECTION OF DIRECTOR

Resolved that:

K Pillay, who retires in terms of the company's memorandum of incorporation, and who, being eligible, has offered himself for re-election, be re-elected in terms of section 68(2)(a) of the Companies Act.

2. ORDINARY RESOLUTION NUMBER 2

RE-ELECTION OF DIRECTOR

Resolved that:

R Rossi, who retires in terms of the company's memorandum of incorporation, and who, being eligible, has offered himself for re-election, be re-elected in terms of section 68(2)(a) of the Companies Act.

3. ORDINARY RESOLUTION NUMBER 3

RE-ELECTION OF DIRECTOR

Resolved that:

M Mendelowitz, who retires in terms of the company's memorandum of incorporation, and who, being eligible, has offered himself for re-election, be re-elected in terms of section 68(2)(a) of the Companies Act.

4. ORDINARY RESOLUTION NUMBER 4

ELECTION OF DIRECTOR

Resolved that:

D Radley, who was appointed to the board since the last annual general meeting, retires automatically in terms of the company's memorandum of incorporation at this meeting, and who, being eligible, has offered herself for election, be elected in terms of section 68(2)(a) of the Companies Act.

5. ORDINARY RESOLUTION NUMBER 5

ELECTION OF DIRECTOR

Resolved that:

B Hanise, who was appointed to the board since the last annual general meeting, retires automatically in terms of the company's memorandum of incorporation at this meeting, and who, being eligible, has offered herself for election, be elected in terms of section 68(2)(a) of the Companies Act.

EXPLANATION AND EFFECTS OF ORDINARY RESOLUTION NUMBERS 1 TO 5 – RE-ELECTION OR ELECTION OF DIRECTORS:

In terms of clause 21.2 of the company's memorandum of incorporation, one third of the board of directors ('the board') retire annually by rotation and all directors who have held office for three years since their last election or appointment also retire. All directors retiring at the annual general meeting have indicated their willingness to stand for re-election.

Directors who were appointed subsequent to the last annual general meeting retire at the following meeting. These directors have indicated their willingness to stand for election.

The directors have reviewed the composition of the board and recommend the re-election or election of each of the above-mentioned directors, which will enable the company, *inter alia,* to:

- Responsibly maintain a combination of business skills and experience relevant to the company and the group, and balance the requirements of transformation, continuity and succession planning; and
- Comply with corporate governance requirements, in respect of the balance of executive, non-executive and independent directors on the board.

A brief curriculum vitae of the company directors are set out on pages 32 to 35 of the integrated annual report, of which this notice forms part.

6. ORDINARY RESOLUTION NUMBER 6

APPOINTMENT OF MEMBERS OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE

Section 94(2) of the Companies Act

Resolved that:

D Radley, as an independent non-executive director of the company, who meets the required criteria for a member of the audit, risk and compliance committee stipulated in the memorandum of incorporation of the company and the Companies Act, be elected as a member of the audit, risk and compliance committee, until the next annual general meeting of the shareholders of the company, subject to the provisions of the memorandum of incorporation of the company and the Companies Act (and subject to being elected as a director in terms of the ordinary resolution 4 above).

7. ORDINARY RESOLUTION NUMBER 7

APPOINTMENT OF MEMBERS OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE

Section 94(2) of the Companies Act

Resolved that:

P Langeni, as an independent non-executive director of the company, who meets the required criteria for a member of the audit, risk and compliance committee stipulated in the memorandum of incorporation of the company and the Companies Act, be elected as a member of the audit, risk and compliance committee, until the next annual general meeting of the shareholders of the company, subject to the provisions of the memorandum of incorporation of the company and the Companies Act.

8. ORDINARY RESOLUTION NUMBER 8

APPOINTMENT OF MEMBERS OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE

Section 94(2) of the Companies Act

Resolved that:

C Seabrooke, as an independent non-executive director of the company, who meets the required criteria for a member of the audit, risk and compliance committee stipulated in the memorandum of incorporation of the company and the Companies Act, including the JSE Listings Requirement that he may be a member of the committee despite being the company chairman as long as he does not chair the committee, be elected as a member of the audit, risk and compliance committee, until the next annual general meeting of the shareholders of the company, subject to the provisions of the memorandum of incorporation of the company and the Companies Act.

9. ORDINARY RESOLUTION NUMBER 9

APPOINTMENT OF MEMBERS OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE

Section 94(2) of the Companies Act

Resolved that:

B Hanise, as an independent non-executive director of the company, who meets the required criteria for a member of the audit, risk and compliance committee stipulated in the memorandum of incorporation of the company and the Companies Act, be elected as a member of the audit, risk and compliance committee, until the next annual general meeting of the shareholders of the company, subject to the provisions of the memorandum of incorporation of the company and the Companies Act (and subject to being elected as a director in terms of the ordinary resolution 5 above).

EXPLANATION AND EFFECTS OF ORDINARY RESOLUTION NUMBERS 6 TO 9 – APPOINTMENT OF MEMBERS OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE:

All public companies are required to have an audit committee comprising at least three persons who are independent non-executive directors and eligible in terms of section 94 of the Companies Act. In terms of section 94(2) of the Companies Act, an audit committee must be elected annually at the annual general meeting of a public company. The section 94 requirements of the Companies Act are fulfilled by the audit, risk and compliance committee. It is noted that the independent non-executive chairman of the board is also a member of the audit, risk and compliance committee.

10. ORDINARY RESOLUTION NUMBER 10

APPOINTMENT OF AUDITORS

Sections 90 and 94(7) of the Companies Act

Resolved that:
On recommendation of the audit, risk and compliance committee, as envisaged in section 94(7)(a) of the Companies Act, Deloitte & Touche (with P Stedall as the individual auditor classified as the designated auditor) be re-appointed as the independent external auditors of the company until the conclusion of the next annual general meeting of the company, it being recorded that such appointment be in accordance with the provisions of clause 18 of the company's memorandum of incorporation.

EXPLANATION AND EFFECT OF ORDINARY RESOLUTION NUMBER 10 – APPOINTMENT OF AUDITORS:

In terms of section 90(1) of the Companies Act, a public company is to appoint an auditor each year at its annual general meeting. The effect of this ordinary resolution will be to re-appoint Deloitte & Touche as auditors for the company, with P Stedall as the individual auditor classified as the designated auditor, in accordance with the terms of the company's memorandum of incorporation.

11. ORDINARY RESOLUTION NUMBER 11

NON-BINDING ADVISORY VOTE ON REMUNERATION POLICY

Resolved that:
The company's remuneration policy be and is hereby endorsed by way of a non-binding advisory vote.

12. ORDINARY RESOLUTION NUMBER 12

NON-BINDING ADVISORY VOTE ON REMUNERATION IMPLEMENTATION REPORT

Resolved that:
The company's remuneration implementation report be and is hereby endorsed by way of a non-binding advisory vote.

EXPLANATION AND EFFECT OF ORDINARY RESOLUTION NUMBERS 11 AND 12 – NON-BINDING ADVISORY VOTE ON REMUNERATION POLICY AND REMUNERATION IMPLEMENTATION REPORT:

In accordance with the recommendations of the King IV Report on Corporate Governance™ for South Africa, 2016 as well as the JSE Listings Requirements, the board (with the assistance of the remuneration committee) has presented the remuneration policy and implementation report to shareholders in two separate non-binding advisory votes.

In the event that 25% or more of the votes cast are recorded against either the remuneration policy resolution or the remuneration implementation resolution, or both, then pursuant to paragraph 3.91 of the JSE Listings Requirements, the company will extend an invitation to dissenting shareholders to engage with the company to discuss the reason for their dissenting votes.

The complete remuneration policy and implementation report appears on pages 102 to 115 of the integrated annual report, of which this notice forms part.

13. ORDINARY RESOLUTION NUMBER 13

ISSUE OF SECURITIES FOR ACQUISITIONS IN CIRCUMSTANCES OTHER THAN THOSE COVERED BY SPECIAL RESOLUTION NUMBER 5

Resolved that:
The authorised but unissued ordinary shares in the capital of the company be and are hereby placed under the control and authority of the board until the conclusion of the next annual general meeting, and that the board be and is hereby authorised and empowered to issue such unissued ordinary shares as consideration for acquisitions in any way they may deem fit, subject to:

13.1 The memorandum of incorporation of the company, the Companies Act and the JSE Listings Requirements, where applicable;

13.2 Such issue being an issue only for securities of a class already in issue or where this is not the case, such issue must be limited to such securities or rights that are convertible into securities of a class already in issue; and

13.3 The board's authority in terms hereof is limited to a maximum of 30 593 847 ordinary shares, being approximately 5% of the ordinary shares in issue as at the date of issue of this notice.

EXPLANATION AND EFFECT OF ORDINARY RESOLUTION NUMBER 13 – ISSUE OF SECURITIES FOR ACQUISITIONS IN CIRCUMSTANCES OTHER THAN THOSE COVERED BY SPECIAL RESOLUTION NUMBER 5:

This ordinary resolution number 13 is to obtain a general authority from shareholders authorising the directors to issue authorised (but unissued) ordinary securities for acquisitions in compliance with the memorandum of incorporation of the company, the Companies Act and the JSE Listings Requirements, where applicable. The proposed resolution to issue up to 30 593 847 ordinary shares represents approximately 5% of the issued share capital of the company at the date of this notice.

14. ORDINARY RESOLUTION NUMBER 14

AUTHORITY TO ACT

Resolved that:
Any director of the company or the company secretary, all with the power of substitution, be and is hereby authorised to carry out and to do all such things and matters as may be or are necessary in connection with all resolutions, and which may be required to give effect to such resolutions including, without limitation, being authorised to make, amend and sign all and any such necessary documents, letters, applications, announcements and affidavits as may be required for purposes of and in connection with the resolutions and giving effect to them, and including Companies and Intellectual Property Commission forms that may be required.

EXPLANATION AND EFFECT OF ORDINARY RESOLUTION NUMBER 14 – AUTHORITY TO ACT:

Ordinary resolution number 14 grants authority to any director or the company secretary to carry out, execute all documents and do all such things as he/she may in his/her discretion consider necessary or appropriate in connection with and to implement and give effect to the ordinary and special resolutions.

15. SPECIAL RESOLUTION NUMBER 1

APPROVAL OF NON-EXECUTIVE DIRECTORS' AND COMMITTEE MEMBERS' FEES

Sections 66(8) and 66(9) of the Companies Act

Resolved that:
The following annual fees shall be paid to non-executive directors of the company for their services as directors, audit, risk and compliance committee members and other board committee members, which have been determined by the board through the remuneration committee on a market-related basis (with no additional meeting attendance fees):

	Proposed annual fees* 2019 R	Annual fees 2018 R
DIRECTORS		
Chairman (including membership of four committees)	**1 670 000**	1 590 000
Other directors	**390 000**	371 000
AUDIT, RISK AND COMPLIANCE COMMITTEE**		
Chairperson	**417 000**	397 500
Member	**167 000**	159 000
OTHER BOARD COMMITTEES**		
Chairperson	**279 000**	265 000
Member	**134 000**	127 200
NON-EXECUTIVE DIRECTORS OF SUBSIDIARIES		
Non-executive director of a group subsidiary company (in conjunction with being a non-executive director of Transaction Capital)	**123 000**	116 600

* *The proposed fees are exclusive of VAT, which may become payable thereon depending on the status of the individual director's tax position.*

** *Fees for audit, risk and compliance committee and other board committee members are in addition to board member fees.*

The proposed changes will come into effect from the date of the annual general meeting. This authority shall endure until the earlier of a superseding resolution being passed by shareholders or two years from the date of passing of this resolution.

EXPLANATION AND EFFECT OF SPECIAL RESOLUTION NUMBER 1 – APPROVAL OF NON-EXECUTIVE DIRECTORS' AND COMMITTEE MEMBERS' FEES:

Section 66 of the Companies Act provides that, in order for directors to be remunerated for their services as directors, the remuneration must be in accordance with a special resolution approved by shareholders within the previous two years. The proposed non-executive directors' fees will increase by 5% compared to the prior year.

16. SPECIAL RESOLUTION NUMBER 2

AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 45 OF THE COMPANIES ACT

Section 45 of the Companies Act

Resolved that:

The board may, subject to compliance with the requirements of the company's memorandum of incorporation and the requirements of the Companies Act (including but not limited to the board being satisfied that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in section 4 of the Companies Act) and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company), authorise the company to provide at any time and from time to time during the period of two (2) years commencing on the date of the adoption of this special resolution, direct or indirect financial assistance, including without limitation by way of lending money, guaranteeing a loan or other obligation, securing any debt or obligation, or otherwise, as envisaged in section 45 of the Companies Act to a related or inter-related company or corporation (as such term is defined in section 2 of the Companies Act) or to a member of a related or inter-related corporation, or to a person related to any such company or corporation (subject to the provisions of section 45 of the Companies Act) provided that such financial assistance may be granted up to a limit of R6 billion per transaction on the basis that the aggregate net outstanding financial assistance provided in terms of section 45 of the Companies Act will not at any time exceed R12 billion.

Such authority is to endure for a period of two (2) years following the date on which this resolution is adopted or earlier renewal.

EXPLANATION AND EFFECT OF SPECIAL RESOLUTION NUMBER 2 – AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 45 OF THE COMPANIES ACT:

The reason for special resolution number 2 is to obtain approval from the shareholders of the company to enable the company to provide financial assistance, when the need arises, to one or more related or inter-related companies or corporations (as such term is defined in section 2 of the Companies Act) in accordance with the provisions of section 45 of the Companies Act. The effect of special resolution number 2 is that the company will have the necessary authority to provide financial assistance to the category of potential recipients as and when required but provided that the board will not approve a resolution to authorise such financial assistance unless the directors are satisfied that:

- Immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
- The terms under which the financial assistance is proposed to be given in terms of section 45 are fair and reasonable to the company.

The general authority from shareholders in special resolution number 2 will allow the company to continue giving financial assistance, including, without limitation, making loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances, to one or more related or inter-related companies, subject to the cap on the amount of this financial assistance which may be granted, as contemplated in the special resolution. If approved, this general authority will expire at the end of two (2) years from the date on which this resolution is passed. There is, however, the intention to renew the authority annually at the company's future annual general meetings.

17. SPECIAL RESOLUTION NUMBER 3

AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 44 OF THE COMPANIES ACT

Section 44 of the Companies Act

Resolved that:

The board may, subject to compliance with the requirements of the company's memorandum of incorporation and the requirements of the Companies Act (including but not limited to the board being satisfied that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in section 4 of the Companies Act) and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company), authorise the company to provide, at any time and from time to time during the period of two (2) years commencing on the date of the adoption of this special resolution, direct or indirect financial assistance envisaged in section 44 of the Companies Act, to any present or future subsidiary of the company for the purpose of or in connection with the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company (as such term is defined in section 2 of the Companies Act) or for the purchase of any securities of the company or a related or inter-related company, subject to the provisions of section 44 of the Companies Act, including without limitation by way of loan, guarantees, the provision of security, the giving of indemnities, the giving of warranties, or otherwise, as envisaged in section 44 of the Companies Act.

EXPLANATION AND EFFECT OF SPECIAL RESOLUTION NUMBER 3 – AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 44 OF THE COMPANIES ACT:

The reason for special resolution number 3 is to obtain approval from the shareholders of the company to enable the company to provide financial assistance, when the need arises, to any present or future subsidiary of the company for the purpose of or in connection with the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company (as such term is defined in section 2 of the Companies Act) or for the purchase of any securities of the company or a related or inter-related company in accordance with the provisions of section 44 of the Companies Act. The effect of special resolution number 3 is that the company will have the necessary authority to provide financial assistance as contemplated in section 44 of the Companies Act when required but provided that the board will not approve a resolution to authorise such financial assistance unless the directors are satisfied that:

- Immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
- The terms under which the financial assistance is proposed to be given in terms of section 44 are fair and reasonable to the company.

The general authority from shareholders in special resolution number 3 will allow the company to give financial assistance as envisaged in section 44 of the Companies Act, which includes without limitation, the making of loans, the giving of guarantees, the provision of security, the giving of warranties, the giving of indemnities, or otherwise for the purpose of or in connection with the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company (as such term is defined in section 2 of the Companies Act) or for the purchase of any securities of the company or a related or inter-related company in accordance with the provisions of section 44 of the Companies Act. A general authorisation from shareholders avoids the need to refer each instance to shareholders for approval with the resulting time delays and expense. If approved, this general authority will expire at the end of two (2) years from the date on which this resolution is passed. There is, however, the intention to renew the authority annually at the company's future annual general meetings.

18. SPECIAL RESOLUTION NUMBER 4

GENERAL AUTHORITY TO REPURCHASE SECURITIES

Sections 5.72, 5.68, 5.79 and 11.26 of the JSE Listings Requirements

Resolved that:

The company and/or a present or future subsidiary company are hereby authorised as a general authority, and as permitted in terms of clause 35 of the company's memorandum of incorporation, to repurchase securities issued by the company on such terms and conditions as may be determined by the directors from time to time, subject to the restrictions placed by the Companies Act and the following provisions of the JSE Listings Requirements:

18.1 That the repurchase of securities be effected on the open market through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);

18.2 That this general authority be valid only until the next annual general meeting or for fifteen months from the date of the passing of this resolution, whichever is the earlier date;

18.3 That an announcement be made giving such details as may be required in terms of the JSE Listings Requirements when the company has cumulatively repurchased 3% of the initial number (the number of that class of securities in issue at the time that the general authority is granted by the passing of this special resolution) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter;

18.4 At any point in time the company may only appoint one agent to effect any repurchase on the company's behalf;

18.5 Repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined by the JSE Listings Requirements unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The company will instruct an independent third party, which makes its investment decision in relation to the company's securities independently of, and uninfluenced by, the company prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;

18.6 The general repurchase of securities shall not, in the aggregate, in any one financial year, exceed 20% of the company's issued capital of that class at the beginning of the financial year;

18.7 In terms of the Companies Act, a maximum of 10% in aggregate of the company's issued capital may be repurchased by the subsidiaries of the company;

18.8 The repurchase of securities may not be made at a price greater than 10% above the weighted average of the market value of the securities as determined over the five business days immediately preceding the date on which the transaction is effected. The JSE will be consulted for a ruling if the company's securities have not traded in such five business day period;

18.9 If the company enters into derivative transactions that may or will result in the repurchase of securities in terms of this general authority, such transactions will be subject to the provisions of the JSE Listings Requirements;

18.10 The directors undertake that the company will not commence a general repurchase of shares as contemplated above unless, for a period of 12 months following the date of the repurchase, the following criteria can be met:

- The company and the group will be able to repay its debts in the ordinary course of business;
- The company and the group's assets will be in excess of the liabilities of the company and the group. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Act;
- The share capital and reserves of the company and the group will be adequate for ordinary business purposes; and
- The working capital of the company and the group will be adequate for ordinary business purposes.

18.11 The board must pass a resolution that they authorised the repurchase and that the company and the group have passed the solvency and liquidity test as set out in section 4 of the Companies Act, and that since the test was done there have been no material changes to the financial position of the group; and

18.12 Any general repurchase is subject to exchange control regulations and approvals in place at that point in time.

EXPLANATION AND EFFECT OF SPECIAL RESOLUTION NUMBER 4 – GENERAL AUTHORITY TO REPURCHASE SECURITIES:

The explanation for special resolution number 4 is to grant the board the general authority and requisite approval to enable and facilitate the acquisition by the company and/or a present or future subsidiary of the company of the company's own securities, subject to the provisions of the memorandum of incorporation of the company, the Companies Act and the JSE Listings Requirements. The effect of special resolution number 4 is that the company and/or a present or future subsidiary company is authorised to repurchase its own securities at any time while the general authority exists, in compliance with the provisions of the JSE Listings Requirements, the Companies Act and the memorandum of incorporation of the company. Please see additional information to consider in respect of this special resolution in the section of this notice marked "Additional information, record dates, voting, proxies and electronic participation" on page 145 of this notice of annual general meeting.

This general authority to acquire the company's securities replaces the general authority granted by the shareholders at the previous annual general meeting of the company held on 8 March 2018.

It is recorded that, at present, the board has no specific intention with regard to the utilisation of the general authority which is the subject of special resolution number 4.

19. SPECIAL RESOLUTION NUMBER 5

GENERAL AUTHORITY TO ALLOT AND ISSUE AUTHORISED BUT UNISSUED SECURITIES FOR CASH

Section 5.52 of the JSE Listings Requirements as read with clause 19.9 of the memorandum of incorporation

Resolved that:

The directors are hereby authorised as a general authority, to allot and issue the authorised but unissued securities for cash, upon such terms and conditions and to such persons as they in their discretion may determine, subject to the provisions of the Companies Act, the memorandum of incorporation of the company and the JSE Listings Requirements, provided that:

19.1 The securities be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;

19.2 Securities may only be issued to public shareholders as defined in the JSE Listings Requirements, and not to related parties, unless the JSE agrees otherwise;

19.3 The securities which are the subject of general issues for cash:

19.3.1 In the aggregate may not exceed 5% of the company's equity securities in issue of that class as at the date of the passing of the notice of the annual general meeting, provided that such authorisation be valid only until the next annual general meeting or fifteen months from the date of passing the resolution, whichever is the earlier date; and

19.3.2 In the event of a sub-division or consolidation of the issued equity securities during the period contemplated in the first bullet above, the existing authority must be adjusted accordingly to represent the same allocation ratio.

19.4 Any equity securities issued under this authority during the period must be deducted from the number above;

19.5 The calculation of the listed equity securities is a factual assessment of the listed equity securities as at the date of the annual general meeting, and excludes treasury shares;

19.6 The maximum discount at which such securities may be issued or sold, as the case may be, is 10% of the weighted average traded price of such securities on the JSE over the 30 business days preceding the date that the price of the issue is agreed between the company and the party subscribing for the securities. The JSE will be consulted for a ruling if the company's securities have not traded in such 30 business day period;

19.7 Any such general issues are subject to exchange control regulations and approval at that point in time;

19.8 An announcement giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per security (and if applicable, diluted earnings and diluted headline earnings per security) will be published at the time of any issue representing, on a cumulative basis within a financial year, 5% of the number of securities in issue prior to the issue, in accordance with section 11.22 of the JSE Listings Requirements; and

19.9 This authority includes any options/convertible securities that are convertible into an existing class of equity securities.

EXPLANATION AND EFFECT OF SPECIAL RESOLUTION NUMBER 5 – GENERAL AUTHORITY TO ALLOT AND ISSUE AUTHORISED BUT UNISSUED SECURITIES:

The explanation for special resolution number 5 is to authorise and approve the company's allotment and issue of authorised but unissued securities by the board upon such terms and conditions and to such persons as they in their discretion may determine subject to limitations and other provisions contained herein, in the Companies Act, the memorandum of incorporation of the company and the JSE Listings Requirements.

In terms of the JSE Listings Requirements, in order to be adopted, this resolution is ordinarily passed as an ordinary resolution adopted by achieving a 75% majority of the votes cast. In terms of clause 19.9 of the company's memorandum of incorporation, for so long as the company is listed on the JSE, if any of the JSE Listings Requirements require an ordinary resolution to be passed with a 75% majority, the resolution shall instead be required to be passed by a special resolution. Accordingly, this general authority to issue securities for cash is being obtained as a special resolution.

APPROVAL OF THE PROVISION OF FINANCIAL ASSISTANCE UNDER THE EQUITY PARTNERSHIP TRANSACTION ENTERED INTO BETWEEN SA TAXI FINANCE HOLDINGS PROPRIETARY LIMITED ('SA TAXI', A MAJOR SUBSIDIARY OF TRANSACTION CAPITAL) AND THE SOUTH AFRICAN NATIONAL TAXI COUNCIL ('SANTACO')

Noted that:

Shareholders are referred to the terms announcement relating to the equity partnership transaction entered into between SA Taxi and SANTACO (the 'Transaction') published by Transaction Capital on the JSE Limited's Stock Exchange News Service on 19 November 2018 ('SENS Announcement'). In terms of the Transaction, among other things, a newly established entity of SANTACO (the 'SANTACO SPV') will subscribe for 25% of the total increased issued share capital of SA Taxi, valued at R1.701 billion.

The Standard Bank of South Africa Limited ('SBSA') and Futuregrowth Asset Management Proprietary Limited (acting as an asset manager on behalf of various persons) ('Futuregrowth') will co-fund the Transaction by way of preference shares (as described in point 1 below) to the value of R1.180 billion, with SA Taxi providing R521 million of vendor finance through the issue of a newly created class of shares called Notional Vendor Finance Shares ('NVF Shares') as follows:

1. Futuregrowth and Rapvest Investments Proprietary Limited (being SBSA's nominee) ('Rapvest') will subscribe for preference shares ('Preference Shares') in another newly established entity of SANTACO ('SANTACO Holdco');
2. In turn, SANTACO Holdco will subscribe for ordinary shares in SANTACO SPV and SANTACO SPV will use the subscription proceeds received from SANTACO Holdco to subscribe for ordinary shares in SA Taxi; and
3. SA Taxi will provide vendor finance by issuing NVF Shares to SANTACO SPV.

As per paragraph 8 of the SENS Announcement, if a financial covenant given by SANTACO Holdco and/or SANTACO SPV to Futuregrowth, Rapvest and SBSA (collectively, the 'Finance Parties') in relation to the Preference Shares is breached, TC Corporate Support Proprietary Limited (a wholly-owned subsidiary of Transaction Capital) ('TCCS') undertakes to pay amounts up to an aggregate maximum of R250 million ('Equity Cure Amounts') into a ring-fenced bank account that may be utilised as cash collateral or may be utilised by SANTACO Holdco to redeem all or a portion of the Preference Shares.

The Equity Cure Amounts will be added to the NVF Shares balance and the Equity Cure Amounts may be refunded if a breach in respect of the Preference Shares is remedied.

As security for TCCS' obligations, Transaction Capital intends entering into an agreement entitled *'Transaction Capital Guarantee'* with the Finance Parties after the adoption of special resolutions number 6 and 7 (if such special resolutions are duly passed) (the 'Proposed Financial Assistance Resolutions'), in terms of which, Transaction Capital will guarantee in favour of the Finance Parties the performance by TCCS of its obligations (should they arise) to make payment of the Equity Cure Amounts (the 'Transaction Capital Guarantee').

If the Proposed Financial Assistance Resolutions are not passed by shareholders, with the result that the Transaction Capital Guarantee is not concluded, then the Equity Cure Amounts may be placed into a ring-fenced bank account for the duration of the Transaction (being a period of seven (7) years from the date on which the Finance Parties subscribed for the Preference Shares). Without removing the benefits (financial or otherwise) of the Transaction, the ring-fenced bank account will accrue relatively minimal interest and will thus not create any value for the shareholders of Transaction Capital.

20. SPECIAL RESOLUTION NUMBER 6

APPROVAL OF THE PROVISION OF FINANCIAL ASSISTANCE IN TERMS OF SECTION 44 OF THE COMPANIES ACT UNDER THE EQUITY PARTNERSHIP TRANSACTION ENTERED INTO BETWEEN SA TAXI AND SANTACO

To the extent that the Transaction Capital Guarantee constitutes financial assistance as contemplated in section 44 of the Companies Act, the shareholders hereby approve, as a special resolution in terms of section 44 of the Companies Act, the provision of such financial assistance by Transaction Capital.

EXPLANATION AND EFFECT OF SPECIAL RESOLUTION NUMBER 6 – APPROVAL OF THE PROVISION OF FINANCIAL ASSISTANCE IN TERMS OF SECTION 44 OF THE COMPANIES ACT UNDER THE EQUITY PARTNERSHIP TRANSACTION ENTERED INTO BETWEEN SA TAXI AND SANTACO

This special resolution is required to obtain the requisite shareholder approval, contemplated in section 44 of the Companies Act, for Transaction Capital to provide financial assistance in terms of the Transaction Capital Guarantee (a copy of which shall be tabled for inspection at the annual general meeting) for the purpose of, or in connection with, the subscription of the Preference Shares.

21. SPECIAL RESOLUTION NUMBER 7

APPROVAL OF THE PROVISION OF FINANCIAL ASSISTANCE IN TERMS OF SECTION 45 OF THE COMPANIES ACT UNDER THE EQUITY PARTNERSHIP TRANSACTION ENTERED INTO BETWEEN SA TAXI AND SANTACO

To the extent that the Transaction Capital Guarantee constitutes financial assistance as contemplated in section 45 of the Companies Act, the shareholders hereby approve, as a special resolution in terms of section 45 of the Companies Act, the provision of such financial assistance by Transaction Capital.

EXPLANATION AND EFFECT OF SPECIAL RESOLUTION NUMBER 7 – APPROVAL OF THE PROVISION OF FINANCIAL ASSISTANCE IN TERMS OF SECTION 45 OF THE COMPANIES ACT UNDER THE EQUITY PARTNERSHIP TRANSACTION ENTERED INTO BETWEEN SA TAXI AND SANTACO

This special resolution is required to obtain the requisite shareholder approval, contemplated in section 45 of the Companies Act, for Transaction Capital to provide financial assistance in terms of the Transaction Capital Guarantee (a copy of which shall be tabled for inspection at the annual general meeting) as SA Taxi and TCCS are related to Transaction Capital (as contemplated in section 2 of the Companies Act).

C. REPORT RELATING TO THE SOCIAL AND ETHICS COMMITTEE TO THE ANNUAL GENERAL MEETING

This report is contained on page 9 of the annual financial statements, available on www.transactioncapital.co.za. The chairperson of the committee will be available at the annual general meeting to answer any questions thereon.

D. TRADING UPDATE

A verbal trading update, to be presented by the chief executive officer of the company at the annual general meeting, will simultaneously be released on the Stock Exchange News Service of the JSE.

E. OTHER BUSINESS

To transact any other business that may be transacted at an annual general meeting.

ADDITIONAL INFORMATION, RECORD DATES, VOTING, PROXIES AND ELECTRONIC PARTICIPATION

ADDITIONAL INFORMATION

For the purpose of considering special resolution number 4, and in compliance with paragraph 11.26 of the JSE Listings Requirements, the information listed below has been included in the integrated annual report, of which this notice forms part, at the places indicated:

- Major shareholders – refer to page 134; and
- Share capital of the company – refer to page 54 of the annual financial statements.

The directors, whose names are set out on pages 32 to 35 of this integrated annual report, collectively and individually accept full responsibility for the accuracy of the above information as contemplated in paragraph 11.26 of the JSE Listings Requirements, for the purpose of special resolution number 4, and certify that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading, and that they have made all reasonable enquiries in this regard to ascertain such facts, and that all information required by law and the JSE Listings Requirements is contained herein.

After the last practicable date prior to publishing this notice, being Wednesday, 16 January 2019, there have been no material changes in the financial or trading position of the group that have occurred since 30 September 2018 other than as disclosed in the integrated annual report, of which this notice forms part.

RECORD DATES

The record date on which shareholders must be recorded as such in the register of shareholders of the company for the purposes of receiving notice of this annual general meeting is Friday, 18 January 2019.

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 annual general meeting is Friday, 1 March 2019.

The last day to trade in the company's shares for the purpose of being entitled to attend, participate and vote at the annual general meeting is Tuesday, 26 February 2019.

ATTENDANCE, VOTING AND PROXIES

1. In terms of the JSE Listings Requirements, as read with the Companies Act, 75% of the votes cast by equities securities holders present or represented by proxy at the meeting must be cast in favour of the above special resolutions for them to be approved.
2. In terms of the Companies Act and save where the contrary is specified in this notice, a majority of the votes cast by shareholders present or represented by proxy at the meeting must be cast in favour of the ordinary resolution for it to be approved.
3. In terms of the company's memorandum of incorporation, on a show of hands each shareholder or proxy, as the case may be, who is entitled to vote shall have one vote, irrespective of the number of securities held by that person or proxy, as the case may be. On a poll, every person entitled to vote shall have the number of votes determined in accordance with the voting rights associated with the securities in question which, for clarity, shall be one vote for every ordinary share held.
4. Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration are entitled:
   4.1 To attend, participate and vote at the annual general meeting in person; or alternatively
   4.2 At any time, to appoint any individual, including an individual who is not a shareholder of the company, as a proxy to participate in, speak at and vote at the annual general meeting on behalf of the shareholder by completing the form of proxy, which is attached to this notice, and delivering it as contemplated in paragraph 5 below.
5. The person so appointed need not be a shareholder of the company. Forms of proxy should be (but are not required to be) forwarded to reach the company's transfer secretaries by delivering it to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posting it to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, so as to be received by them preferably by no later than 09:00 on Tuesday, 5 March 2019, to allow for processing of such proxies and the orderly arrangement of matters on the date of the annual general meeting. Any form of proxy not handed to the transfer secretaries at this time may be handed to the chairman of the annual general meeting at any time before the proxy exercises any rights of the shareholder at the annual general meeting.
6. Forms of proxy must only be completed by shareholders who have dematerialised their shares with 'own-name' registration or who have not dematerialised their shares.
7. Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with 'own- name' registration, who are unable to attend the annual general meeting but wish to be represented thereat, must not complete the attached form of proxy, but must instead contact their CSDP representative/agent/manager or broker (as the case may be) in the manner and time stipulated in the agreement entered into by such shareholder and the CSDP or broker (as the case may be) to furnish the CSDP representative/agent/manager or broker (as the case may be) with their voting instructions. In the event that such shareholders wish to attend the annual general meeting, such shareholders should obtain the necessary letter of representation from their CSDP representative/agent/manager or broker (as the case may be).
8. The memorandum of incorporation of the company, in accordance with subsection 62(3)(e)(i) of the Companies Act, restricts the number of proxies that may be appointed to one per shareholder and in accordance with the provisions of subsection 58(3)(b) restricts the ability for a proxy to delegate his/her authority to another person.
9. Before any person may attend or participate in the annual general meeting, the person must present reasonably satisfactory identification in terms of section 63(1)(a) of the Companies Act. The company will regard presentation by a participant of an original valid driver's licence, identity document or passport to be satisfactory identification.

ELECTRONIC PARTICIPATION

Shareholders or their duly appointed proxies will be given the right, as authorised in the memorandum of incorporation and in accordance with the provisions of the Companies Act, to participate by way of electronic communication at the annual general meeting by way of dialling into telephone conference facilities.

Shareholders or their duly appointed proxies who wish to participate by way of electronic communication must apply to the transfer secretaries by completing and submitting the application form (enclosing the documents referred to in the application form) attached to this notice to the transfer secretaries at Computershare Investor Services Proprietary Limited by delivering it to Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posting it to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa or emailing it to theresap@transactioncapital.co.za or by facsimile to fax number +27(0) 11 049 6899, to be received by them by no later than 12:00 on Tuesday, 5 March 2019.

By no later than 14:00 on Wednesday, 6 March 2019, shareholders or their duly appointed proxies will be advised by email, telephone call or text message of the relevant telephone number and access code to allow them to dial in and participate electronically in the annual general meeting.

Shareholders, or their proxies, may not vote electronically. If they wish to vote at the annual general meeting, such parties must complete and deliver the proxy form attached to this notice (and must comply with the notes and instructions contained in the proxy form in this regard) or contact their CSDP representative/agent/manager if they wish to have their vote counted and are not able to attend the meeting in person and vote in person.

Shareholders and their proxies must take note that the cost of the electronic communication facilities will be for the account of the company although the cost of the shareholder's telephone call will be for his/her/its own expense.

By order of the board of directors of the company.

THERESA PALOS
Company secretary
Transaction Capital Limited
28 January 2019

Registered office
Transaction Capital
230 Jan Smuts Avenue
Dunkeld West
Johannesburg
2196

Transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)
South Africa

NOTES TO THE FORM OF PROXY

(Including a summary of rights in terms of section 58 of the Companies Act, 71 of 2008, as amended (the 'Companies Act'))

In terms of section 58 of 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 the annual 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 annual 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 annual 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 annual 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 (or abstain from voting) in place of that shareholder at the annual 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 event that the appointed proxy is unable to act) in the space/s provided with or without deleting "the chairman of the annual 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 annual 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 one (1) 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 annual general meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions, or the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit, in respect of all the shareholder's votes exercisable at the annual general meeting.
5. Completed forms of proxy and the authority (if any) under which they are signed should be (but are not required to be) lodged with or posted to the transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) to be received preferably by no later than 09:00 on Tuesday, 5 March 2019 (48 hours prior to the annual general meeting) to allow for processing of such proxies and the orderly arrangement of matters on the date of the annual general meeting, or handed to the chairman of the annual general meeting at any time before the appointed proxy exercise/s any of the relevant shareholder's rights at the annual general meeting (or at any time before any adjournment or postponement of the annual general meeting).
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of the proxy appointed in terms hereof, should such shareholder wish to do so.
7. The chairman of the annual 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 the company.
8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies. Any insertion, deletion, alteration or correction made to the form of proxy but not complying with the aforegoing will be deemed not to have been validly effected.
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. Section 63(1) of the Companies Act requires that meeting participants provide reasonably satisfactory identification. The company will regard presentation of a participant's original valid driver's licence, identity document or passport to be satisfactory identification.
11. 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 annual general meeting.
12. Where shares are held jointly, all joint shareholders are required to sign this form of proxy.
13. 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.
14. Dematerialised shareholders who do not own shares in 'own-name' dematerialised form and who wish to attend the annual general meeting, or to vote by way of proxy, must contact their CSDP representative/agent/manager, broker or nominee who will furnish them with the necessary letter of representation to attend the annual 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.
15. This form of proxy shall be valid at any resumption of an adjourned or postponed annual general meeting to which it relates, although this form of proxy shall not be used at the resumption of an adjourned or postponed annual general meeting if it could not have been used at the annual 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 annual general meeting, and subject to any specific direction contained in this form of proxy as to the manner of voting.
16. 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 annual general meeting or adjourned annual general meeting at which the proxy is used.
17. Any proxy appointed in terms of this form of proxy may not delegate his/her authority to act on behalf of the relevant shareholder. 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 one (1) year from the date upon which it was signed.

ADMINISTRATION

Share code: TCP
ISIN: ZAE000167391
JSE Limited sector: Financial Services
Listing date: 7 June 2012
Year-end: 30 September
Company registration number: 2002/031730/06
Country of incorporation: South Africa

DIRECTORS

Executive

David Hurwitz (chief executive officer)
Ronen Goldstein (financial director)
Mark Herskovits (executive director: capital management)
Jonathan Jawno (executive director)
Michael Mendelowitz (executive director)

Independent non-executive

Christopher Seabrooke (chairman)
Phumzile Langeni
Kuben Pillay
Diane Radley
Buhle Hanise

Non-executive

Roberto Rossi
Paul Miller

COMPANY SECRETARY AND REGISTERED OFFICE

Theresa Palos
230 Jan Smuts Avenue
Dunkeld West
Johannesburg, 2196
(PO Box 41888, Craighall, 2024)

SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)
(Registration number 1929/001225/06)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, 2196
(PO Box 786273, Sandton, 2146)

LEGAL ADVISERS

Edward Nathan Sonnenbergs Inc.
(Registration number 2006/018200/21)
150 West Street
Sandton, 2196
(PO Box 783347, Sandton, 2146)

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

INDEPENDENT AUDITORS

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

FORMULAE AND DEFINITIONS

ITEM	DEFINITION
After tax credit loss coverage	Provision coverage divided by after tax credit loss ratio.
Asset turnover ratio	Gross principal book revenue expressed as a percentage of average carrying value of purchased book debts.
Average equity attributable to ordinary equity holders of the parent	Sum of equity attributable to ordinary equity holders of the parent at the end of each month from September to September divided by 13.
Average gross loans and advances	Sum of gross loans and advances at the end of each month from September to September divided by 13.
Average interest-bearing liabilities	Sum of interest-bearing liabilities at the end of each month from September to September divided by 13.
Average assets	Sum of assets at the end of each month from September to September divided by 13.
Average cost of borrowing	Interest expense expressed as a percentage of average interest-bearing liabilities.
Capital adequacy ratio	Total equity plus subordinated debt capital less goodwill expressed as a percentage of total assets less goodwill and cash and cash equivalents.
Core cost-to-income ratio	Core operating costs expressed as a percentage of net interest income plus non-interest revenue.
Core headline earnings	Headline earnings excluding transaction and other acquisition-related costs.
Core headline earnings per share	Core headline earnings divided by weighted average number of ordinary shares in issue.
Core operating costs	Operating costs excluding transaction and other acquisition-related costs.
Core profit for the year	Profit for the year excluding transaction and other acquisition-related costs.
Core return on average assets	Core profit for the year expressed as a percentage of average assets.
Core return on average equity	Core profit for the year attributable to ordinary equity holders of the parent expressed as a percentage of average equity attributable to ordinary equity holders of the parent.
Core return on sales	Core profit for the year expressed as a percentage of total income.
Cost-to-income ratio	Total operating costs expressed as a percentage of net interest income plus non-interest revenue.
Credit loss ratio	Impairment of loans and advances expressed as a percentage of average gross loans and advances.
EBITDA	Profit before net interest income, tax, depreciation and amortisation of intangible assets (specifically excluding amortisation of purchased book debts) excluding Transaction Capital Business Solutions.
Effective tax rate	Income tax expense expressed as a percentage of profit before tax.
Estimated remaining collections	Estimated undiscounted value of remaining gross cash collections of purchased book debts, estimated to be recovered over the next 120 months or 96 months.
Gearing	Total assets divided by equity attributable to ordinary equity holders of the parent expressed in times.
Gross loans and advances	Gross loans and advances exclude the value of the written-off book brought back on to the balance sheet.
Gross yield on average assets	Total income divided by average assets.
Gross yield on average gross loans and advances	Total income divided by average gross loans and advances.

FORMULAE AND DEFINITIONS CONTINUED

ITEM	DEFINITION
Headline earnings	Headline earnings is defined and calculated as per the circular titled Headline Earnings as issued by the South African Institute of Chartered Accountants (SAICA) as amended from time to time, currently being basic earnings attributable to ordinary shareholders adjusted for goodwill impairments, capital profits and losses and other non-headline items.
Headline earnings per share	Headline earnings divided by weighted average number of ordinary shares in issue.
Net asset value per share	Equity attributable to ordinary equity holders of the parent divided by number of ordinary shares in issue.
Net interest margin	Net interest income as a percentage of average gross loans and advances.
Non-performing loan coverage	Impairment provision expressed as a percentage of non-performing loans.
Non-performing loan ratio	Non-performing loans expressed as a percentage of gross loans and advances.
Non-performing loans	a) The balance outstanding of loans and advances where the applicable obligor is: > At least 3.5 monthly instalments in arrears; > In respect of which a qualifying payment/s has not been made during the reference period; and where such arrears is due to obligor delinquency. *Qualifying payment: a payment made which is more than 50% of the cumulative instalments due during the reference period.* *Reference period: The preceding three month period ending at the reporting date.*
	b) The value of repossessed stock on hand that has not yet entered the refurbishment facilities.
Pre-provision profit	Profit before tax excluding impairment of loans and advances.
Provision coverage	Impairment provision expressed as a percentage of gross loans and advances.
Return on average assets	Profit for the year expressed as a percentage of average assets.
Return on average equity	Profit for the year attributable to ordinary equity holders of the parent expressed as a percentage of average equity attributable to ordinary equity holders of the parent.
Return on sales	Profit for the year expressed as a percentage of total income.
Risk-adjusted net interest margin	Net interest margin less credit loss ratio.
Structurally subordinated debt	Senior debt issued by a holding company within the group.
Subordinated debt	Debt subordinated by agreement with the lender plus structurally subordinated debt.
Total income	Interest and other similar income plus non-interest revenue.
Weighted average number of ordinary shares in issue	The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the year during which they have participated in the income of the group excluding treasury shares.