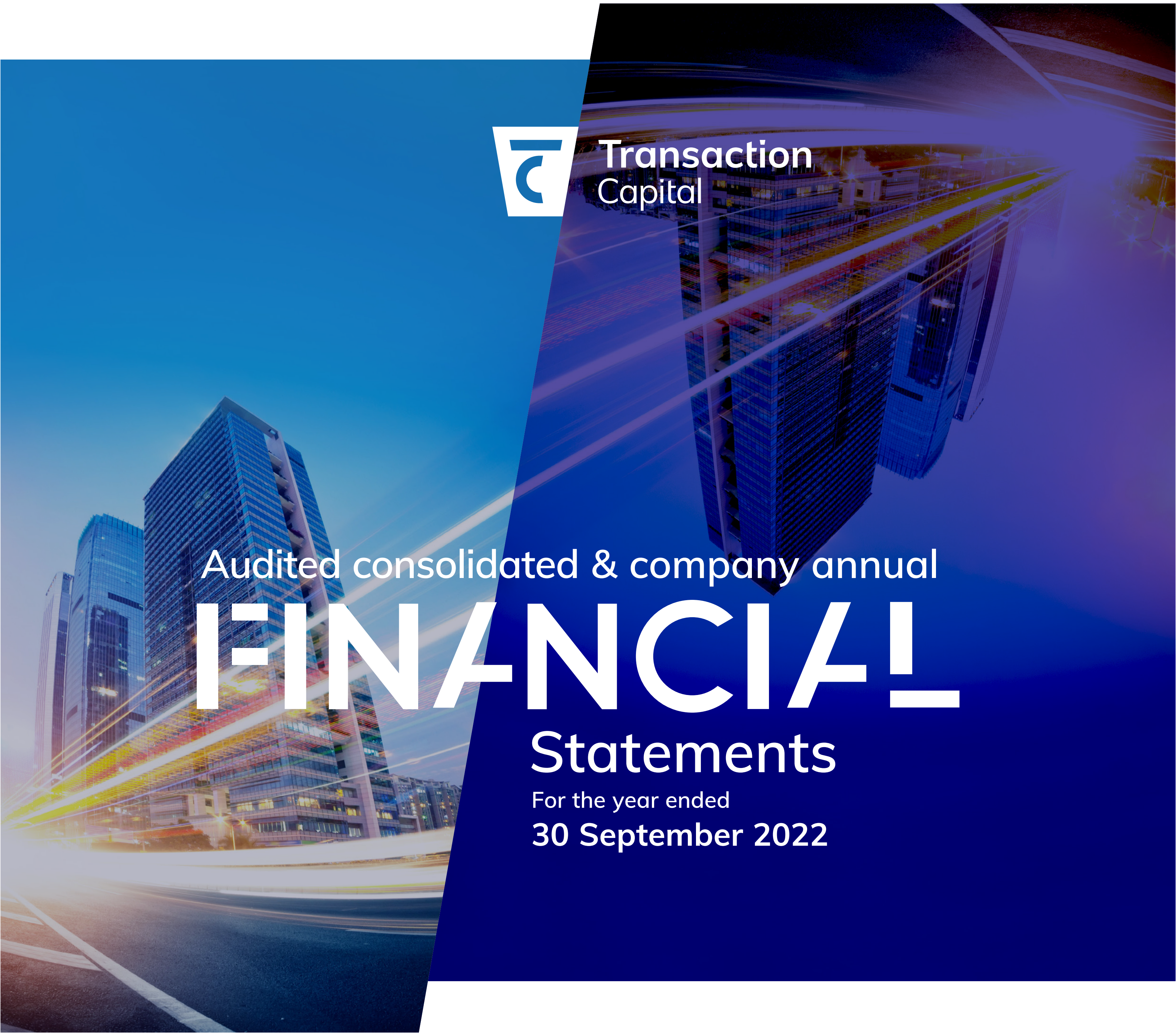

Transaction Capital

Audited consolidated & company annual

FINANCIAL Statements

For the year ended

30 September 2022

10 YEARS AS A LISTED ENTITY

Transaction Capital

Contents

The group and company accounting policies have been disclosed as part of the relevant notes to the financial statements.

The consolidated and company financial statements have been prepared under the supervision of Sean Doherty CA (SA), chief financial officer.

Directors' **responsibility statement**

for the year ended 30 September 2022

The directors of Transaction Capital Limited (Transaction Capital) are responsible for the preparation and fair presentation of the audited consolidated and company annual financial statements in accordance with International Financial Reporting Standards and the Financial Reporting Guides as issued by the Accounting Practices Board and in the manner required by the Companies Act, 71 of 2008 as amended, of South Africa ('Companies Act').

The directors confirm that Transaction Capital is in compliance with the Companies Act and is operating in conformity with the company's memorandum of incorporation.

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

The audited consolidated and company annual financial statements are prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the company and group will not remain a going concern in the year ahead.

The auditors are responsible for reporting on whether the consolidated and company annual financial statements are fairly presented in accordance with the applicable financial reporting framework, and their unmodified report appears on page 13.

Chief executive officer's and chief financial officer's responsibility statement relating to internal financial controls

The Chief Executive Officer and the Chief Financial Officer of Transactional Capital Limited hereby submit the responsibility statement in terms of the JSE Listings Requirement Paragraph 3.84(k) after due, careful and proper consideration of same as follows:

The CEO and CFO, whose names are stated below, hereby confirm that:

- the annual financial statements set out on pages 16 to 165, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls.
- where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.

Approval of audited consolidated and company annual financial statements

- The annual financial statements on pages 16 to 165 were approved by the board of directors on 15 November 2022, and are signed on their behalf by:

David Hurwitz
Chief executive officer

Sean Doherty
Chief financial officer

Company **secretary's certificate**

for the year ended 30 September 2022

I hereby certify that, to the best of my knowledge and belief, the company has filed all such returns and notices as is required of a public company in terms of the Companies Act, 71 of 2008 as amended of South Africa ('Companies Act'), with the Companies and Intellectual Property Commission ('CIPC') for the financial year ended 30 September 2022, and that all such returns and notices appear to be true, correct and up to date.

Lisa Lill

Lisa Lill

Company secretary

15 November 2022

Transaction Capital

Directors' **report**

for the year ended 30 September 2022

Nature of business

The company is an investment holding company owning a portfolio of operating subsidiaries, operates a group treasury function and provides a group management function to its divisions. The company's issued ordinary shares are listed on the Johannesburg Stock Exchange, with a secondary listing on A2X Markets.

The group operates in three market verticals: SA Taxi, Nutun Digital Business Services group (Nutun) (previously known as Transaction Capital Risk Services (TCRS)) and the WBC group (WeBuyCars). TCRS was rebranded to Nutun Digital Business Services during the current year. The nature of the business of the main operating subsidiaries and a review of each is set out in the group profile on the company website at www.transactioncapital.co.za. The segment report can be found in note 46 of the consolidated annual financial statements.

Financial results

The results of the company and the group are set out in the annual financial statements on pages 16 to 165.

Directorate and company secretary

Suresh Kana was appointed as chairman of the social and ethics committee on 1 October 2021.

Albertinah Kekana was appointed as a member of the social and ethics committee with effect from 1 October 2021.

Sharon Nayger resigned as company secretary with effect from 30 November 2021. Lisa Lill was appointed as company secretary from the same date.

Christopher Seabrooke will retire as independent non-executive chairman of the board and as chairman of the nominations committee with effect from 31 December 2022. He will also step down as a member of the asset and liability committee from this date and will be an invitee going forward. He will continue on the board as a non-executive director and as a member of the nominations and remuneration committees. He will be appointed as a member of the audit committee with effect from 31 December 2022.

Ian Kirk will be appointed as chairman of the board with effect from 31 December 2022. He will also assume the role of chairman of the nominations committee with effect from 31 December 2022. He will step down as a member of the audit committee but remains a permanent invitee from this date. Ian Kirk continues as a member of the remuneration committee, asset and liability committee and continues to chair the risk and technology committee.

No further appointments or resignations occurred during the year.

Interest of directors in the company's shares

The direct and indirect interests of the directors (and their associates) in the ordinary shares of the company at the end of the financial year, categorised as beneficial and non-beneficial, are as follows:

	2022		2021	
	Number of shares '000	**Shareholding %**	**Number of shares '000**	**Shareholding %**
Indirect beneficial holdings of directors				
Dovie Trust[1]	**3 799**	**<1**	3 597	<1
Pilatucom Holdings Limited[2]	**109 000**	**14.39**	72 667	10.27
Rutland Trust[3]	**–**	**–**	36 333	5.13
Sabvest Limited[4]	**5 000**	**<1**	8 000	1.13
Direct beneficial holdings of directors				
Sean Doherty	**27**	**<1**	–	–
Mark Herskovits	**1 635**	**<1**	1 603	<1
Albertinah Kekana	**8**	**<1**	8	<1
Diane Radley	**10**	**<1**	10	<1
Sharon Wapnick[5]	**82**	**<1**	82	<1
Total	**119 561**		122 300	
Percentage of issued shares	**15.79%**		17.26%	

1 *David Hurwitz is a discretionary beneficiary of Dovie Trust. The shares have been pledged as security for a finance facility.*
2 *Jonathan Jawno, Michael Mendelowitz and Roberto Rossi are discretionary contingent beneficiaries of Pilatucom Holdings Limited. The shares have been pledged as security for a finance facility.*
3 *Michael Mendelowitz was a trustee and discretionary contingent beneficiary of Rutland Trust.*
4 *Christopher Seabrooke is the chief executive officer of Sabvest Limited.*
5 *Of these, 21 800 shares are held by associates of Sharon Wapnick.*

Other than as indicated above, none of the direct or indirect shareholdings of any of the directors has been encumbered pursuant to security, guarantee, collateral or otherwise.

Changes in interests of directors

In May 2022, Sean Doherty received 107 889 shares as part of Transaction Capital's conditional share plan. He sold 80 918 shares during June 2022.

In November 2021, David Hurwitz (discretionary beneficiary of the Dovie Trust) received 202 030 shares as part of Transaction Capital's conditional share plan. These shares are held in the Dovie Trust.

In November 2021, Mark Herskovits received 112 234 shares as part of Transaction Capital's conditional share plan. He sold 80 234 shares during November 2021.

In November 2021, Sabvest Limited (of which Christopher Seabrooke is the chief executive) sold 2 000 000 shares. An additional 1 000 000 shares were sold in January 2022.

The Rutland Trust (of which Michael Mendelowitz is a discretionary beneficiary) disposed 36 333 333 shares to Pilatucom Holdings Limited ('Pilatucom'). Mr Mendelowitz is a contingent discretionary beneficiary of Pilatucom.

There have been no changes in the interests of the directors between 30 September 2022 and the date of approval of these annual financial statements.

Dividends

Transaction Capital's ordinary dividend policy remains 2 to 2.5 times. Following the interim dividend of 33 cents per share, the board resolved to declare a final gross cash dividend to shareholders of 37 cents per share at a rate of 2.4 times cover based on the second half's earnings. This brings the total dividend per share for the 2022 financial year to 70 cents at a rate of 2.5 times cover.

Consolidated share capital

The authorised and issued share capital is detailed in note 27 of the annual financial statements.

The following changes took place during the year under review:

	2022		2021	
	Number of shares '000	**Value of shares R'000**	**Number of shares '000**	**Value of shares R'000**
Balance at the beginning of the year	**708 431**	**3 464 463**	661 496	2 014 897
Shares issued in settlement of the Conditional Share Plan*	**2 353**	**96 141**	906	22 303
Equity raised through the open market	**–**	**–**	12 400	248 000
Shares issued to subsidiaries**	**10 527**	**356 133**	536	20 000
Equity raised through accelerated bookbuild***	**36 056**	**1 262 732**	33 093	1 159 263
Balance at the end of the year	**757 367**	**5 179 469**	708 431	3 464 463

* *In terms of specific authority received from shareholders on the adoption of the Transaction Capital Conditional Share Plan, a total of 2 353 523 shares were issued to participants/employees as part of respective vestings at an average price of R40.85 per share.*

** *On 5 October 2021 Transaction Capital issued 10 526 971 shares to Transaction Capital Motor Holdco (Pty) Ltd (TCMH) at an average price of R33.83 per share (before share issue costs) in respect of the acquisition of the additional 25% interest in the WBC group. The 10 526 971 shares were in turn transferred to WBC Holdings (Pty) Ltd (WBC Holdings) and certain of the previous shareholders in WBC Holdings as part of the settlement by TCMH of the purchase price. WBC Holdings distributed the shares paid to it to previous shareholders through a dividend declared which was declared prior to TCMH's acquisition of the investment.*

*** *On 9 September 2022 Transaction Capital raised equity in the form of 36 055 520 shares through the issue of new ordinary shares to qualifying investors through an accelerated bookbuild. The ordinary shares were priced at R35.50 per share (before share issue costs), a 3.9% and 7.5% discount to the pre-launch close price of R36.95 and the 30 business day volume weighted average price of R38.36 respectively, as at the market close on 8 September 2022. The equity raise was completed under the company's general authority to issue shares for cash approved by Transaction Capital shareholders at the annual general meeting of the company held on 10 March 2022.*

All Rand value amounts for share capital issued are net of share issue costs.

Special resolutions passed

The following special resolutions were approved during the year under review:

- Approval of non-executive directors' and committee members' fees.
- Authority to provide financial assistance in terms of section 45 of the Companies Act.
- Authority to provide financial assistance in terms of section 44 of the Companies Act.
- Annual general authority to repurchase securities.
- Annual general authority to allot and issue authorised but unissued securities for cash.

Borrowings

The memorandum of incorporation of the company does not place any restrictions on the borrowing powers of the company or the group. Details of borrowings at the end of the financial year are set out in note 24 to the consolidated annual financial statements.

Litigation

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

Subsidiaries

Details of subsidiaries and of changes in holdings are set out in note 18 to the company financial statements.

Subsequent events

Transaction Capital, through its wholly-owned subsidiary Recoveries Corporation Holdings (Pty) Ltd (RCH) acquired the receivable collections business of Milton Graham (MG) from Illion with effect from 2 November 2022. MG is a leading collection services platform with complimentary operations in both Australia and New Zealand. Provisional accounting for the business acquisition had not been concluded prior to the issue of these consolidated financial statements.

No other events which would have a material impact on either the financial position or operating results of the company have taken place between 30 September 2022 and the date of release of this report.

Employee incentive schemes

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

Transaction Capital Conditional Share Plan (CSP)

The CSP was approved by shareholders at a general meeting held on 20 October 2016. The first issue of CSPs was awarded in November 2016. All awards are subject to remuneration committee approval.

It is believed 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 a value. Further disclosure relating to the CSP is set out in note 37 of the consolidated financial statements.

Audit **committee report**

for the year ended 30 September 2022

The responsibilities of the audit committee are set out in the Companies Act, 71 of 2008 as amended (the 'Act'), Transaction Capital's Memorandum of Incorporation, the King Code on Corporate Governance (King IV) and the JSE Listings Requirements. The audit committee's terms of reference are reviewed annually and approved by the board.

Composition

At 30 September 2022, the audit committee comprised of four independent non-executive directors, all of whom are financially literate and have adequate financial and commercial experience to fulfil their roles as members. The committee meets five times per year, with two members of the audit committee forming a quorum.

At the date of this report, the audit committee comprised of:

- Diane Radley (chairperson)
- Buhle Hanise
- Suresh Kana
- Ian Kirk

The external auditors attend all audit committee meetings and separate meetings may be held with the audit committee to afford the external auditors the opportunity to meet with the audit committee without the presence of management.

Representatives from internal audit attend all audit committee meetings and are similarly afforded the opportunity of separate meetings with the audit committee. The group internal audit executive has a functional reporting line to the committee chairperson and an administrative reporting line to the chief financial officer.

The audit committee members assess the effectiveness of the audit committee and the audit committee chairman on an annual basis.

Members of the audit committee are elected annually at the company's annual general meeting by the group's shareholders on recommendation from the board and nominations committee. The board may remove members of the audit committee and must fill vacancies within 40 business days.

Access to training is provided on an ongoing basis to assist members in discharging their duties.

Roles and responsibilities

The key functions and responsibilities of the audit committee, as outlined in the audit committee's terms of reference, include oversight of:

The preparation of financial reporting

- Ensure appropriate financial reporting procedures are established and operating effectively; including the consideration of all entities included in the consolidated group financial statements, to ensure it has access to all the financial information to allow the group to effectively prepare and report on the financial statements;
- Review of the annual financial statements, accounting practices and policies, internal financial controls and reports; and
- Review and consider the findings of the annual JSE proactive monitoring report, and ensure that appropriate action is taken.

Combined assurance

- Monitor the appropriateness of the intended combined assurance model to provide a coordinated approach to all assurance activities;
- Review the skills, resources and experience of the company's finance function annually and report the results in the integrated annual report; and
- Review the suitability of the skills and experience of the chief financial officer.

Roles and responsibilities continued

Internal audit

- Review the independence, performance and effectiveness of the internal audit process and ensure that it has the necessary resources, budget, standing and authority to discharge its functions;
- Ensure that the internal audit function is periodically subject to an independent quality review to ensure that it remains effective; and
- Review the suitability of the skills and experience of the internal audit executive.

External audit

- Recommend the external auditor for appointment by the shareholders;
- Approve the external auditor's engagement terms, including remuneration;
- Monitor the relationship between the external auditor and management;
- Report on the independence of the external auditor in the annual financial statements;
- Define a policy for non-audit services provided by the external auditor and pre-approve contracts for non-audit services outside this policy;
- Review the performance and effectiveness of the external audit process;and
- Review the Independent Regulatory Board of Auditors (IRBA) Inspection Findings Report to evaluate the engagement team's independence, competency, capacity and risk focus of the auditors.

Governance

- In liaison with external and internal audit, review the developments in corporate governance and best practices and consider their impact and implication for the businesses' processes and structures;
- Be available at all times to advise the chairman of the board on queries relating to the financial affairs and internal controls; and
- Oversee matters relating to accounting practices, internal control, content or audit of the financial statements, internal financial controls and any related matters.

Risk

- Oversee the management of:
  - Tax risks;
  - Financial reporting risks;
  - Internal financial controls; and
  - Fraud risks relating to financial reporting.

Accounting

- Make submissions to the board on accounting policies, financial controls, records and reporting.

Formation of tax sub-committee

The tax sub-committee (the 'committee') was formed on 1 October 2022. The committee consists of the following members who were all appointed on 1 October 2022:

- Chris Seabrooke (Chair)
- Diane Radley
- Jonathan Jawno

The committee was established to oversee the adoption, publication and adherence of/to the group tax strategy which provides guidance on the principles to be applied in managing the group's tax affairs as well as the commitment to tax transparency.

Requirements of the Act

- The audit committee assumes responsibility for all subsidiary companies that do not have their own audit committees. Responsibilities include reviewing the formalised processes and controls followed on behalf of subsidiaries.

The audit committee confirms that it has adopted appropriate formal terms of reference to discharge its responsibilities, has regulated its affairs and has discharged all of its responsibilities as contained therein.

Annual confirmations

Having considered, analysed, reviewed and debated information provided by management, internal audit and external audit; the audit committee confirms that:

- The internal financial controls of the group have been effective in all material aspects throughout the year under review;
- These controls have ensured that the group's assets have been safeguarded;
- The chief financial officer's expertise and experience is deemed appropriate;
- Appropriate financial reporting procedures have been established and are operating effectively;
- The group has complied in all material respects with the implemented risk management policy during the year under review;
- Resources have been utilised efficiently;
- The skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and it recommends their re-appointment in 2023; and
- It has confirmed the suitability of the appointment of the current audit firm and the designated individual partner with the audit firm, having obtained information as required by the JSE Listings Requirements.

The internal auditors have reviewed the controls over financial reporting and presented their findings to the audit committee. During the current financial year, management identified no significant deficiencies in internal control over financial reporting either through the control self-assessment process or direct testing of results. The CEO and CFO's evaluation of controls included:

- The identification and classification of risks including the determination of materiality;
- Utilising internal audit to test the design adequacy and operating effectiveness of controls addressing high risk areas;
- Obtaining control declarations from divisional managers on the operating effectiveness of all controls on a quarterly basis; and
- Developing remediation plans to address control deficiencies identified. The audit committee has discussed and documented the basis for its conclusion, which includes discussions with internal and external auditors as well as management.

Conclusions on roles and responsibilities

Finance function

The audit committee has satisfied itself to the appropriateness of the expertise and experience of the chief financial officer and finance function for the year under review.

Risk management

The audit committee and risk and technology committee have satisfied themselves to the risk management processes within the group and the effectiveness thereof.

External audit

In terms of the requirements of Mandatory Audit Firm Rotation, as instituted by the Independent Regulatory Board of Auditors ("IRBA"), Transaction Capital Limited will undergo a managed transition to new external auditors for the financial year ending 30 September 2024. The current responsible audit partner, Stephen Munro, has been on the Transaction Capital audit for three years and the other key audit partners, Lito Nunes and Patrick Kleb, for one year.

The audit committee, in consultation with executive management, agreed to an audit fee for the year under review. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 34 to the consolidated annual financial statements. In addition, the audit committee has approved a policy for non-audit services provided by the external auditors, is comfortable that non-audit services performed during the year have been reasonable and that this has not impacted on the independence of the external auditors.

The audit committee has reviewed the external auditor's report and is satisfied with the performance and effectiveness of the external audit process.

Internal audit

The audit committee has satisfied itself of the independence, performance and effectiveness of the internal audit process. The audit committee has considered and recommended the internal audit charter for approval by the board, which has so approved it.

The internal audit function will be subject to an independent quality review in 2023. The previous review was performed in 2016 and the function was found to generally conform to the International Standards for the Professional Practice of Internal Auditing with no material findings being noted.

The committee is satisfied with the arrangement and level of combined assurance provided by the internal and external audit functions.

Conclusions on roles and responsibilities continued

Going concern

The going concern assertion of the group, as prepared by management, was reviewed by the audit committee and recommended to the board.

Annual financial statements

The audit committee:

- Reviewed the audited annual financial statements after interrogation with management, the external auditors and the internal auditors;
- Reviewed the external auditor's management letter and management's response thereto;
- Reviewed adjustments resulting from external audit queries and accepted any unadjusted audit differences; and
- Received and considered reports from the internal auditors.

The external audit report meets the requirements of International Auditing and Assurance Standards Board ('IAASB'). The audit opinion listed key audit matters in which areas of judgement have been applied, and how these matters have been addressed as part of the audit process. In this regard, the committee has obtained comfort on areas in which management has applied judgement by:

- Interrogating management on methodologies applied to areas of judgement and being kept appraised on changes to methodologies applied (where applicable);
- Reviewing back-tests results on areas of judgement, with satisfying results;
- Receiving detailed feedback from the auditors on their testing performed on areas of judgement; and
- Reviewing disclosure in the annual financial statements with regards to areas of judgement.

The committee concurs with and accepts the external auditor's report on the annual financial statements and has recommended the approval thereof to the board, which has subsequently approved the annual financial statements. These will be open for discussion at the forthcoming annual general meeting.

Conclusion

The audit committee is satisfied that it has fulfilled all its statutory duties, including those prescribed by the Companies Act, and those assigned to it by the board during the year under review in relation to its terms of reference.

Diane Radley
Audit committee chairperson

15 November 2022

Risk and technology **committee report**

for the year ended 30 September 2022

At 30 September 2022, the risk and technology committee (the 'committee') comprised of the following independent members:

- Ian Kirk (chairman)
- Diane Radley
- Suresh Kana

The committee has adopted terms of reference as its charter and has regulated its affairs in compliance with this and has discharged all of the responsibilities therein. The committee met four times during the year.

The committee was established to perform the statutory functions required to address risk and IT governance in terms of the King IV Report on Corporate Governance for South Africa, 2016 (King IV).

The key functions and responsibilities of the risk and technology committee, as outlined in the risk and technology committee's terms of reference, include oversight of:

IT governance

The Committee will ensure that IT is suitably aligned with the company's objectives, and in particular the committee should:

- Consider the company's IT risks and the adequacy of related controls;
- Ensure that the Company has adequate business resilience arrangements in place to identify and respond to incidents (including disaster recovery, cyber-attacks and adverse social media events);
- Monitor and evaluate significant IT investments and expenditure;
- Ensure that the company takes full advantage of the use of IT;
- Ensure that the company is compliant with respect to IT laws and applicable rules, codes and standards;
- Where appropriate, obtain independent assurance on the effectiveness of the IT internal controls for outsourced and non-outsourced IT services;
- Ensure that systems are in place for the management of information such that:
  - all personal information is identified and managed appropriately in accordance with applicable laws; and
  - ensure that the intellectual property built into IT is protected.

Risk

- Oversee the development and annual review of a policy and plan for risk management;
- Monitor implementation of the policy and plan for risk management;
- Ensure that continuous risk monitoring by management takes place within the levels of risk tolerance approved by the board;
- Oversee that the risk management plan is widely disseminated throughout the company and integrated in the day-to-day activities of the company;
- Ensure that risk management assessments are performed on a continuous basis;
- Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- Ensure that management considers and implements appropriate risk responses;
- Ensure that continuous risk monitoring by management takes place;
- Ensure proactive monitoring of intelligence to identify and respond to incidents, including cyber-attacks and adverse social media events;
- Express the committee's opinion to the board on the effectiveness of the system and process of risk management; and
- Review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant.
- Oversee the management of:
  - Information and technology risks and
  - Compliance risks

Compliance

- The risk and technology committee has oversight of compliance with applicable laws and regulations

I Kirk

Ian Kirk
Risk and technology committee chairman

15 November 2022

Social and ethics **committee report**

for the year ended 30 September 2022

At 30 September 2022, the social and ethics committee (the 'committee') comprised of the following members:

- Suresh Kana (chairman)
- Albertinah Kekana
- David Hurwitz
- Kuben Pillay
- Roberto Rossi

The committee has adopted terms of reference as its charter and has regulated its affairs in compliance with this, and has discharged all of the responsibilities set out therein.

The committee was established to assist the board in ensuring that Transaction Capital is and remains a good and responsible corporate citizen, and to perform the statutory functions required of a social and ethics committee in terms of the Companies Act, 71 of 2008 as amended of South Africa ('Companies Act') and the King IV Report on Corporate Governance for South Africa, 2016 (King IV).

The committee monitors relevant legislation and other legal requirements or prevailing codes of best practice, specifically with regard to matters relating to social and economic development, good corporate citizenship, transformation, the environment, health and public safety as well as labour and employment. The committee met four times during this financial year.

Key focus areas for the committee for the year under review included:

- Transformation, and particularly employment equity;
- Implementing the ethics functions across the group;
- Developing and implementing the company's environmental, social and economic impact framework, which provides an objective and balanced account of the company's sustainability impact and facilitates the communication of its shared value creation to stakeholders;
- Staff wellness and mental wealth.

Conclusion

The company has the necessary policies and programmes in place to advance social and economic development, sound ethical behaviour, fair labour practices, responsible environmental practices and good customer relations. The committee confirms that the company gives the necessary attention to its transformation, social and ethics responsibilities and has complied with the company's MOI and regulatory requirements. The committee is satisfied that it discharged its responsibilities set out in its terms of reference during the year.

S Kana

Suresh Kana
Social and ethics committee chairman

15 November 2022

Independent **auditor's report**

To the Shareholders of Transaction Capital Limited

Report on the Audit of the Consolidated and Company Financial Statements

Opinion

We have audited the consolidated and company financial statements of Transaction Capital Limited (the Group and Company) set out on pages 16 to 165, which comprise the consolidated and company statements of financial position as at 30 September 2022, and the consolidated income statement, the consolidated and company statements of comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and company financial statements present fairly, in all material respects, the consolidated and company financial position of Transaction Capital Limited and its subsidiaries as at 30 September 2022, and its consolidated and company financial performance and consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Company Financial Statements section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have not identified key audit matters in respect of the company financial statements.

Key Audit Matter	How the matter was addressed in the audit
Significant estimates and judgements included in the SA Taxi loans and advances credit impairment model	
Loans and advances, which represent 37% of total assets, and the associated impairment provisions are significant in the context of the consolidated financial statements. The determination of impairment provisions for expected credit losses (ECL) requires significant judgement, and we have identified the audit of ECL impairment provisions to be a key audit matter. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus are: ▷ Determination of expected credit losses: probability of default (PD) and the loss given write-off (LGW). Key aspects of the LGW involving estimation include recovery value after repair costs, time to default (TTD) and time to repossession (TTR); ▷ Repair cost methodologies in determining cost to repair salvaged vehicles as these impacts both the expected losses and repossessed inventory valuation; and ▷ Motor Vehicle Inflation (MVI) assumption supporting the vehicle assessment value as estimated at the date of repossession (buy-price).	With the support of our internal quantitative and credit modelling specialists, our procedures included: ▷ Assessing the design and implementation of relevant controls and assessing the governance structures in place; ▷ Assessing management's model methodology specific to PD, LGW's, TTD, TTR, repair cost methodologies; ▷ Testing the accuracy of the model by independently recalculating the input parameters; ▷ Testing completeness and accuracy of data used in the model; ▷ Performing exploratory analytics and benchmarking to assess the reasonability of managements assessments and judgments; ▷ Challenging management's assumptions and judgements by independently assessing externally verified assumptions, as well as assessing the historic data to support the judgments and assumptions made; ▷ Assessing the reasonability of ECL adjustments applied within the base model, as well as the requirement for any potential out-of-model adjustments; and ▷ Assessing the sufficiency of the disclosures made surrounding credit impairment and the data used by management in the preparation of the disclosures. We found the model, its inputs and methodology applied to be reasonable and the overall ECL to be appropriate. We found the disclosures relating to the expected credit loss on loans and advances, as presented in notes 5, 10 and 43 the key judgements and estimates applied in the determination thereof, to be appropriate and in accordance with the relevant accounting standards.

Report on the Audit of the Consolidated and Company Financial Statements continued

Key Audit Matters continued

Key Audit Matter	How the matter was addressed in the audit
Re-calibration of the amortised cost model and fair value assumptions for Nutun Holdings	
Within the Nutun Holdings business, the principal collections business purchases credit impaired assets for subsequent collection. These are classified as Purchased Originated Credit Impaired Assets under IFRS 9 *Financial Instruments* (IFRS 9) and are disclosed in note 11. IFRS 9 requires that projected future cashflows include forward-looking information (FLI) with regard to expected, rather than just incurred, credit losses. Management re-calibrate the amortised cost and fair value models' assumptions on an ongoing basis, incorporating the most recent available collection data and expectations on FLI which could impact on future collection levels. A higher level of management judgement is required in considering the representativeness of historical data and how FLI is taken into account within the models and whether any additional 'out of model adjustments' are required where the models do not cater for all of the potential impact. The assumptions relating to the timing and extent of expected future collections are considered to be a key audit matter due to the extent of judgement and/or estimation applied.	With the support of our internal quantitative and credit modelling specialists, our procedures to assess the re-calibration of the amortised cost and fair value model assumptions included an assessment of: ▷ The design and implementation of relevant controls and assessing the governance structures in place; ▷ The model methodology in light of IFRS 9 requirements; ▷ The accuracy of the model by independently recalculating the input parameters and results; ▷ The valuation of the purchased debt portfolios by developing independent estimates using challenger models, where appropriate; ▷ The completeness and accuracy of data used in the models and in the out of model adjustment calculations; and ▷ The assumptions applied by management in determining the impact of FLI on the timing and extent of expected future collections. We found the models, the inputs and methodology applied to be reasonable and appropriate. We also found the assumptions applied by management to FLI to be appropriate. We found the disclosures relating to the financial instruments as presented in notes 5, 11 and 43, and the key judgements and estimates applied in the determination thereof, to be appropriate and in accordance with the underlying accounting standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the documents titled Transaction Capital Audited Consolidated and Company Annual Financial Statements for the year ended 30 September 2022, which includes the Company Secretary's Certificate, the Directors' Report and the Audit Committee's report, as required by the Companies Act of South Africa, the Risk and Technology Committee's Report and the Social and Ethics Committee's report, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and company financial statements and our auditor's report thereon.

Our opinion on the consolidated and company financial statements does not cover the other information and we will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Company Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Report on the Audit of the Consolidated and Company Financial Statements continued

Auditor's Responsibilities for the Audit of the Consolidated and Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Transaction Capital Limited for 14 years.

DocuSigned by:

Deloitte & Touche

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Deloitte & Touche
Registered Auditor
Per: Stephen Munro
Partner

15 November 2022

5 Magwa Crescent, Waterfall City, Waterfall, South Africa

Transaction Capital

Consolidated statement of **financial position**

at 30 September 2022

	Notes	2022 Rm	2021 Restated* Rm
Assets			
Cash and cash equivalents	6	**1 478**	2 236
Other investments	7	**1 426**	–
Tax receivables		**28**	30
Trade and other receivables**	8	**1 923**	1 376
Inventories	9	**3 790**	2 477
Assets classified as held for sale	19	**371**	98
Leased assets	25	**11**	17
Loans and advances	10	**14 962**	13 305
Purchased book debts	11	**4 208**	3 441
Other loans receivable	12	**126**	65
Derivative assets**	13	**693**	101
Equity accounted investments	14	**1 097**	301
Intangible assets	15	**3 336**	3 237
Property and equipment	16	**1 900**	1 075
Goodwill	17	**4 754**	4 377
Deferred tax assets	18	**272**	319
Total assets		**40 375**	32 455
Liabilities			
Bank overdrafts	6	**818**	364
Other short-term borrowings	20	**23**	81
Tax payables		**58**	41
Trade and other payables**	21	**1 506**	2 426
Provisions	22	**131**	92
Liabilities directly associated with assets held for sale	19	**21**	14
Insurance contract liabilities	23	**180**	271
Benefits ceded on insurance contracts relating to inventories	9	**31**	46
Benefits ceded on insurance contracts relating to loans and advances	10	**10**	52
Benefits accruing to insurance contract holders	23	**139**	173
Put option liability	26	**4 042**	–
Derivative liabilities**	13	**19**	57
Interest-bearing liabilities	24	**21 862**	16 139
Senior debt		**20 762**	15 349
Subordinated debt		**1 100**	790
Lease liabilities	25	**715**	420
Deferred tax liabilities	18	**1 408**	1 405
Total liabilities		**30 783**	21 310
Equity			
Ordinary share capital	27	**5 179**	3 464
Put option reserve		**(4 307)**	–
Other reserves***		**327**	688
Retained earnings		**6 757**	5 591
Equity attributable to ordinary equity holders of the parent		**7 956**	9 743
Non-controlling interests	28	**1 636**	1 402
Total equity		**9 592**	11 145
Total equity and liabilities		**40 375**	32 455

* *In terms of IFRS 3: Business Combinations, the provisional accounting applied to the acquisition of WBC Holdings (Pty) Ltd was finalised during the current financial year. As a result, the contingent consideration from the business combination was increased by R24 million, and goodwill increased by R24 million. Comparative information has been restated accordingly.*

** *The group reclassified the presentation of trade and other receivables and trade and other payables in the current year. To enhance disclosure, derivative assets and liabilities, which were previously presented as part of trade and other receivables and trade and other payables are now disclosed separately.*

*** *Other reserves consists of the cash flow hedging reserve, the share based payments reserve, the foreign currency translation reserve and other non-distributable reserves.*

Transaction Capital

Consolidated **income statement**

for the year ended 30 September 2022

	Notes	2022 Rm	2021 Reclassified* Rm
Gross profit from the provision of services and sale of goods		**4 316**	1 879
Revenue	32	**22 652**	5 838
Cost of revenue		**(18 336)**	(3 959)
Net interest income from provision of financing to customers		**1 635**	1 587
Interest income, calculated using the effective interest rate method	30	**2 875**	2 583
Interest expense	30	**(1 240)**	(996)
Impairment loss on loans and advances	31	**(856)**	(563)
Risk-adjusted net interest income from provision of financing to customers		**779**	1 024
Net insurance result	33	**411**	400
Insurance revenue		**1 143**	1 015
Insurance service expense		**(738)**	(620)
Insurance finance income		**6**	5
Operating costs	34	**(3 519)**	(2 066)
Net finance charge – not relating to provision of financing to customers		**(384)**	(164)
Finance income	30	**78**	72
Finance charges	30	**(462)**	(236)
Other income		**264**	44
Equity accounted income	14	**47**	213
Fair value gain on previously held equity interest		**–**	1 417
Operating profit		**1 914**	2 747
Non-operating profit/loss		**533**	(4)
Imputed interest charge – options over non-controlling interests	26	**(280)**	–
Remeasurement of put options over non-controlling interests	26	**553**	–
Fair value adjustment on call option derivative		**269**	–
Transaction costs		**(16)**	(6)
Other non-operating profit		**7**	2
Profit before tax		**2 447**	2 743
Income tax expense	35	**(411)**	(325)
Profit for the year from continuing operations		**2 036**	2 418
Discontinued operations			
Loss for the year from discontinued operations	19	**(33)**	(12)
Profit for the year		**2 003**	2 406
Profit for the year from continuing operations attributable to:			
Ordinary equity holders of the parent		**1 676**	2 302
Non-controlling interests		**360**	116
Loss for the year from discontinued operations attributable to:			
Ordinary equity holders of the parent		**(33)**	(12)
Non-controlling interests		**–**	–
Earnings per share (cents)			
From continuing operations			
Basic earnings per share	36	**232.0**	338.7
Diluted basic earnings per share	36	**226.5**	336.7
From continuing and discontinued operations			
Basic earnings per share	36	**227.4**	336.9
Diluted basic earnings per share	36	**222.1**	334.9

* *In the current year, the group reclassified the presentation of the income statement. This resulted in a reclassification of the comparative period. Refer to note 29 for further information.*

Transaction Capital

Consolidated statement of **comprehensive income**

for the year ended 30 September 2022

	2022 Rm	2021 Rm
Profit for the year	**2 003**	2 406
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Movement in cash flow hedging reserve	**(15)**	22
Fair value (loss)/gain arising during the year	**(21)**	31
Deferred tax	**6**	(9)
Exchange gain/(loss) on translation of foreign operations	**26**	(89)
Total comprehensive income for the year	**2 014**	2 339
Total comprehensive income attributable to:		
Ordinary equity holders of the parent	**1 654**	2 223
Non-controlling interests	**360**	116

Consolidated statement of **changes in equity**

for the year ended 30 September 2022

	Number of ordinary shares million	Share capital Rm	Put option reserve* Rm	Cash flow hedging reserve Rm	Share based payment reserve Rm	Foreign currency translation reserve Rm	Other non-distributable reserve*** Rm	Retained earnings Rm	Equity attributable to ordinary equity holders of the parent Rm	Non-controlling interests Rm	Total equity Rm
Balance at 30 September 2020	661.5	2 015	–	(27)	198	151	–	3 481	5 818	555	6 373
Total comprehensive income	–	–	–	22	–	(89)	–	2 290	2 223	116	2 339
Profit for the year	–	–	–	–	–	–	–	2 290	2 290	116	2 406
Other comprehensive income	–	–	–	22	–	(89)	–	–	(67)	–	(67)
Transactions with non-controlling interests	–	–	–	–	–	–	–	(46)	(46)	765	719
Grant of conditional share plans	–	–	–	–	62	–	–	–	62	–	62
Settlement of conditional share plans	–	–	–	–	(15)	–	–	(6)	(21)	–	(21)
Recognition of reserve relating to forward contract to issue shares	–	–	–	–	–	–	386	–	386	–	386
Dividends paid	–	–	–	–	–	–	–	(128)	(128)	(34)	(162)
Issue of shares	46.9	1 449	–	–	–	–	–	–	1 449	–	1 449
Balance at 30 September 2021	**708.4**	**3 464**	**–**	**(5)**	**245**	**62**	**386**	**5 591**	**9 743**	**1 402**	**11 145**
Total comprehensive income	**–**	**–**	**–**	**(15)**	**–**	**26**	**–**	**1 643**	**1 654**	**360**	**2 014**
Profit for the year	**–**	**–**			**–**	**–**	**–**	**1 643**	**1 643**	**360**	**2 003**
Other comprehensive income	**–**	**–**	**–**	**(15)**	**–**	**26**	**–**	**–**	**11**	**–**	**11**
Transactions with non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**28**	**28**
Grant of conditional share plans	**–**	**–**	**–**	**–**	**74**	**–**	**–**	**–**	**74**	**–**	**74**
Settlement of conditional share plans	**–**	**–**	**–**	**–**	**(60)**	**–**	**–**	**(31)**	**(91)**	**–**	**(91)**
Derecognition the reserve relating to forward contract to issue shares**	**–**	**–**	**–**	**–**	**–**	**–**	**(386)**	**30**	**(356)**	**–**	**(356)**
Recognition of reserve relating to the put option to acquire non-controlling interests*	**–**	**–**	**(4 307)**	**–**	**–**	**–**	**–**	**–**	**(4 307)**	**–**	**(4 307)**
Dividends paid		**–**	**–**	**–**	**–**	**–**	**–**	**(476)**	**(476)**	**(154)**	**(630)**
Issue of shares	**49.0**	**1 715**	**–**	**–**	**–**	**–**	**–**	**–**	**1 715**	**–**	**1 715**
Balance at 30 September 2022	**757.4**	**5 179**	**(4 307)**	**(20)**	**259**	**88**	**–**	**6 757**	**7 956**	**1 636**	**9 592**

* *This reserve arose during the current year on recognition of financial liabilities relating to the put options for the acquisition of shares held by the non-controlling interests in WBC Holdings (Pty) Ltd, Synergy Contact Centre (Pty) Ltd and Synergy Outsourcing Limited. Refer to note 26 for further details relating to the recognition of the put option liabilities.*

** *During the 2021 financial year, a reserve was recognised in relation to the forward contract to issue Transaction Capital Limited shares in settlement of a portion of the purchase price for the acquisition of a controlling interest in the WBC group. The reserve was derecognised when the group issued the shares in settlement of the purchase price in October 2021. The difference between the fair value of the forward contract on initial recognition of the reserve and the value of shares that were issued has been transferred to retained earnings.*

Consolidated statement of **cash flow**

for the year ended 30 September 2022

	Notes	2022 Rm	2021 Rm
Cash flow from operating activities			
Cash generated by operations	38	**1 967**	892
Interest received		**2 252**	2 064
Interest paid		**(1 688)**	(1 148)
Income taxes paid	39	**(351)**	(201)
Dividends paid	40	**(630)**	(162)
Cash flow from operating activities before changes in operating assets and working capital		**1 550**	1 445
Increase in operating assets		**(3 278)**	(2 740)
Loans and advances	38.1	**(1 842)**	(1 586)
Decrease in leased assets		**6**	5
Purchased book debts	38.2	**(1 442)**	(1 159)
Changes in working capital		**(2 114)**	(691)
Increase in inventories		**(1 752)**	(721)
Increase in trade and other receivables		**(387)**	(41)
Increase in other loans receivable		**(62)**	(37)
Increase in trade and other payables		**87**	108
Net cash utilised by operating activities		**(3 842)**	(1 986)
Cash flow from investing activities			
Acquisition of property and equipment		**(682)**	(83)
Proceeds on disposal of property and equipment		**6**	1
Acquisition of intangible assets		**(131)**	(108)
Investment into equity accounted investment	14	**(104)**	(39)
Acquisition of subsidiaries*	45	**(1 100)**	(23)
Increase in other investments	7	**(1 428)**	–
Net cash utilised by investing activities		**(3 439)**	(252)
Cash flow from financing activities			
Proceeds from interest-bearing liabilities		**16 759**	8 648
Settlement of interest-bearing liabilities		**(11 759)**	(7 185)
Settlement of other short-term borrowings		**(58)**	(21)
Repayment of lease liabilities		**(132)**	(61)
Additional interest acquired in subsidiaries		**–**	(82)
Issue of shares		**1 259**	1 407
Net cash generated by financing activities		**6 069**	2 706
Net (decrease)/increase in cash and cash equivalents		**(1 212)**	468
Cash and cash equivalents at the beginning of the year	6	**1 874**	1 422
Effects of exchange rate changes on the balance of cash held in foreign currencies		**1**	(16)
Cash and cash equivalents at the end of year**	6	**663**	1 874

* *Cash flows from the acquisition of subsidiaries consists of the acquisition of Synergy Contact Centre (Pty) Ltd (SCC) and Synergy Outsourcing Limited (SOL) in the current year, as well as the cash flows relating to the acquisition of WBC Holdings in the prior year. Refer to note 45 for the detail of the SCC and SOL cash flows. The cash consideration for the WBC Holdings acquisition of R870 million was settled during the current financial year on 5 October 2021.*

** *Cash and cash equivalents are presented net of bank overdrafts and include R3 million (2021: R2 million) of cash transferred as part of assets held for sale.*

Notes to the consolidated **financial statements**

for the year ended 30 September 2022

1 Basis of preparation

The financial statements of Transaction Capital Limited (the company), and the company and its subsidiaries (the group) are prepared in accordance with International Financial Reporting Standards (IFRS), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the Johannesburg Stock Exchange (JSE) Listings Requirements, the going concern principle and the requirements of the South African Companies Act, 71 of 2008.

The consolidated and company financial statements have been prepared on the historical cost basis except for derivative financial instruments, loans and advances for entry-level vehicles, the shortfall book, other financial assets and other investments, which are measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability as market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 – Share-based payments and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 – Inventories or value in use in IAS 36 – Impairment of assets.

The company and group statements of financial position are presented in order of liquidity. Reference to the current maturities of these financial assets and liabilities are disclosed in the statements of financial position notes and in the analysis of financial assets and liabilities.

The group has made the following accounting policy elections in terms of IFRS, with reference to the detailed accounting policies shown in brackets:

- Property and equipment are accounted for using the cost model (note 16);
- Intangible assets are accounted for using the cost model (note 15);
- Regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting (note 43); and
- Cumulative gains and losses recognised in other comprehensive income (OCI) in terms of a cash flow hedge relationship are transferred from OCI and included in the initial measurement of the non-financial asset or liability (note 43.8).

All monetary information and figures presented in these consolidated financial statements are stated in millions of South African Rand (Rm), unless otherwise indicated.

2 Changes in accounting policies and disclosures

The accounting policies applied in the preparation of the consolidated financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the adoption of amended accounting standards and interpretations, as described below.

2.1 Impact of the initial application of interest rate benchmark reform

In the prior year, the group adopted the Phase 1 amendment Interest Rate Benchmark Reform – Amendments to IFRS 9 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the interest rate benchmark reform.

In the current year, the group adopted the Phase 2 amendments Interest Rate Benchmark Reform – Amendments to IFRS 9, IFRS 7 and IFRS 16. Adopting these amendments enables the group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk-free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Both the Phase 1 and Phase 2 amendments are relevant to the group as the group applies hedge accounting to its interest rate benchmark exposures, and in the current period, modifications to existing instruments in response to the reform have not yet been made to the group's derivative and financial instruments that mature after 1 October 2021 due to the lack of clarity in the market around the most appropriate benchmark rate for JIBAR at this stage. The group continues to engage with the relevant market participants in this regard.

Details of the derivative financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by the group to manage the risks relating to the reform and the accounting impact, including the impact on hedge accounting relationships, is presented in note 43.

2 Changes in accounting policies and disclosures continued

2.1 Impact of the initial application of interest rate benchmark reform continued

The amendments are relevant for cash flow hedges where IBOR-linked derivatives (mainly USD LIBOR) are designated as a cash flow hedge of IBOR-linked bank borrowings which extend beyond 1 October 2021.

The amendments permit the continuation of hedge accounting even if, in the future, the hedged benchmark interest rate may no longer be separately identifiable, and there is uncertainty about the replacement of the floating interest rates included in the interest rate and cross currency interest rate swaps. However, this relief does not extend to the requirement that the designated interest rate risk component must continue to be reliably measurable. If the risk component is no longer reliably measurable, the hedging relationship will be discontinued.

The group will continue to apply the Phase 1 amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reform with respect to the timing and the amount of the underlying cash flows to which the group is exposed ends. The group expects this uncertainty will continue until the group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced and the basis for the cash flows of the alternative benchmark rate are determined, including any fixed spread.

As a result of the Phase 2 amendments (also refer to note 43 for the relevant disclosures):

- When the contractual terms of the group's bank borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the group changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other change. See note 43.8 for further details regarding changes made to the IBOR-linked financial liabilities;
- When changes are made to the hedging instruments, hedged item and hedged risk as a result of the interest rate benchmark reform, the group updates the hedge documentation without discontinuing the hedging relationship and, in the case of a cash flow hedge, the amount accumulated in the cash flow hedge reserve is deemed to be based on the revised benchmark rate (refer to note 43);
- For the group's fair value hedges of a non-contractually specified benchmark component of interest rate risk on the transition to the alternative benchmark rate:
  - if that risk rate is not separately identifiable at the date of designation, it will be deemed to have met the separately identifiable requirement at that date,
  - if the group reasonably expects the term-specific interest rate component will be separately identifiable within a period of 24 months from the date the alternative benchmark rate is first designated, regardless of the term for which the risk is designated in that hedge. The 24-month period applies on a rate-by-rate basis.

Note 43 provides the required disclosures related to these amendments.

3 New and amended accounting standards and interpretations

New standards issued but not yet effective

Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether, at the acquisition date, a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the IASB adds to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendment is effective for business combinations for which the date of acquisition from the financial year ending 30 September 2023. The amendment is not expected to have a material impact on the group's consolidated financial statements.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The IASB decided to amend IAS 16 to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 – Inventories.

The amendment is effective for the financial year ending 30 September 2023. The amendment is not expected to have a material impact on the group's consolidated financial statements.

3 New and amended accounting standards and interpretations continued

New standards issued but not yet effective continued

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract

The IASB decided to amend IAS 37 by specifying that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendment is effective for the financial year ending 30 September 2023. The amendment is not expected to have a material impact on the group's consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Making Materiality Judgements – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to the disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendment is effective for the financial year ending 30 September 2024. The amendment is not expected to have a material impact on the group's consolidated financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendment further clarifies the following:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The amendment is effective for the financial year ending 30 September 2024. The amendment is not expected to have a material impact on the group's consolidated financial statements.

Amendments to IAS 12 Income Taxes – Deferred Tax relating to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

As a result a deferred tax asset and a deferred tax liability will need to be recognised for temporary differences arising on initial recognition of a lease and decommissioning provision.

The amendment is effective for the financial year ending 30 September 2024. The amendment is not expected to have a material impact on the group's consolidated financial statements.

3 New and amended accounting standards and interpretations continued

New standards issued but not yet effective continued

Annual improvements to IFRS Standards 2018-2020:

The annual improvements applicable for the 2018-2020 cycle include amendments to certain standards, the amendments applicable to the group are:

Amendments to IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

IFRS 9 requires an entity to derecognise a financial liability and recognise a new financial liability when there is an exchange between an existing borrower and the lender of debt instruments with substantially different terms (including a substantial modification of the terms of an existing financial liability or part of it). The terms are substantially different if the discounted present value of the remaining cash flows under the new terms are at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability ('10 per cent' test). The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is effective for the financial year ending 30 September 2023. The amendment is not expected to have a material impact on the group's consolidated financial statements.

4 Basis of consolidation

Subsidiary companies and other controlled entities

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the group. Control is achieved when the group:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns

The group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The group considers all relevant facts and circumstances in assessing whether or not the group's voting rights in an investee are sufficient to give it power, including:

- The size of the group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the group, other vote holders or other parties;
- Rights arising from other contractual arrangements;
- Any additional facts and circumstances that indicate that the group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the group gains control until the date when the group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. Those interests of non-controlling shareholders that present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to the acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the company.

4 **Basis of consolidation** continued

Special purpose entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective, such as the securitisation of particular assets or the execution of a specific borrowing or lending transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the group and the SPE's risks and rewards, the group concludes that it controls the SPE, including SPEs that are owned by trusts.

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

.5 **Management estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. This forms the basis of making the judgements on the carrying values of assets or liabilities that are not otherwise readily apparent. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

5.1 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit (CGU) to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Goodwill is considered for impairment annually.

Factors taken into consideration include the economic viability of the asset itself and, where it is a component of a larger economic unit, the viability of the unit. Refer to note 17 of the consolidated financial statements for further disclosure around goodwill impairment testing.

5.2 Business model assessment

Classification and measurement of financial assets depend on the results of the solely payments of principal and interest (SPPI) and the business model test. The group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Refer to note 43. This assessment includes judgement reflecting all relevant evidence, including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

5.3 Significant increase in credit risk

As explained in note 43, expected credit losses are measured as an allowance equal to 12-month expected credit losses (ECL) or lifetime ECL. An asset moves to lifetime ECL when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

5.4 Impairment of financial assets

The group measures the ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

5 Management estimates continued

5.5 Insurance contracts

5.5.1 Presentation of insurance contract liabilities

Unique to the financed motor comprehensive insurance product offering is the inclusion of absconsion, violation and credit shortfall cover (AVCS) cover provided to protect the policyholder in adverse conditions. IFRS 17, paragraph 78 requires that the statement of financial position shall include line items that present, inter alia, groups of contracts within the scope of IFRS 17 that are liabilities.

The group's exposure to the underlying portfolio consists of both credit risk (measured in accordance with IFRS 9) and insurance risk (measured in accordance with IFRS 17). With respect to the measurement of the liability for remaining coverage, credit metrics are used as indicators for the severity of the claim. To the extent that the insured event affects the recovery of the underlying asset and given that the assessment of risk and exposure on the underlying portfolio is considered on a group basis, a portion of the liability for remaining coverage relating to the active financed debtors and repossessed vehicle stock portfolios is presented as part of net loans and advances or inventory (where the repossessed vehicle stock has moved into a repair/ realisation channel) as these insurance contract liabilities reduce the group's overall exposure on the 'default' contract sets. These allocations are set out in notes 9, 10 and 23 of the consolidated annual financial statements.

All insurance liabilities relating to remaining coverage or incurred claims are included as part of insurance contract liabilities as required by IFRS 17 paragraph 78.

Given that the IFRS 17 and IFRS 9 provisions are inextricably linked, the presentation of these specific insurance contract liabilities with the related loans and advances and inventory balances in notes 9 and 10 to the statement of financial position is a more faithful representation of the effects of transactions. Fair presentation in compliance with IFRS 17 and IAS 1 has been achieved by providing additional disclosures, as the specific requirements in IFRS 17 paragraph 78 are insufficient to enable users to understand the impact of the group's application of the standard on the group's financial position.

Ceded insurance contracts are measured and recognised according to IFRS 17. On the face of the statement of financial position, these contracts are shown as part of insurance contract liabilities. The presentation of ceded insurance contracts against net loans and advances and inventory is to enable users to understand the underlying risk that the group is exposed to after considering provisions and liabilities recognised to cover both the credit and insurance risk of the portfolio.

5.5.2 Fulfilment cash flows

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the group. Such changes are reflected in the assumptions when they occur.

Fulfilment cash flows comprise:

- Estimates of future cash flows;
- An adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- A risk adjustment for non-financial risk.

The group's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value.

5 Management estimates continued

5.5 Insurance contracts continued

5.5.3 Estimates of future cash flows

In estimating future cash flows, the group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experiences, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the group takes into account current expectations of future events that might affect those cash flows.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the group has discretion over the amount or timing. Other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

The timing and uncertainty of cash flows are affected by the following probabilities: policy lapses; probability of death, probability of default, probability of repossession and the probability of repair or salvage (given repossession).

5.5.4 Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus a liquidity premium where applicable. Risk-free rates are determined by reference to the ZAR swap curve. The liquidity premium is determined by reference to observable market rates, including sovereign debt, corporate debt and market swap rates. Refer to note 43.5 of the consolidated annual financial statements for discount rates applied for discounting of future cash flows.

5.5.5 Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk, lapse risk and expense risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimated amount.

The group has estimated the risk adjustment using a value-at-risk (VaR) approach. The risk adjustment for insurance contracts corresponds to a 65% confidence level (2021: 65%).

		2022 Rm	2021 Rm
6	**Cash and cash equivalents**		
	Bank balances*	**485**	856
	Call deposits*	**353**	586
	Bank balances and call deposits held within securitisation special purpose vehicles**	**620**	773
	Cash held for insurance operations***	**20**	21
	Total cash and cash equivalents	**1 478**	2 236
	Bank overdrafts****	**(818)**	(364)
	Net cash and cash equivalents	**660**	1 872
	Total overdraft facilities	**1 165**	603

* *R41 million (2021: Rnil) of cash balances and call deposits at year end have been ceded by Transaction Capital Limited and Transcap Investments Limited to a guarantor as security for any obligations that may arise should these entities default on payment obligations to their funders.*

** *Ceded as part security for securitisation debentures as shown in note 24, and therefore regarded as restricted cash.*

*** *Represents restricted cash held within the insurance cell captive.*

**** *Trade and other receivables, loans and advances, purchased book debts and cash and cash equivalents have been pledged as security for overdraft facilities of R835 million (2021: 283 million).*

The carrying value of cash and cash equivalents approximates fair value as it is short-term in nature and not subject to material changes in credit risk and fair value.

7 Other investments

Other investments are carried at fair value through profit and loss. The net fair value gain or loss includes dividends and/or interest earned on the investment and is disclosed as part of interest income on the income statement.

	2022 Rm	2021 Rm
Money market fund investments (Refer to 7.1)*	**1 381**	–
Other investments	**45**	–
Total other investments	**1 426**	–

* *Money market fund investments have been ceded as security as follows:*
- *R1 261 million (2021: Rnil) has been ceded to a guarantor as security for any obligations that may arise should Transaction Capital Limited and Transcapital Investments Limited default on payment obligations to their funders.*
- *R120 million (2021: Rnil) ceded as part security for securitisation debentures and loans as shown in note 24, and therefore regarded as restricted cash.*

7.1 Money market fund investments

Money market fund investments at 30 September 2022 comprise the following:	2022 Stanlib	Nedgroup	Ninety-One	Total
Funds invested (Rm)	**492**	**422**	**467**	**1 381**
Average interest rate earned	**6.7%**	**6.5%**	**6.7%**	**6.6%**
Composition of underlying investments:	**100%**	**100%**	**100%**	**100%**
Local banks	**81.8%**	**85.8%**	**86.2%**	**84.6%**
Foreign banks	**16.5%**	**12.5%**	**12.6%**	**13.9%**
Government	**1.7%**	**1.7%**	**1.2%**	**1.5%**

The group has classified its money market fund investments as other investments as the risk of future changes in value have been assessed to not be insignificant.

The money market fund investments are highly liquid. The group is able to convert the investments into cash within 24 hours of making such requests. The money market fund investments are mostly made up of funds that were raised in the accelerated book build which took place in September 2022. Refer to note note 27 for details of the accelerated book build.

8 Trade and other receivables

	2022 Rm	2021 Reclassified* Rm
Trade receivables**	**758**	466
Impairment provision	**(14)**	(20)
Net trade receivables	**744**	446
Prepayments and other deferrals	**133**	97
Dealer incentive commission	**352**	276
Insurance premiums receivable	**88**	82
Other sundry insurance claim receivables	**72**	66
Premium debtors	**23**	21
VAT receivable	**232**	104
Deposits	**35**	66
Salvage and other sundry debtors	**244**	215
Other	**–**	3
Total trade and other receivables	**1 923**	1 376
Movement in impairment provision		
Balance at the beginning of the year	**(20)**	(23)
Impairment recognised in profit or loss	**(3)**	(30)
Utilisation of impairments	**8**	34
Reversal of impairments	**1**	1
Business combinations	**–**	(2)
Balance at the end of the year	**(14)**	(20)

* *The group reclassified the presentation of trade and other receivables in the current year. To enhance disclosure, derivative assets, which were previously presented as part of the trade and other receivables balance are now disclosed separately. This resulted in a reclassification of the prior period. Refer to note 13 for the disclosure of derivative assets.*

** *R360 million (2021: R150 million) ceded as security for bank facilities as shown in notes 6 and 24.*

The carrying value of trade and other receivables approximates fair value as these are short-term in nature and not subject to material changes in credit risk and fair value.

The group measures the loss allowance for trade receivables at an amount equal to lifetime expected losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

	2022 Rm	2021 Rm
8 Trade and other receivables continued		
Trade and other receivables past due but not impaired		
Amounts 30 days overdue	**16**	16
Amounts 30 to 60 days overdue	**18**	12
Amounts 60 to 90 days overdue	**9**	4
Amounts 90 to 120 days overdue	**9**	1
Amounts in excess of 120 days overdue*	**11**	4
Total trade and other receivables past due but not impaired	**63**	37
Maximum exposure to credit losses of trade receivables	**744**	446
Gross trade receivables	**758**	466
Less impairment provision	**(14)**	(20)
Carrying value of trade receivables less impairment provision	**744**	446
Assets held as collateral	**–**	(6)
Residual exposure	**744**	440

* *The trade receivables past due but not impaired all carry a reasonable prospect of collection taking into account past collection experience, the existence of formal payment plans and continued customer engagement.*

9 Inventories

Inventories comprise vehicles inventories, work in progress relating to the refurbishment of repossessed vehicles, components and spares, parts, and hardware. Vehicle inventories comprise new and repossessed minibus taxis held by SA Taxi as well as secondhand vehicles held by WeBuyCars.

Inventories are stated at the lower of cost or net realisable value. Cost is determined using specific identification for vehicles and work in progress as the vehicles are not ordinarily interchangeable. Cost is determined using the weighted average method for components and spares, and hardware. Costs include landed costs, freight and clearing costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and costs to be incurred in marketing, selling and distribution. The write-down of inventory to net realisable value and the reversal thereof is recognised in profit and loss. The reversals of write-downs are limited to the cost of inventory.

SA Taxi minibus vehicles

Vehicles in possession held by credit providers within the group represent security attached where a borrower has defaulted under the terms of a vehicle finance arrangement. Vehicles in possession are stated at the lower of cost or net realisable value. Cost is determined as the fair value of the asset acquired. Costs include anticipated refurbishment costs and related costs incurred in bringing such vehicles to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of refurbishment and selling expenses. The write-down of vehicles in possession to net realisable value and the reversal thereof is recognised in profit and loss. The reversals of the write-downs are limited to the reacquired cost of vehicles in possession. Vehicles in possession are reported as part of loans and advances and included as a non-financial asset in the categorised statement of financial position.

	2022 Rm	2021 Rm
9 Inventories continued		
Net hardware	**1**	2
Hardware stock	**1**	2
Impairment provision for hardware stock	**–**	–
Components and spares	**249**	221
Work in progress	**15**	9
Minibus vehicle sales stock*	**228**	352
Net minibus vehicle stock which has entered realisation channels*	**1 413**	949
Gross minibus vehicle stock which has entered realisation channels***	**1 444**	995
IFRS 17 – ceded insurance contract liabilities**	**(31)**	(46)
Second-hand motor vehicle stock****	**1 853**	898
Inventories net of benefits ceded on insurance contracts	**3 759**	2 431
IFRS 17 provision – ceded **	**31**	46
Total inventories	**3 790**	2 477

* *Minibus vehicle inventories with a value of R23 million (2021: R51 million) have been pledged to secure the floorplan facility. Refer to note 20. A further R1 473 million (2021: R885 million) have been ceded as part security for amortising securitising debentures and loans as shown in note 24.*

** *To the extent that the insured event affects the recovery of the underlying asset and given that the assessment of risk and exposure on the underlying portfolio is considered on a group basis, a portion of the liability for remaining coverage relating to insurance contracts that are ceded to the finance provider to cover the repair/realisation costs of the collateral relating to the repossessed vehicle stock portfolios, is presented as part of inventory where the repossessed stock has moved into a repair/realisation channel. These liabilities have reduced year on year due to a change in the distribution of stock on hand to newer year models. Refer to note 23.*

*** *Includes minibus vehicle and salvage stock with a gross value of R1 712 million (2021: R1 172 million) and an impairment provision of R299 million (2021: R223 million).*

**** *Second-hand motor vehicles relate to the vehicle inventory held by WeBuyCars. This includes vehicle stock with a gross value of R1 870 million (2021: R908 million) and an impairment provision of R17 million (2021: R10 million).*

Of the total inventories of R3 790 million (2021: R2 477 million), inventories to the value of R1 858 million (2021: R1 411 million) are carried at net realisable value. The remainder is carried at cost.

Second-hand vehicle stock, which relate to vehicles held by WeBuyCars for sale have increased significantly from the prior year as a result of the opening of several new branches during the current financial year.

Minibus vehicle stock has increased from the prior year as a result of repossessions (in lieu of default customers) in a post COVID 19 environment which are expected to be recovered within 12 to 18 months as they are either ready for sale in their current condition or have entered the realisation channel. Included in inventories are components and spares held by the SA Taxi Auto Parts business with increased levels of stock on hand to support business requirements to repair and refurbish minibus taxis for the refinance and sale of quality renewed taxis.

10 Loans and advances

	2022 Rm	2021 Rm
Gross loans and advances	**15 594**	14 044
Loans and advances* (refer to note 43 for the IFRS 7 – Financial Instruments disclosure)	**15 380**	13 919
Repossessed vehicle stock on hand	**214**	129
Ceded insurance contract liabilities**	**–**	(4)
Impairment provision (refer to note 10.1.2)	**(642)**	(791)
Loans and advances (refer to note 43 for the IFRS 7– Financial Instruments disclosure)	**(562)**	(675)
Repossessed vehicle stock on hand	**(70)**	(68)
Ceded insurance contract liabilities**	**(10)**	(48)
Loans and advances net of expected credit loss and benefits ceded on insurance contracts* **	**14 952**	13 253
IFRS 17 provision – ceded**	**10**	52
Loans and advances net of expected credit loss	**14 962**	13 305

* *R18 million (2021: R17 million) of loans and advances relates to entry-level vehicles carried at fair value, and R25 million (2021: R25 million) relates to the shortfall book also carried at fair value.*

** *To the extent that the insured event affects the recovery of the underlying asset and given that the assessment of risk and exposure on the underlying portfolio is considered on a group basis, a portion of the liability for remaining coverage relating to active financed debtors is presented as part of net loans and advances. Refer to note 23.*

*** *R14.7 billion (2021: R13.3 billion) ceded as part security for amortising securitising debentures and loans as disclosed in note 24 of the group consolidated financial statements.*

		2022 Rm	2021 Rm
10	**Loans and advances** continued		
10.1	Gross loans and advances by asset type		
	Finance leases (Refer to note 10.1.1)	**15 594**	14 044
	Gross loans and advances	**15 594**	14 044
10.1.1	**Finance leases**		
	Gross finance leases including unearned finance charges	**24 542**	20 701
	Unearned finance charges	**(8 948)**	(6 657)
	Gross finance leases	**15 594**	14 044
	Impairment provision	**(642)**	(791)
	Net finance leases	**14 952**	13 253
	Maturity analysis of gross finance leases		
	Amounts up to one year	**3 413**	3 517
	Amounts between one and two years	**3 319**	3 394
	Amounts between two and three years	**3 211**	3 146
	Amounts between three and four years	**2 611**	2 408
	Amounts between four and five years	**1 427**	838
	Amounts in excess of five years	**1 613**	741
	Total gross finance leases	**15 594**	14 044
	Average remaining loan term (months)	**55**	49
	Average loan term at origination (months)	**78**	71
10.1.2	**Movement in impairment provision**		
	Balance at the beginning of the year	**(791)**	(822)
	Impairment recognised in profit or loss*	**(862)**	(570)
	Reversals of impairments recognised in profit and loss in prior years	**6**	7
	Utilisation of impairment provision**	**1 005**	594
	Balance at the end of the year	**(642)**	(791)

* *Includes -R15 million (2021: -R13 million) related to a change in estimate on insurance contract liabilities and excludes the impact of bad debts recovered of R6 million (2021: R7 million).*

** *Includes R43 million (2021: R58 million) related to insurance contract liabilities. The impairment provision has been adversely affected by the increased financing of quality renewed vehicles (including vehicles repossessed in the current year). This has also increased the overall level of repair costs incurred.*

R852 million of the impairment movement in the income statement detailed above relates to the SA Taxi segment, and the remaining R4 million relates to GoMo which is reported in the WBC segment.

		2022 Rm	2021 Rm
10.1.3	**Loans and advances past due but not specifically impaired*** **		
	Amounts up to 30 days overdue	**2 009**	1 038
	Amounts 30 to 60 days overdue	**1 172**	425
	Amounts 60 to 90 days overdue	**505**	484
	Amounts in excess of 90 days overdue	**2 131**	3 738
	Total	**5 817**	5 685

*** *Refer to note 43.1 of the consolidated annual financial statements for the definition of default.*

11 Purchased book debts

Purchased credit-impaired financial assets (principal book portfolios) are those that, at the date of initial recognition (acquisition), are credit-impaired. The group purchases its portfolios at a deep discount that reflects the incurred credit losses.

Purchased credit-impaired financial assets reflected below include cumulative changes in lifetime expected credit losses since acquisition as a loss allowance. The amount of the change in lifetime expected credit losses is reflected as an impairment gain or loss in profit or loss (reflected as amortisation below). Favourable changes in lifetime expected credit losses (where collections on portfolios outperformed the collections expected when the portfolios were acquired) are recognised as an impairment gain even if the favourable lifetime expected credit losses are less than the number of favourable expected credit losses that were included in the estimated cash flows when acquired.

	2022 Rm	2021 Rm
Principal book portfolio	**3 785**	3 145
Other financial assets	**423**	296
Total purchased book debts	**4 208**	3 441

11.1 Principal book portfolio

	2022 Rm	2021 Rm
Cost	**6 096**	4 891
Accumulated amortisation	**(2 311)**	(1 746)
Total purchased book debts *	**3 785**	3 145

* *R3 785 million (2021: R3 145 million) ceded as part security for loans as shown in note 24.*

Reconciliation of movements in the year

	2022 Rm	2021 Rm
Balance at the beginning of the year	**3 145**	2 350
Additions	**1 358**	1 054
Additions as part of business combination	**–**	71
Disposal of purchased book debts **	**(26)**	–
Transfer to assets held for sale ***	**(316)**	–
Amortisation	**(395)**	(314)
Effect of foreign currency exchange differences	**19**	(16)
Balance at the end of the year	**3 785**	3 145

** *Disposal relates to the sale of purchased books in the international portfolio concluded prior to year-end.*
*** *During the current year, the board agreed to dispose of the purchased book debt portfolio in TCRS Australia. At year end, the balance was transferred to assets held for sale. Refer to note 19 for further details.*

11.2 Other financial assets

	2022 Rm	2021 Rm
Cost	**399**	336
Accumulated fair value adjustments	**24**	(40)
Total other financial assets	**423**	296

Reconciliation of movements in the year

	2022 Rm	2021 Rm
Balance at the beginning of the year	**296**	170
Additions	**84**	115
Net collections received	**–**	(10)
Fair value movements	**43**	21
Balance at the end of the year	**423**	296

Other financial assets relate to purchased book debt contracts where Nutun does not have title of the underlying portfolio. These purchased book debts are managed on a fair value basis. Refer to note 43.10.

12 Other loans receivable

	2022 Rm	2021 Rm
Gross other loans receivable	**132**	71
Impairment*	**(6)**	(6)
Net other loans receivable**	**126**	65
Gross other loans receivable by asset type		
Loans to employees	**1**	1
Other loans receivable	**131**	70
Gross other loans receivable	**132**	71
Reconciliation of movements in the year		
Balance at the beginning of the year	**65**	55
Loans advanced	**64**	72
Impairment provision***	**(1)**	(15)
Interest	**2**	3
Loans repaid	**(4)**	(50)
Balance at the end of the year	**126**	65
Maturity analysis		
Within one year	**1**	4
Greater than one year	**125**	61
Total other loans receivable	**126**	65

The carrying value of other loans receivable approximates fair value.

Appropriate fringe benefits tax has been levied on low-interest loans.

* *The impairment provision of R6 million at the end of the current year (2021: R6 million) relates to a loan which was advanced to a related party in a previous financial year.*

** *Of the loans outstanding at the end of the current year, R83 million (2021: R60 million) were advanced to related parties. Refer to note 44 for further details.*

*** *R1 million (2021:R7 million) of this provision raised was subsequently written off.*

13 Derivative assets and liabilities

	2022 Rm	2021 Rm
Derivative assets held for risk management		
Interest rate swaps	**2**	13
Cross-currency swaps	**422**	88
Other derivative assets - not held for risk management		
Call option derivative	**269**	–
Total derivative assets	**693**	101
Derivative liabilities held for risk management		
Interest rate swaps	**(12)**	(4)
Cross-currency swaps	**(7)**	(53)
Total derivative liabilities	**(19)**	(57)

Fair value hedges of interest rate risk

The group uses interest rate swaps to hedge the interest rate by exchanging fixed rate liabilities for floating rate liabilities.

Cash flow hedges of foreign currency risk

The group uses cross-currency swaps to hedge the foreign currency risks arising from interest-bearing liabilities denominated in foreign currencies. These interest-bearing liabilities have a carrying value of R2.7 billion (USD 156 million) (2021: R1.8 billion (USD 130 million)). The currency exposure is 100% hedged.

The details of the hedging derivative instruments are set out in note 43.8.

Call option derivative

The group, through its subsidiary WBC Holdings holds a call option over the remaining 25.1% shareholding in WBC Holdings. Under the call option arrangement, WBC Holdings Pty Ltd has the option ("call option") to require the non-controlling interests to dispose to WBC holdings:

- within a 30 day period of 30 September 2024, on the effective date of such option, such number of shares in WBC Holdings as will result in the minority shareholder retaining, after implementation of such sale, 10.1% of the shares in WBC Holdings; and
- within a 30 day period of 30 September 2026, on the effective date of such option, all of the remaining shares held by the minority shareholder in WBC Holdings.

Refer to note 43.10 for a description of the valuation methodology applied for the call option derivative.

As the put and call options relating to the WBC Holdings have different exercise dates, they do not meet the definition of a synthetic forward and have been accounted for as separate instruments. Refer to note 26 for the put option disclosure.

14 Equity accounted investments

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. Under the equity method, an investment in an associate or a joint venture is recognized initially in the statement of financial position at cost and adjusted thereafter to recognize the group's share of the profit or loss and other comprehensive income of the associate or joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 – Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 – Impairment of assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, an impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

14 Equity accounted investments continued

14.1 Details of the group's investments in associates at 30 September 2022 are as follows:

	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest held by the group % 2022	2021
Agile Bridge (Pty) Ltd (Agile Bridge)*	**Software development**	**South Africa**	**20%**	–
GoBid (Pty) Ltd (GoBid)**	**Digital salvage platform**	**South Africa**	**40%**	–
Revive Financial Group (Pty) Ltd (previously known as Lanyana Financial Group Pty Ltd)	**Debt advisory**	**Australia**	**25%**	25%
TC Global Finance Limited (TC Global Finance) ***	**TC Globalisation**	**Europe**	**50%**	50%

* *During the current year, the group, through WBC Holdings, acquired 20% of the ordinary share capital of Agile Bridge (Pty) Ltd. The investment is accounted for as an associate as the group does not have the unilateral ability to control, direct or govern decisions that impact the variable returns of the investment.*

** *During the current year, the group, through SA Taxi, acquired 40% of the ordinary share capital of GoBid (Pty) Ltd. GoBid buys and sells second hand, accident damaged and recovered stolen vehicles, via various sales platforms. The investment is accounted for as an associate as the group does not have the unilateral ability to control, direct or govern decisions that impact the variable returns of the investment. Refer to note 14.2 for further details on this acquisition.*

*** *The investment is accounted for as an associate as the group does not have the unilateral ability to control, direct or govern how the independent directors may vote on decisions that impact the variable returns of the investment, therefore significant influence exists opposed to unanimous consent.*

The group does not consider the investments above to be individually material to its operations.

14.2 Newly acquired associate investments

GoBid (Pty) Ltd

The group acquired 40% of the ordinary share capital of GoBid (Pty) Ltd during the year with the effective date of the transaction being 29 September 2022. In exchange for the investment in associate, SA Taxi sold the salvage business to GoBid (Pty) Ltd. The business sold includes the license to use the website "Bid4Taxi", the existing customer list in respect of the salvage business, salvage stock on hand, forward flow agreements in respect of salvage stock as well as the services agreement (to render services in relation to the recovery of the salvage taxis).

In accordance with the exchange transaction, the proceeds for the sale of the salvage business is equal to the cost of the investment received of R650 million. The consideration exchanged or given up to acquire the investment comprises the salvage stock on hand with a carrying value of R437 million together with the licence to use the Bid4Taxi website, customer list and obligations as defined in transaction agreements, which includes a stock forward flow agreement valued at R78 million (refer to note 21) and a service agreement valued at R1 million. The stock forward flow agreement is an obligation to deliver salvage taxis to generate a minimum turnover amount of R194 million less returns generated from the salvage stock transferred on the effective date of the transaction, over a forward flow period of 24 months. The measurement of the forward flow agreement is set out in note 21 and represents the present value of management's best estimate of the remaining obligation. The difference between the proceeds and the consideration given up is equal to the profit on sale of the salvage business, and has been recognised in other income on the income statement.

Agile Bridge (Pty) Ltd

During the current financial year, the group, through its subsidiary We Buy Cars (Pty) Ltd, acquired 20% of the ordinary share capital of Agile Bridge (Pty) Ltd with the effective date of the transaction being 1 June 2022. The purchase consideration for the transaction was R8 million, which was settled in cash.

14 Equity accounted investments continued

14.3 Carrying amount of equity accounted investments

	WeBuyCars*		GoBid**		TC Global Finance		Revive		Agile Bridge		Total	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Net assets of investment ***	–	–	617	–	685	440	31	17	22	–	1 355	457
Proportion of the group's ownership interest in the investment	–	–	247	–	343	220	8	4	4	–	602	224
Goodwill	–	–	403	–	–	–	73	68	4	–	480	68
Shareholder loan	–	–	–	–	–	–	4	4	–	–	4	4
Transaction costs	–	–	6	–	–	–	–	–	–	–	6	–
Other adjustments ****	–	–	–	–	–	–	5	5	–	–	5	5
Carrying amount of the group's interest in investment	–	–	656	–	343	220	90	81	8	–	1 097	301

* *The group acquired control of the investment in the WBC group in the prior year, resulting in the group owning an effective controlling 74.2% shareholding in WBC Holdings (Pty) Ltd, and therefore derecognising of the investment in associate and the subsequent consolidation of the WBC group into Transaction Capital's results.*

** *Due to the acquisition of GoBid having taken place just before year end, the allocation of the purchase consideration has been determined on a preliminary basis.*

*** *This represents amounts included in the IFRS financial statements of the associate, not the group's share of these amounts.*

**** *Other adjustments include intangible assets and payables raised in terms of IAS 28 – Investment in associates and Joint Ventures.*

The carrying amount of the group's interest in the investment comprises:

	WeBuyCars		GoBid*****		TC Global Finance		Revive		Agile Bridge		Total	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Carrying amount at the beginning of the year	–	1 875	–	–	220	184	81	94	–	–	301	2 153
Investment into equity accounted investment	–	–	650	–	93	53	–	–	8	–	751	53
Transaction costs	–	–	6	–	–	–	–	–	–	–	6	–
Share of profit after tax	–	215	–	–	41	(7)	6	5	–	–	47	213
Dividend received******	–	(25)	–	–	–	–	(3)	(9)	–	–	(3)	(34)
Effect of foreign currency exchange difference	–	–	–	–	(11)	(10)	6	(9)	–	–	(5)	(19)
Fair value gain on date of acquisition of controlling interest	–	1 417	–	–							–	1 417
Derecognition of investment in associate	–	(3 482)	–	–	–	–	–	–	–	–	–	(3 482)
Balance at the end of the year	–	–	656	–	343	220	90	81	8	–	1 097	301

***** *The cost of the investment is equal to the fair value of the asset received (40% ownership in the Gobid (Pty) Ltd business) and is the most reliable measure of the cost of the investment in the exchange transaction. The share of profit after tax in the current year relating to the GoBid investment is immaterial given that the effective acquistion date was 29 September 2022.*

*******Dividends received from associates represent the actual amounts attributable and hence received by the group.*

14 Carrying amount of equity accounted investments continued

14.4 Cash flow from investment into equity investments:

	2022 Rm	2021 Rm
The cash flow movement in investment into equity accounted investments is calculated as follows:		
(Increase)/ decrease in equity accounted investment	**(796)**	1 852
Share of profit after tax	**47**	213
Exchange of the salvage business for investmment in GoBid*	**650**	
Deferred consideration	**–**	(20)
Fair value gain on date of acquisition of controlling interest	**–**	1 417
Derecognition of investment in associate on date of acquisition of controlling interest	**–**	(3 482)
Effect of foreign currency exchange difference	**(5)**	(19)
Net investment into equity accounted investments	**(104)**	(39)

* *There were no cash flows in the exchange of business transaction for the acquisition of GoBid.*

15 Intangible assets

Intangible assets with finite useful lives are initially recognised at cost if acquired separately or at fair value at the date of acquisition in a business combination and are subsequently carried at cost less accumulated amortisation and accumulated impairment. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets are amortised using a combination of the straight-line method and the diminishing balance method over the estimated economic lives over the assets.

For intangible assets amortised on the straight line basis, the following periods are applied:

Internally – generated computer software	5 – 10 years
Other computer and telephony software	2 – 3 years
Customer relationships	4 – 13 years
Brands and trademarks	Indefinite useful life

For intangible assets amortised on the diminishing balance basis, the carrying values of the assets are amortised annually using the following percentages:

Customer relationships	20%

Useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates being recognised on a prospective basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. This is done by comparing the recoverable amounts (higher of value in use and fair value less costs to sell) of the intangible assets to their carrying amounts. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognized immediately in profit and loss.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

15 **Intangible assets** continued

	Computer and telephony software* Rm	Brands and trademarks** Rm	Customer relationships Rm	Total Rm
Intangible assets				
Cost				
At 30 September 2020	510	55	134	699
Additions	108	–	–	108
Additions through business combinations	1	2 757	69	2 827
Impairment	(113)	–	–	(113)
Effect of foreign currency exchange difference	(7)	(3)	(2)	(12)
At 30 September 2021	**499**	**2 809**	**201**	**3 509**
Additions	**130**	**–**	**–**	**130**
Additions through business combinations	**–**	**–**	**54**	**54**
Disposals	**(1)**	**–**	**–**	**(1)**
Effect of foreign currency exchange difference	**7**	**2**	**2**	**11**
At 30 September 2022	**635**	**2 811**	**257**	**3 703**
Accumulated amortisation				
At 30 September 2020	(159)	–	(49)	(208)
Amortisation expense	(47)	–	(20)	(67)
Effect of foreign currency exchange difference	2	–	1	3
At 30 September 2021	**(204)**	**–**	**(68)**	**(272)**
Amortisation expense	**(52)**	**–**	**(40)**	**(92)**
Effect of foreign currency exchange difference	**(2)**	**–**	**(1)**	**(3)**
At 30 September 2022	**(258)**	**–**	**(109)**	**(367)**
Net carrying value				
Cost	499	2 809	201	3 509
Accumulated amortisation	(204)	–	(68)	(272)
Net carrying value at 30 September 2021	**295**	**2 809**	**133**	**3 237**
Cost	**635**	**2 811**	**257**	**3 703**
Accumulated amortisation	**(258)**	**–**	**(109)**	**(367)**
Net carrying value at 30 September 2022	**377**	**2 811**	**148**	**3 336**

* *Included in computer and telephony software is IT software still under development of R41 million (2021: R27 million) which will start amortising in accordance with the accounting policy when the software becomes operational.*

** *Brands and trademarks with indefinite useful lives were acquired through business combinations in prior financial years. The trademarks and brands relating to the business combinations do not have foreseeable limits to the periods over which the assets are expected to generate net cash inflows for the group. It is management's intention to renew the trademarks associated with these brands for the foreseeable future. There are no anticipated external factors which could lead to a diminishment in the estimated useful lives of these brands.*

16 Property and equipment

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

Items of property and equipment are depreciated on a component basis to their residual values on a straight line basis over their estimated economic lives.

Depreciation commences from the date that they are available for use over the following periods:

Vehicles	5 – 6 years
Office and computer equipment	2 – 8 years
Machinery and fittings	6 – 7 years
Furniture and fittings	4 – 9 years
Right-of-use assets	Shorter period of the lease term and useful life of the underlying asset
Leasehold improvements	Lesser of lease period or useful life
Leasehold rights	Lesser of lease period or 25 years
Buildings	20 years

Land has an unlimited useful life and is therefore not depreciated.

The residual values, estimated useful lives and methods of depreciation of the assets are reviewed at each financial year-end, and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

16 **Property and equipment** continued

	Vehicles Rm	Machinery Rm	Office and computer equipment Rm	Right of use assets – Buildings Rm	Land* Rm	Buildings* Rm	Total Rm
Property and equipment							
Cost							
At 30 September 2020	58	31	252	403	–	–	744
Additions – expansion	9	9	27	32	–	6	83
Disposals	(2)	–	(1)	–	–	–	(3)
Remeasurement**	–	–	–	6	–	–	6
Additions through business combinations	–	3	35	41	178	442	699
Effect of foreign currency exchange difference	–	–	(5)	(12)	–	–	(17)
At 30 September 2021	**65**	**43**	**308**	**470**	**178**	**448**	**1 512**
Additions	**9**	**15**	**146**	**418**	**128**	**352**	**1 068**
Disposals***	**(3)**	**–**	**(44)**	**(65)**	**(42)**	**(9)**	**(163)**
Additions through business combinations	**2**	**–**	**5**	**36**	**–**	**–**	**43**
Effect of foreign currency exchange difference	**–**	**–**	**3**	**8**	**–**	**–**	**11**
At 30 September 2022	**73**	**58**	**418**	**867**	**264**	**791**	**2 471**
Accumulated depreciation							
At 30 September 2020	(25)	(13)	(151)	(116)	–	–	(305)
Depreciation expense	(6)	(4)	(34)	(69)	–	(2)	(115)
Disposals***	1	–	1	–	–	–	2
Impairment losses	–	–	(8)	(14)	–	–	(22)
Reclassifications	–	–	–	(1)	–	–	(1)
Effect of foreign currency exchange difference	–	–	2	2	–	–	4
At 30 September 2021	**(30)**	**(17)**	**(190)**	**(198)**	**–**	**(2)**	**(437)**
Depreciation expense	**(6)**	**(7)**	**(55)**	**(117)**	**–**	**(25)**	**(210)**
Disposals	**–**	**–**	**43**	**58**	**–**	**9**	**110**
Impairment losses	**–**	**–**	**(7)**	**(22)**	**–**	**–**	**(29)**
Effect of foreign currency exchange difference	**–**	**–**	**(2)**	**(3)**	**–**	**–**	**(5)**
At 30 September 2022	**(36)**	**(24)**	**(211)**	**(282)**	**–**	**(18)**	**(571)**
Net carrying value							
Cost	65	43	308	470	178	448	1 512
Accumulated depreciation	(30)	(17)	(190)	(198)	–	(2)	(437)
Net carrying value at 30 September 2021	35	26	118	272	178	446	1 075
Cost	**73**	**58**	**418**	**867**	**264**	**791**	**2 471**
Accumulated depreciation	**(36)**	**(24)**	**(211)**	**(282)**	**–**	**(18)**	**(571)**
Net carrying value at 30 September 2022	**37**	**34**	**207**	**585**	**264**	**773**	**1 900**

* *Freehold land and buildings with a carrying amount of R985 million (2021: R578 million) have been pledged to secure borrowings of the group (see note 24). The group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.*

** *Remeasurements include changes to underlying lease contracts which included upfront lease incentives and lease modification adjustments.*

*** *Disposals in the current year are mainly made up as follows:*

- *Assets with a carrying value of R2 million, made up of cost of R91 million and accumulated depreciation of R89 million were disposed of by Nutun as part of their move to new premises.*
- *Land with a cost of R42 million was disposed of by WBC. The disposal of the land took place on loan account and as such, cash proceeds from this transaction were nil.*

17 Goodwill

The group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

At the acquisition date, goodwill acquired is allocated to cash-generating units (CGUs) that are expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amounts of assets in the unit. Any impairment loss for goodwill is recognised directly in profit or loss and is not reversed in subsequent periods.

On disposal of a subsidiary, associate, jointly controlled entity or a CGU, the amount of goodwill attributable is included in the determination of the profit or loss on disposal.

	2022 Rm	2021 Restated* Rm
Balance at the beginning of the year	**4 377**	1 365
Impairment expense	**(4)**	(5)
Additions recognised from business combinations:	**350**	3 057
WBC Holdings (Pty) Ltd*	**–**	2 986
Prushka group of entities	**–**	47
Botha and Sutherland (Pty) Ltd	**–**	24
Synergy Contact Centre (Pty) Ltd (Refer to note 45.1)	**336**	–
Synergy Outsource Limited (Refer to note 45.2)	**14**	–
Effect of foreign currency exchange differences	**31**	(40)
Carrying value at the end of the year	**4 754**	4 377
Composition of goodwill per cash-generating unit		
SA Taxi components		
SA Taxi - Lending	**63**	63
SA Taxi - Insurance	**436**	436
SA Taxi - Rewards	**–**	4
Value Added Services	**100**	100
Nutun Holdings (Nutun) components:		
Nutun – South Africa	**341**	341
Synergy group	**350**	–
TCRS Australia	**478**	447
WeBuyCars	**2 986**	2 986
Total goodwill	**4 754**	4 377

* *In terms of IFRS 3: Business Combinations, the provisional accounting applied to the acquisition of WBC Holdings (Pty) Ltd was finalised during the current financial year. As a result, the contingent consideration from the business combination was increased by R24 million, and goodwill increased by R24 million. Comparative information has been restated accordingly.*

17 Goodwill continued

When testing goodwill for impairment, the recoverable amounts of CGUs are determined as the higher of value in use and fair value less costs to sell, the lower being the value in use. The CGUs prepare five-year forecasts using growth rates based on the specific market segments in which they operate and their expected performance in these markets. The key assumptions for value in use calculations are discount rates, growth rates and expected margins over the determined period. Discount rates reflect management's assessment of risks specific to the CGU as well as current market trends of the time value of money. Growth rates and expected margins are based on industry indicators as well as current and expected business trends.

During the current year, the group acquired Synergy Contact Centre (Pty) Ltd (SCC) and Synergy Outsourcing Limited (SOL), collectively referred to as the Synergy Group (Synergy). Refer to note 45 for details of the acquisition. The Synergy group is a new CGU whose recoverable amount will be assessed separately for goodwill impairment.

The group prepared five-year cash flow forecasts for each CGU. Terminal values were calculated based on long-term growth rates of:

- 6.7% (2021: 6.7%) for the SA Taxi lending business;
- 5% (2021: 5%) for Nutun South Africa;
- 2.5% (2021: 3%) for TCRS Australia;
- 6.7% (2021: 5%) for Value Added Services;
- 5.5% for WeBuyCars;
- 4.5% for SCC; and
- 0.6% for SOL.

These rates do not exceed the average long-term growth rate for the relevant markets. The values in use of the CGUs which are lending businesses are determined based on free cash flow to equity, discounted with a cost of equity, and the value in use of CGUs which operate as service businesses are determined based on free cash flows to the firm, discounted with a weighted average cost of capital.

The pre-tax discount rates used in the value in use calculations at year end were:

- 18.6% (2021: 17.4%) for the SA Taxi lending business;
- 18.7% (2021: 17.9%) for Nutun South Africa*;
- 11% (2021: 13%) for TCRS Australia*,
- 18.5% (2021: 27.1%) for Value Added Services;
- 13.4% for WeBuyCars;
- 21.1% for SCC; and
- 12.1% for SOL.

The valuation method applied is consistent with that of the prior year.

The discount rates applied to the Value Added Services CGU have decreased from 27.1% to 18.5% in the current year. In the prior year, Value Added Services was valued based on assumptions applicable to the Nutun CGU, as it had formed part of that CGU. In the current year, it has been valued based on assumptions applicable to the SA Taxi CGU.

The valuation of the SA Taxi insurance CGU has been calculated applying a free cashflow model, discounted with a pre-tax discount rate of 17.28% (2021: 21.02%). The valuation method applied is consistent with that of the prior year. No terminal value has been calculated.

The terminal value growth rate is estimated by the directors of the group based on past performance of the CGUs and their expectations of market development. The directors estimate that there is significant headroom in the CGUs and a decrease in growth rate would not result in an impairment charge except for the goodwill impairment noted below.

**Note that the pre-tax discount rates for Nutun South Africa and TCRS Australia which were disclosed in the prior year have been restated, due to an error in the figures published. The change in the discount rates published does not result in a change in the value in use calculation.*

Goodwill impairment

No indications of impairment were identified, with the exception of Black Elite (Pty) Ltd, which forms part of the SA Taxi rewards CGU. The goodwill associated with Black Elite (Pty) Ltd arose when the business was acquired by the group in 2019.

Given continued tough market conditions post COVID-19, together with adverse effects of the KwaZulu Natal floods on fuel stations in the area, the expected growth in litres of fuel pumped is not sufficient to support the goodwill attributable to the Rewards business and as a result, during the current year the goodwill of R4 million was impaired to nil. The recoverable amount of Black Elite was determined based on a value in use calculation which used cash flow projections based on approved financial budgets covering a five-year period and a pre-tax discount rate of 15.6% (2021: 12.7%). The valuation method applied is consistent with that of the prior period.

18 Deferred tax

Deferred tax is calculated using the liability method.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- ▷ The initial recognition of goodwill; or
- ▷ The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit or tax loss.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and associates, except to the extent that both of the following conditions are satisfied:

- ▷ The company is able to control the timing of the reversal of the temporary difference; and
- ▷ It is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated using taxation rates that have been enacted or substantively enacted at financial year-end. Based on the announcement by the Minister of Finance on 23 February 2022 in his budget speech to reduce the corporate income tax rate from 28% to 27% for years of assessment commencing on or after 1 April 2022, deferred tax balances as at 30 September 2022 have been recognised at the reduced tax rate. The tax rate of 27% is viewed to be substantively enacted.

The effect on deferred tax of any changes in taxation rates is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity in which case the deferred tax is charged to equity.

Deferred tax assets are recognised to the extent that it is probable that future profits will be available against which the associated tax-deductible temporary differences can be utilised and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient profits will be available to allow all or part of the asset to be recovered.

Deferred tax related to fair value measurement of cash flow hedges, which are charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income and is subsequently recognised in profit or loss together with the deferred gain or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

	2022 Rm	2021 Rm
Deferred tax is presented in the statement of financial position as follows:		
Deferred tax assets	**272**	319
Deferred tax liabilities	**(1 408)**	(1 405)
Net deferred tax liabilities	**(1 136)**	(1 086)
The movements during the year are analysed as follows:		
Balance at the beginning of the year	**(1 086)**	(108)
Recognised in the income statement for the year	**(116)**	(194)
Recognised in equity for the year	**14**	(12)
Business combinations	**(12)**	(771)
Prior year adjustment*	**62**	1
Translation of foreign operations	**2**	(2)
Net deferred tax liabilities at the end of the year	**(1 136)**	(1 086)

* *The prior year adjustment relates mostly to a reassessment of deferred tax in relation to foreign insurance dividends expected in the foreseeable future (in terms of IAS 12). This is as a result of the change in the terms and conditions of absconsion, violation, and credit shortfall (AVCS) cover for the financed insurance portfolio.*

An amount of Rnil (2021: Rnil) has not been recognised as a deferred tax asset during the year.

Deferred tax assets have only been recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. This assessment is performed by comparing budgeted taxable earnings to the deferred tax asset. The assessments are performed on a continuous basis and if required the deferred tax is impaired.

18 **Deferred tax** continued

	Opening balance Rm	Charged to income statement Rm	Charged to equity Rm	Business combinations Rm	Prior year adjustment Rm	Effect of foreign currency exchange differences Rm	Closing balance Rm
2022							
Temporary difference							
Assessed loss unutilised	688	142	21	–	4	–	855
Provision for impairment of loans and advances	(7)	7	–	–	–	–	–
Prepayments	(98)	(26)	–	–	–	–	(124)
Creditor provisions	68	(34)	–	–	–	–	34
Property and equipment	(40)	1	–	–	–	(2)	(41)
Intangible assets	(792)	31	–	–	–	–	(761)
Deferred income	4	(1)	–	–	–	–	3
Right of use asset	18	(30)	–	–	–	2	(10)
Lease liability	59	22	–	–	–	–	81
Timing difference of expenditure	10	2	–	–	–	–	12
Purchased book debts	(790)	(225)	–	–	–	–	(1 015)
Loans and advances	(116)	(24)	–	–	–	–	(140)
Conditional share plan	28	11	(11)	–	–	–	28
Insurance provisions	47	11	–	–	–	–	58
Other provisions	8	34	–	–	–	2	44
Other temporary differences	(30)	(24)	(2)	(12)	–	–	(68)
Cross-currency swap	2	–	6	–	–	–	8
Interest-bearing liabilities	(36)	6	–	–	–	–	(30)
Undistributed insurance income	(92)	(25)	–	–	58	–	(59)
Other	(17)	5	–	–	–	–	(12)
Leased assets	–	1	–	–	–	–	1
Total	(1 086)	(116)	14	(12)	62	2	(1 136)

18 Deferred tax continued

	Opening balance Rm	Charged to income statement Rm	Charged to equity Rm	Business combinations Rm	Prior year adjustment Rm	Effect of foreign currency exchange differences Rm	Closing balance Rm
2021							
Temporary difference							
Assessed loss unutilised	641	37	–	–	10	–	688
Provision for impairment of loans and advances	(7)	–	–	–	–	–	(7)
Prepayments	(80)	(18)	–	–	–	–	(98)
Creditor provisions	19	48	–	1	–	–	68
Property and equipment	(17)	(9)	–	3	(17)	–	(40)
Intangible assets	(1)	–	–	(791)	–	–	(792)
Deferred income	3	–	–	–	–	1	4
Right of use asset	(19)	47	–	(9)	–	(1)	18
Lease liability	50	(4)	–	13	–	–	59
Timing difference of expenditure	13	(3)	–	–	–	–	10
Purchased book debts	(611)	(179)	–	–	–	–	(790)
Loans and advances	(93)	(31)	–	–	8	–	(116)
Conditional share plan	18	13	(3)	–	–	–	28
Insurance provisions	85	(38)	–	–	–	–	47
Other provisions	–	1	–	7	–	–	8
Other temporary differences	(6)	(26)	–	4	–	(2)	(30)
Cross-currency swap	11	–	(9)	–	–	–	2
Interest-bearing liabilities	(37)	1	–	–	–	–	(36)
Undistributed insurance income	(71)	(21)	–	–	–	–	(92)
Other	(6)	(12)	–	1	–	–	(17)
Total	(108)	(194)	(12)	(771)	1	(2)	(1 086)

19 Discontinued operations and non-current assets held for sale

Assets and liabilities classified as held for sale on the statement of financial position are made up as follows:

	2022 Rm	2021 Rm
Assets classified as held for sale are made up as follows:		
Discontinued operation (refer to 19.1)	**55**	98
Non-current asset classified as held for sale (refer to 19.2)	**316**	–
Total assets classified as held for sale	**371**	98
Liabilities classified as held for sale are made up as follows:		
Discontinued operation (refer to 19.1)	**21**	14
Total liabilities classified as held for sale	**21**	14

19.1 Discontinued operation

Cognisant of the higher risk in the small- and medium-sized enterprises (SME) sector, Transaction Capital Business Solutions (Pty) Ltd (TCBS) has proactively curbed gross loans and advances growth to this sector since the second half of 2018. During the 2020 financial year, the group took the decision to significantly reduce this exposure. The group was of the view that the capital allocated towards TCBS could be applied to achieve better risk-adjusted returns. TCBS is accounted for as a discontinued operation as its business and assets are available for sale. For the current year, the group continued to implement various disposal strategies, with somes loans sold during the period.

The discontinued operation is included in the Nutun reportable segment in terms of IFRS 8: Operating Segments. The results of the discontinued operations, which have been included in the profit for the year were as follows:

	2022 Rm	2021 Rm
Risk-adjusted net interest income	**(3)**	(9)
Non-interest revenue	**–**	5
Operating costs	**(3)**	(10)
Loss before tax	**(6)**	(14)
Income tax (expense)/benefit	**(27)**	2
Loss for the period from discontinued operations	**(33)**	(12)
During the current year, TCBS contributed R1 million (2021: R160 million) to the group's net operating cash flows, paid Rnil (2021: Rnil) in respect of investing activities and paid Rnil (2021: R2 million) in respect of financing activities.		
The major classes of assets and liabilities comprising the discontinued operations classified as held for sale are as follows:		
Cash and cash equivalents	**3**	2
Loans and advances	**36**	60
Intangible assets	**1**	1
Deferred tax assets	**15**	35
Total assets classified as held for sale	**55**	98
Trade and other payables	**6**	6
Deferred tax liabilities	**15**	8
Total liabilities associated with assets classified as held for sale	**21**	14
Net assets of disposal group	**34**	84

19.2 Non-current assets classified as held for sale

During the financial year, the board agreed to dispose of its' purchased book debt portfolio within TCRS Australia. At year end the group was at an advanced stage of concluding the sale of the purchased book debts with interested parties. The disposal was concluded post 30 September 2022. The disposal of this non-current asset is consistent with the group's long-term policy to ensure strategic growth of asset light revenue streams within the TCRS Australia's operations. This asset has been classified as a non-current asset held for sale and presented separately in the statement of financial position. The proceeds of disposal are expected to exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale. The non-current assets classified as held for sale are included in the Nutun reportable segment in terms of IFRS 8: Operating Segments.

	2022 Rm	2021 Rm
20 Other short term borrowings		
SA Taxi floor plan facility*	**23**	51
Other loan payable**	**–**	30
Total other short term borrowings	**23**	81

* *Secured by a cession of inventories.*

** *The other loan payable in the prior year related to a shareholder loan from the WBC Holdings minority shareholder, which has been settled in the current year. Refer to note 44.*

	2022 Rm	2021 Restated* Rm
21 Trade and other payables		
Trade payables and accruals	**799**	763
Contingent consideration from business combination (refer to note 21.1)	**272**	166
Revenue received in advance	**54**	55
Bonus accrual	**169**	145
VAT payable	**91**	30
Forward flow obligation*	**78**	–
Payable arising from acquisition of the WBC group	**–**	1 233
Other	**43**	35
Trade and other payables	**1 506**	2 426

* *The salvage business was sold in exchange for a 40% investment in GoBid (Pty) Ltd (refer to note 14 for details on the investment in associate). The consideration exchanged or given up to acquire the investment includes the obligation to deliver salvage taxis in terms of the forward flow agreement to generate a minimum turnover amount of R194 million less returns generated from the stock transferred as part of the sale assets on the effective date of the transaction, over a forward flow period of 24 months.*

The obligation is measured as the best estimate of the remaining forward flow liability required to settle the obligation, which is the present value of salvage taxis to be delivered to GoBid by the group over the forward flow period to meet the minimum turnover amount.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

		2022 Rm	2021 Restated* Rm
21	**Trade and other payables** continued		
21.1	Contingent consideration		
	Opening balance	**166**	–
	Recognised through business combinations**	**153**	142
	Adjustment as a result of finalisation of provisional accounting***	**–**	24
	Re-measurement through profit and loss	**(45)**	–
	Settlement of contingent consideration	**(2)**	–
	Total derivative liabilities	**272**	166

*** For the prior year, this is the figure as reported in the published financial statements, prior to the finalisation of the provisional accounting for the business combinations.*

**** In terms of IFRS 3: Business Combinations, the provisional accounting for the WBC and Prushka acquisitions was finalised in the current year. As a result, the WBC contingent consideration was increased by R24 million, and goodwill increased by R24 million. The prior year contingent consideration relating to Prushka remained unchanged. Comparative information has been restated accordingly.*

The contingent consideration is broken down as follows:

- R118 million (2021: R156 million) relating to the acquisition for the WBC group which was concluded in the prior year. A R39 million gain was recognised in the income statement relating to the re-measurement of the contingent consideration.
- R3 million (2021: R10 million) relating to the acquisition for Prushka Debt Recovery (Pty) Ltd which was concluded in the prior year. R7 million was taken as a re-measurement adjustment in the income statement.
- R151 million relating to the acquisition of Synergy Contact Centre (Pty) (SCC) which was concluded on 1 April 2022. R153 million was recognised on acquisition date, with R2 million settled by year end. Refer to note 45 for further details.

The WBC contingent consideration will be settled in the 2023 financial year. The Prushka contingent consideration will be settled in the 2023 financial year. The SCC contingent consideration will be settled on various dates between the 2023 and 2025 financial years.

		Leave pay provision* Rm	Sundry provision** Rm	Total Rm
22	**Provisions**			
	Balance at 30 September 2021	**88**	**4**	**92**
	Additional provision recognised	**22**	**1**	**23**
	Utilisation of provision	**(16)**	**(4)**	**(20)**
	Effect of foreign currency exchange differences	**3**	**–**	**3**
	Balance acquired in business combination	**4**	**31**	**35**
	Reduction arising from payments	**(2)**	**–**	**(2)**
	Balance at 30 September 2022	**99**	**32**	**131**

** The leave pay provision is paid out on termination of employment and therefore the timing is uncertain.*

*** The sundry provision relates to a provision raised for compliance costs and employee related costs raised as part of the business combination in line with IFRS 3. The opening balance relates to provisions raised in the prior year for the Prushka acquisition which have been fully utilized in the current year. The R31 million provision raised in the current year relates to the acquisition of Synergy. Refer to note 45.1.*

23 Insurance contracts

23.1 Classification of insurance contracts

The group issues insurance contracts in the normal course of business, under which it accepts insurance risk from its policyholders.

Insurance contracts may be issued by the group, or they may be acquired in a business combination or in a transfer of contracts that do not constitute a business. All references in these accounting policies to 'insurance contracts' include contracts issued, initiated or acquired by the group, unless otherwise stated.

23.2 Separating components from insurance contracts

The group assessed the group of contracts as per the requirements of paragraph 11 and 12 of IFRS 17 and did not identify any embedded derivatives or distinct investment components that needed to be separated.

After separating any financial instrument components, the group separates any promises to transfer distinct goods or non-insurance services to policyholders and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the group provides a significant service of integrating the good or service with the insurance component.

23.2.1 Level of aggregation

Where characteristics of onerous contracts are identified, these contracts are separated out of the group of contracts and measured separately according to the fulfilment cash flow model.

23.3 Recognition of insurance contracts

The group recognises a group of insurance contracts issued from the earliest of the following:

- The beginning of the coverage period of the group of contracts. The coverage period is the period during which the group provides coverage for insured events in respect of all premiums within the boundary of an insurance contract;
- The date when the first payment from a policyholder in the group becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder;
- The date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

Subsequently, new contracts are added to the group when they are issued or initiated, provided that all contracts in the group are issued or initiated in the same year.

23.3.1 Onerous groups of contracts

The group considers various facts and circumstances to identify if a group of contracts is onerous taking into account the probability of all claim types in the future. An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract and any cash flows arising from the contract at the date of initial recognition in total are a net cash outflow. Facts and circumstances which have identified onerous groups of contracts, with respect to the financed portfolio, include both a higher probability weighted expectation of an AVCS claim (driven by probability of repossession) and repair probability, or for the purposes of comparative periods, with respect to the credit life portfolio, based on the age of the insured being 55 years or older. In the current financial year, this portfolio has been repriced resulting in the fulfilment cash flows allocated to the contract boundary being a net cash inflow, resulting in this portfolio no longer being onerous.

During the current year, the terms and conditions of AVCS cover were amended, and as such have been incorporated in the measurement of fulfilment cash flows for the period ended 30 September 2022.

Onerous contracts are measured according to the fulfilment cash flow model.

23.3.2 Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the group can compel the policyholder to pay premiums or has a substantive obligation to provide services. A substantive obligation to provide services ends when:

- The group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- The group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The contract boundary for groups of contracts is reassessed at each reporting date and, therefore, may change over time.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

23 Insurance contracts continued

23.4 Measurement of insurance contracts

23.4.1 Measurement – contracts measured under the premium allocation approach (PAA)

Where material insurance acquisition cash flows are incurred, these costs are expensed as incurred in accordance with the guidance contained in IFRS 17 paragraph 59(a).

The group measures the carrying amount of a group of insurance contracts at each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and (ii) the liability for incurred claims for the group comprising the fulfilment cash flows related to past service allocated to the group at that date.

23.4.2 Initial recognition

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. As premiums are not received upfront, there is no liability for remaining coverage for the portfolios (other than those identified as onerous).

The liability for incurred claims is the group's obligation to investigate and pay valid claims for insured events that have already incurred, including events that have occurred but for which claims have not been reported.

23.4.3 Subsequent measurement

The group recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The group has chosen to adjust the liability for incurred claims to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the group recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the liability for incurred claims is also adjusted for the time value of money and the effect of financial risk.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk. The group's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort.

The group estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability weighted and discounted using current assumptions.

When estimating future cash flows, the group includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows;
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims;
- Net salvage recovery cash flows (after estimated repair costs expected to be incurred, where applicable);
- Claims handling costs;
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries;
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts; and
- Transaction based taxes.

The group also incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The group estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- Information about claims already reported by policyholders;
- Other information about known or estimated characteristics of the insurance contracts;
- Historical data about the group's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions; and
- Current and most recent forecast pricing information.

For groups of contracts assessed as onerous, the group has recognised a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the contractual service margin ('CSM') of the group being zero. A loss component has been established by the group for the liability for remaining coverage for an onerous group depicting the losses recognised.

23 Insurance contracts continued

23.4 Measurement of insurance contracts continued

23.4.4 De-recognition and contract modification

The group derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

23.5 Presentation of insurance contacts

Groups of insurance contracts that are liabilities are presented separately in the statement of financial position and shown as part of insurance contract liabilities.

The group disaggregates amounts recognised in the statement of profit or loss and OCI into (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

The group does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result. Insurance revenue is measured as the sum of all the expected premium receipts for providing coverage in the period.

23.5.1 Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance contracts arising from the effects of the time value of money, financial risk and changes therein.

The group presents insurance finance income and expenses for all other contracts in profit or loss.

23.5.2 Onerous contracts – loss components

For contracts not measured under the PAA, the group establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently excluded from insurance revenue when they occur. When the fulfilment cash flows occur, that are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for non-financial risk at the beginning of each period (or on initial recognition if a group of contracts is initially recognised in the period.)

Changes in estimates of cash flows relating to future services are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new contractual service margin for the group of contracts.

23 Insurance contracts continued

23.6 Insurance contract liabilities

Insurance contracts liabilities comprise:

	2022 Rm	2021 Rm
Short-term motor comprehensive policy – financed portfolio	**152**	222
Credit life portfolio	**10**	31
Short-term motor comprehensive policy – non financed portfolio	**18**	18
Other*	**–**	–
Total insurance contract liabilities**	**180**	271
Insurance contracts are presented as follows:		
Benefits ceded on insurance contracts relating to inventories	**31**	46
Benefits ceded on insurance contracts relating to loans and advances	**10**	52
Benefits accruing to insurance contract holders	**139**	173
Total insurance contract liabilities**	**180**	271

* *Other includes the Taxi Owner Protection Plan (TOPP) portfolio which is less than R1 million.*

** *The timing and uncertainty of cashflows are affected by the following probabilities: policy lapses; probability of death, probability of repossession and the probability of repair or salvage (given repossession). The motor comprehensive and credit life LRC models continue to calculate the fulfilment cash flows for onerous contracts over their remaining contract boundary up until the date of renewal instead of a rolling 12 month period. This measurement is considered appropriate as it is based on repricing and cancellation strategies of the underlying policies in place at each point and is consistent with that applied in the prior year.*

Certain terms and conditions of the absconsion, violation and credit shortfall cover (AVCS) (which is part of the short-term comprehensive motor policy – financed portfolio) have been amended in the current year in line with changes in business operations to streamline the repo recovery process across the group. This is to simplify the repo recovery process in the credit providers (while improving the shortfall owed by the customer, if any) and provide the insurance business with access to the underlying taxi in order to repair (where applicable) or sell it for salvage to manage its cost of claim. The fulfilment cash flows included in the measurement of onerous contracts are consistently applied with that of the prior year and have been updated for the change in AVCS cover (including but not limited to the AVCS claim amount, and net salvage recovery value (net of repair costs (if any)).

23 Insurance contracts continued

23.6 Insurance contract liabilities continued

23.6.1 Reconciliation of the net carrying amounts of insurance contract liabilities

The following reconciliations indicate how the net carrying amounts of insurance contracts changed during the year as a result of cash flows and the amounts recognised in the income statement.

23.6.1.1 Short-term motor comprehensive policy – Financed Portfolio

Analysis by remaining coverage and incurred claims

The roll-forward of liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below.

	2022					2021				
	Liabilities for remaining coverage		Liabilities for incurred claims			Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm
Insurance contract liabilities – at the beginning of the year	**–**	**131**	**86**	**5**	**222**	–	261	68	4	333
Insurance revenue	**(713)**	**–**	**–**	**–**	**(713)**	(666)	–	–	–	(666)
Insurance service expenses	**215**	**(74)**	**261**	**–**	**402**	189	(133)	302	–	358
Incurred claims and other expenses*	**215**	**(64)**	**261**	**–**	**412**	189	(72)	302	–	419
Losses on onerous contracts and reversals of those losses**	**–**	**(10)**	**–**	**–**	**(10)**	–	(61)	–	–	(61)
Changes to liabilities for incurred claims	**–**	**–**	**25**	**(1)**	**24**	–	–	2	1	3
Insurance service result	**(498)**	**(74)**	**286**	**(1)**	**(287)**	(477)	(133)	304	1	(305)
Insurance finance expenses	**–**	**1**	**(1)**	**–**	**–**	–	3	(1)	–	2
Total changes in the statement of profit or loss	**(498)**	**(73)**	**285**	**(1)**	**(287)**	(477)	(130)	303	1	(303)
Premium received	**713**	**–**	**–**	**–**	**713**	666	–	–	–	666
Claims and other expenses paid	**(215)**	**–**	**(281)**	**–**	**(496)**	(189)	–	(285)	–	(474)
Total cash flows	**498**	**–**	**(281)**	**–**	**217**	477	–	(285)	–	192
Insurance contract liabilities at the end of the year	**–**	**58**	**90**	**4**	**152**	–	131	86	5	222

* *Incurred claims and other expenses on onerous contracts (loss component) recognised in the income statement of R64 million (2021: R72 million) is reflected in note 31 (R43 million (2021: R58 million) and note 33.2 (R19 million (2021: R15 million)).*

** *Losses on onerous contracts (loss component) recognised in the income statement of R10 million (2021: R61 million) is reflected in note 31 (R15 million (2021: R13 million)) and note 33.2 (-R5 million (2021: R48 million)).*

23 Insurance contracts continued

23.6 Insurance contract liabilities continued

23.6.1 Reconciliation of the net carrying amounts of insurance contract liabilities continued

23.6.1.2 Credit life portfolio

Analysis by remaining coverage and incurred claims

The roll-forward of liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below.

	2022					2021				
	Liabilities for remaining coverage		Liabilities for incurred claims			Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm
Insurance contract liabilities at the beginning of the year	–	2	29	–	31	–	6	22	–	28
Insurance revenue	(262)	–	–	–	(262)	(193)	–	–	–	(193)
Insurance service expenses	32	(2)	124	–	154	(28)	(4)	132	–	100
Incurred claims and other expenses	32	–	124	–	156	(28)	–	132	–	104
Losses on onerous contracts and reversals of those losses	–	(2)	–	–	(2)	–	(4)	–	–	(4)
Changes to liabilities for incurred claims	–	–	(17)	–	(17)	–	–	(8)	–	(8)
Insurance service result	(230)	(2)	107	–	(125)	(221)	(4)	124	–	(101)
Insurance finance expenses	–	–	–	–	–	–	–	–	–	–
Total changes in the statement of profit or loss	(230)	(2)	107	–	(125)	(221)	(4)	124	–	(101)
Premium received	262	–	–	–	262	193	–	–	–	193
Claims and other expenses paid	(32)	–	(126)	–	(158)	28	–	(117)	–	(89)
Total cash flows	230	–	(126)	–	104	221	–	(117)	–	104
Insurance contract liabilities at the end of the year	–	–	10	–	10	–	2	29	–	31

23 Insurance contracts continued

23.6 Insurance contract liabilities continued

23.6.1 Reconciliation of the net carrying amounts of insurance contract liabilities continued

23.6.1.3 Short-term motor comprehensive policy – Non Financed Portfolio

Analysis by remaining coverage and incurred claims

The roll-forward of liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below.

	2022					2021				
	Liabilities for remaining coverage		Liabilities for incurred claims			Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm
Insurance contract liabilities – at the beginning of the year	**–**	**–**	**18**	**–**	**18**	–	–	13	–	13
Insurance revenue	**(160)**	**–**	**–**	**–**	**(160)**	(144)	–	–	–	(144)
Insurance service expenses	**9**	**–**	**79**	**–**	**88**	13	–	65	–	78
Incurred claims and other expenses	**9**	**–**	**79**	**–**	**88**	13	–	65	–	78
Losses on onerous contracts and reversals of those losses	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Changes to liabilities for incurred claims	**–**	**–**	**6**	**–**	**6**	–	–	1	–	1
Insurance service result	**(151)**	**–**	**85**	**–**	**(66)**	(131)	–	66	–	(65)
Total changes in the statement of profit or loss	**(151)**	**–**	**85**	**–**	**(66)**	(131)	–	66	–	(65)
Premium received	**160**	**–**	**–**	**–**	**160**	144	–	–	–	144
Claims and other expenses paid	**(9)**	**–**	**(85)**	**–**	**(94)**	(13)	–	(61)	–	(74)
Total cash flows	**151**	**–**	**(85)**	**–**	**66**	131	–	(61)	–	70
Insurance contract liabilities at the end of the year	**–**	**–**	**18**	**–**	**18**	–	–	18	–	18

23 Insurance contracts continued

23.6 Insurance contract liabilities continued

23.6.1 Reconciliation of the net carrying amounts of insurance contract liabilities continued

23.6.1.4 Other Portfolio

Analysis by remaining coverage and incurred claims

The roll-forward of liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below.

	2022					2021				
	Liabilities for remaining coverage		Liabilities for incurred claims			Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm
Insurance contract liabilities at the beginning of the year	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Insurance revenue	**(8)**	**–**	**–**	**–**	**(8)**	(12)	–	–	–	(12)
Insurance service expenses	**(1)**	**–**	**5**	**–**	**4**	–	–	6	–	6
Incurred claims and other expenses	**(1)**	**–**	**5**	**–**	**4**	–	–	6	–	6
Losses on onerous contracts and reversals of those losses	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Changes to liabilities for incurred claims	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Insurance service result	**(9)**	**–**	**5**	**–**	**(4)**	(12)	–	6	–	(6)
Insurance finance expenses	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Total changes in the statement of profit or loss	**(9)**	**–**	**5**	**–**	**(4)**	(12)	–	6	–	(6)
Premium received	**8**	**–**	**–**	**–**	**8**	12	–	–	–	12
Claims and other expenses paid	**1**	**–**	**(5)**	**–**	**(4)**	–	–	(6)	–	(6)
Total cash flows	**9**	**–**	**(5)**	**–**	**4**	12	–	(6)	–	6
Insurance contract liabilities at the end of the year	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–

24 Interest-bearing liabilities

	Notes	2022 Rm	2021 Rm
Type of loan			
Securitisation notes, debentures and loans	24.1	**5 948**	5 753
Loans	24.1	**15 914**	10 386
Total interest-bearing liabilities		**21 862**	16 139
Classes of interest-bearing liabilities			
Senior debt	24.1	**20 762**	15 349
Subordinated debt	24.1	**1 100**	790
Total interest-bearing liabilities		**21 862**	16 139
Maturity profile			
Payable within 12 months		**8 433**	4 828
Payable thereafter		**13 429**	11 311
Total interest-bearing liabilities		**21 862**	16 139

The group has applied IAS 20 recognition principles relating to Government Grants and as a result, has recognised a benefit of R9.9 million (2021: R6.2 million) to funding costs as a result of this grant for the year, with a cumulative gain recognised of R15.7 million (2021: R25.6 million).

There have been no modifications to interest bearing liabilities in the current and prior year.

For further updates on the management of liquidity risk – refer to note 43.3.

24 **Interest-bearing liabilities** continued

Restrictive funding arrangements

During the current and prior year, the group was party to the following restrictive funding arrangements as defined by the JSE listing requirements.

2022

Lender	Borrower	Maturity date	Rm	Restrictive conditions
Ninety One Proprietary Limited	SA Taxi Development Finance Proprietary Limited	15/06/23	**145**	▷ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ▷ Early settlement of the loan is not permissible.
Ninety One Proprietary Limited	SA Taxi Development Finance Proprietary Limited	16/09/24	**65**	▷ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ▷ Early settlement of the loan is not permissible.
Ninety One Proprietary Limited	SA Taxi Development Finance Proprietary Limited	15/06/26	**225**	▷ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ▷ Early settlement of the loan is not permissible.

2021*

Lender	Borrower	Maturity date	Rm	Restrictive conditions
Ninety One Proprietary Limited	SA Taxi Development Finance Proprietary Limited	15/06/23	145	▷ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ▷ Early settlement of the loan is not permissible.
Ninety One Proprietary Limited	SA Taxi Development Finance Proprietary Limited	16/09/24	65	▷ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ▷ Early settlement of the loan is not permissible.
Ninety One Proprietary Limited	SA Taxi Development Finance Proprietary Limited	15/06/26	225	▷ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ▷ Early settlement of the loan is not permissible.

* *In the prior period, three facilities were erroneously disclosed as restrictive funding arrangements. Comparatives have been restated.*

24 Interest-bearing liabilities continued

24.1

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value Rm	Other comments
2022							
Securitisation notes, debentures and loans							
Junior	Amortising	28/05/2020	3 Month JIBAR plus 7%	28/05/2025	ZAR	**85**	Loans and advances, cash and cash equivalents, purchased book debts, trade receivables, inventory; and the group's 65% shareholding in Synergy Contact Centre (Pty) Ltd have been ceded as securities for the loans.
Mezzanine	Amortising	26/05/2021 to 29/11/2021	3 Month JIBAR plus 3.9%	22/06/2026	ZAR	**95**	
Senior	Amortising	06/06/2018 to 26/05/2021	Fixed rate of 7.61% to 9.225%	14/11/2022 to 22/06/2026	ZAR	**193**	
Senior	Amortising	08/11/2017 to 14/09/2022	3 Month JIBAR plus 1.43% to 3.8%	14/11/2022 to 24/06/2031	ZAR	**5 321**	
Senior	Amortising	23/03/2022 to 06/04/2022	Prime plus 0.5%	23/03/2027	ZAR	**169**	
Senior	Amortising	13/12/2021	3 Month JIBAR plus 3.25%	10/12/2026	ZAR	**85**	
Total						**5 948**	

24 Interest-bearing liabilities continued

24.1

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value Rm	Other comments
2022							
Loans							
Mezzanine	Bullet	20/02/2018 to 23/08/2022	3 Month JIBAR plus 4.75% to 6.5%	15/06/2023 to 16/08/2027	ZAR	**770**	Loans and advances, cash and cash equivalents, purchased book debts, trade receivables, inventory; and the group's 65% shareholding in Synergy Contact Centre (Pty) Ltd have been ceded as securities for the loans.
Senior	Amortising	26/09/2019 to 06/04/2022	Fixed rate of 11.5%	06/04/2023 to 26/09/2023	ZAR	**43**	
Senior	Amortising	26/07/2017 to 15/09/2022	3 Month JIBAR plus 3.53% to 6.827%	26/04/2023 to 15/11/2029	USD	**2 658**	
Senior	Amortising	27/07/2017 to 10/08/2022	3 Month JIBAR plus 3.32% to 5.01%	15/12/2022 to 20/06/2031	ZAR	**2 353**	
Senior	Amortising	28/03/2018 to 13/01/2022	Prime Plus 0.25% to 1%	15/03/2023 to 15/12/2026	ZAR	**27**	
Senior	Bullet	12/03/2018 to 10/06/2022	3 Month JIBAR plus 3.65% to 5.4%	24/10/2022 to 15/12/2027	ZAR	**1 152**	
Senior	Revolving Facility	21/03/2022	3 Month JIBAR plus 2.25%	13/03/2023	ZAR	**195**	
Senior	Revolving Facility	18/11/2019 to 26/11/2021	Prime less 0.2% – plus 0.2%	14/11/2022 to 24/02/2024	ZAR	**2 214**	
Senior	Bullet	03/09/2021	3 Month AUD BLR plus 1.95%	31/07/2024	AUD	**206**	
Senior	Amortising	31/03/2021 to 17/08/2021	Fixed rate 8.13% to 8.8%	30/09/2024 to 30/09/2026	ZAR	**435**	
Senior	Revolving facility	28/05/2021 to 30/05/2022	Prime less 0.45% – less 0.85%	22/04/2024 to 29/05/2025	ZAR	**695**	
Senior	Revolving facility	23/06/2022	3 Month JIBAR plus 4.75%	03/04/2027	ZAR	**100**	
Senior	Amortising	30/05/2019 to 16/05/2022	3 Month JIBAR plus 3.5%	30/05/2024 to 31/03/2027	ZAR	**674**	
Senior	Bullet	30/05/2019 to 30/05/2022	3 Month JIBAR plus 2.8% to 3.8%	30/12/2022 to 31/03/2027	ZAR	**636**	
Mezzanine	Amortising	25/03/22 to 16/09/2022	3 Month JIBAR plus 5%	31/03/2022 to 30/09/2027	ZAR	**150**	
Senior	Revolving facility	03/12/2021	Prime plus 1.2%	02/12/2024	ZAR	**1 098**	
Senior	Revolving facility	09/09/2022	82.5% of Prime	09/09/2027	ZAR	**340**	
Senior	Bullet	15/02/2022	3 Month JIBAR plus 2.89% to 3.39%	17/02/2025 to 15/02/2027	ZAR	**454**	
Senior	Revolving Facility	15/03/2022 to 06/09/2021	Prime less 1.15%	14/03/2023 to 05/09/2023	ZAR	**704**	
Senior	Amortising	06/12/2018 to 25/03/2022	Prime less 0.5%	26/03/2023 to 15/12/2027	ZAR	**787**	
Senior	Amortising	07/04/2022	1 month JIBAR plus 2.28%	07/11/2022	ZAR	**187**	
Senior	Amortising	02/03/2022	1 month JIBAR plus 1.30%	07/09/2027	ZAR	**36**	
Total						**15 914**	
Total interest-bearing liabilities						**21 862**	

The group was not at year end in breach or default of any provisions of the terms or conditions of the agreements governing borrowings that will change the timing or amount of cash flows.

Refer to note 43.3 for details relating to a waiver of a breach in the WBC (Pty) Ltd covenants during the year.

All USD denominated loans have been hedged. Refer to note 43.8.

All loans per section 24.1 are subordinated debt and senior loans.

24 Interest-bearing liabilities continued

24.1

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value Rm	Other comments
2021							
Securitisation notes, debentures and loans							
Junior	Amortising	28/05/2020	3 Month JIBAR plus 7%	28/05/2025	ZAR	**85**	Loans and advances, cash and cash equivalents, purchased book debts, trade receivables and inventory have been ceded as securities for the loans.
Mezzanine	Amortising	26/05/2021	3 Month JIBAR plus 7.575%	22/06/2026	ZAR	**60**	
Senior	Amortising	06/06/2018 to 26/05/2021	Fixed rate plus 7.61% to 9.225%	14/11/2022 to 22/06/2026	ZAR	**284**	
Senior	Amortising	08/11/2017 to 22/09/2021	3 Month JIBAR plus 1.48% to 6.875%	13/04/2022 to 22/09/2026	ZAR	**5 324**	
Total						**5 753**	

24 Interest-bearing liabilities continued

24.1

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value Rm	Other comments
2021							
Loans							
Mezzanine	Bullet	20/02/2018 to 14/06/2021	3 Month JIBAR plus 4.75% to 6.5%	15/06/2023 to 15/06/2026	ZAR	**645**	Loans and advances, cash and cash equivalents, purchased book debts, trade receivables and inventory have been ceded as securities for the loans.
Senior	Amortising	26/09/2019	Fixed rate 11.5%	26/0920/23	ZAR	**45**	
Senior	Amortising	26/07/2017 to 09/06/2021	3 Month JIBAR plus 3.53% to 6.827%	15/11/2021 to 15/05/2026	USD	**1 835**	
Senior	Amortising	20/05/2016 to 15/06/2021	3 Month JIBAR plus 3.5% to 5.01%	15/12/2021 to 16/03/2028	ZAR	**1 332**	
Senior	Amortising	27/03/2017 to 23/07/2021	Prime Plus 1% to 8%	15/09/2022 to 15/09/2024	ZAR	**47**	
Senior	Bullet	04/06/2021	Fixed rate 12%	06/04/2022	ZAR	**50**	
Senior	Bullet	12/03/2018 to 01/06/2021	3 Month JIBAR plus 3.65% to 5.4%	10/06/2022 to 15/12/2027	ZAR	**1 143**	
Senior	Revolving facility	20/03/2020	3 Month JIBAR plus 5.94%	14/03/2022	ZAR	**145**	
Senior	Revolving facility	18/11/2019 to 16/09/2020	Prime less 0.6% – plus 0.2%	15/12/2021 to 30/01/2023	ZAR	**2 079**	
Senior	Revolving facility	11/09/2020	3 Month JIBAR plus 4.5% margin	11/12/2023	ZAR	**272**	
Senior	Amortising	24/05/2019 to 17/08/2021	3 month JIBAR plus 3.1% to 3.5%	05/09/2022 to 30/09/2026	ZAR	**877**	
Senior	Bullet	24/05/2019 to 31/05/2021	3 month JIBAR plus 3.3%	28/03/2024 to 28/06/2024	ZAR	**150**	
Senior	Prime	29/09/2021	Prime	31/05/2024	ZAR	**346**	
Senior	Amortising	04/06/2018 to 19/04/2021	3 Month AUD BLR plus 2.95%	12/10/2021 to 28/02/2024	AUD	**81**	
Senior	Bullet	03/09/2021	3 Month AUD BLR plus 2.95%	31/07/2024	AUD	**49**	
Senior	Amortising	02/03/2021 to 17/08/2021	Fixed rate 8.13% to 8.8%	30/09/2024 to 30/09/2026	ZAR	**522**	
Senior	Revolving facility	06/12/2018 to 05/03/2021	Prime minus 0.5%	31/03/2022 to 07/09/2027	ZAR	**557**	
Senior	Bullet	30/07/2020	Prime minus 0.5%	30/07/2023	ZAR	**211**	
Total						**10 386**	
Total interest-bearing liabilities						**16 139**	

The group was not during the year or at year end in breach or default of any provisions of the terms or conditions of the agreements governing borrowings that will change the timing or amount of cash flows.

All USD denominated loans have been hedged. Refer to 43.8.

All loans per section 24.1 are subordinated debt and senior loans.

25 Leases

25.1 The group as lessee

The group assesses whether a contract is or contains a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones and printers). For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

A lease incentive is a payment made by a lessor to a lessee associated with a lease, or the reimbursement or assumption by a lessor of costs of a lessee. Lease incentives received at the commencement of the lease are recognised as an adjustment to the right-of-use asset. When lease incentives are receivable at a later date, they are recognised as a reduction in future lease payments. Lease incentives received during the current financial year include tenant installation allowances on premises. The majority of lease incentives received relate to tenant installation allowances on premises.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

During the previous financial year, certain lease contracts on premises had been renegotiated within the group. The effects of these negotiations were accounted for as lease modifications and were not accounted for as a separate lease as the modifications did not increase the scope of the lease by adding the right to use one or more underlying assets, and the consideration for the lease did not increase by an amount commensurate with the stand-alone price for the increase in scope.

On the date of the modification, the carrying amount of the finance lease liability is remeasured to reflect the latest assessment of future cash flows using the incremental borrowing rate applicable at the date of the modification over the remaining lease period. A corresponding adjustment is made to the right-of-use asset. To the extent that the right-of-use asset balance is reduced to zero, any additional adjustments are taken to profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as part of property and equipment in the consolidated statement of financial position. The group applies IAS 36- Impairment of Assets to determine whether a right-of-use asset is impaired.

25.2 The group as lessor

The group is an intermediate lessor and accounts for the head lease and the sub-lease as two separate components. The sub-lease is classified as a finance lease by reference to the right of use asset arising from the head lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

25 Leases continued

25.3 Lease liabilities and leased assets

	2022 Rm	2021 Rm
Lease liabilities		
Maturity analysis		
Year 1	**187**	135
Year 2	**191**	121
Year 3	**140**	104
Year 4	**108**	63
Year 5	**97**	26
Onwards	**157**	24
Less: unearned interest	**(165)**	(53)
Total	**715**	420

The group does not face significant liquidity risk with regard to its lease liabilities.

The group leases several assets including buildings and computer equipment. The balance of lease labilities increased significantly in the current year due to the following:

- WBC concluded new warehouse leases in Polokwane, Epping and Riverhorse Valley;
- WBC concluded a lease for its corporate head office; and
- Nutun concluded a lease for its corporate head office.

The group entered into a lease agreement that has not yet commenced at year end. The Group Executive Office has concluded an 8 year lease for its corporate office. The aggregate cash outflows to which the group is exposed to in respect of this lease contract is R41 million.

Options to extend or terminate leases have only been taken into account where it is probable that the option will be exercised by the lessee. There are no residual value guarantees or material restrictions imposed by any lease agreements.

The weighted average expected remaining lease term for the lease of buildings within the scope of IFRS 16 is 5 years (2021: 3.1 years).

	2022 Rm	2021 Rm
Leased assets		
Maturity analysis		
Year 1	**6**	6
Year 2	**6**	6
Year 3	**–**	6
Less: unearned interest	**(1)**	(1)
Total	**11**	17

The group is party to a sublease arrangement, which was been accounted for separately as required by IFRS 16. The total cash inflows for sub leases of buildings within the scope of IFRS 16 amount to R6 million (2021: R7 million).

The lease and related leased asset in relation to the Midrand premises were under negotiation in the prior year and has since been finalized in the current year (where the effective date of the modification is 16 November 2020). This was accounted for as a modification in the prior year with no changes in the current year as the final lease agreements are aligned with what was expected. The net investment in the sublease represents the present value of future sublease cashflows discounted at an appropriate entity specific discount rate.

25 Leases continued

25.3 Lease liabilities and leased assets continued

Amounts recognised in profit and loss

	2022 Rm	2021 Rm
Depreciation expense on right-of-use assets	**(102)**	(61)
Interest expense on lease liabilities	**(39)**	(28)
Expense relating to short-term leases*	**(45)**	(23)
Expense relating to leases of low value assets	**(3)**	(2)
Interest income from sub-leasing right-of-use assets	**1**	1
Sub-lease other income recognised	**7**	4
Income from sub-leasing right-of-use-assets	**6**	7

* *Included in short-term leases expenses are storage costs of R10 million (2021: R7 million) as well as workshop rental costs of R13 million (2021: R11 million). Refer to note 34 of the group consolidated financial statements.*

26 Put option liability

Put options held by non-controlling interests in the group's subsidiaries entitle the non-controlling interest to sell their interest in the subsidiary to the group/group's subsidiaries at values determined as per the option agreements and on contracted dates. The group recognises the value of the non-controlling interest's put option, being the present value of the estimated future purchase prices, as a financial liability in the statement of financial position. At initial recognition, the present value of the future purchase prices is recognised in the put option reserve in equity, with any future changes in the value of the estimated future cash flows recognised in the income statement as explained below.

The unwinding of the present value discount on these liabilities is recognised as an imputed interest charge in the income statement using the effective interest rate method. If there is a change in the timing or amount of estimated cash flows, then the amortised cost of the financial liability (or group of financial instruments) is adjusted in the period of change to reflect the actual and revised estimated cash flows. A corresponding income or expense is recognised in profit or loss. At each reporting date, a revised amortised cost of the financial liability is recalculated by discounting the revised estimated future cash flows at the instrument's original effective interest rate.

26.1 Transaction Capital Motor Holdco (Pty) Ltd (TCMH) owns 74.9% shareholding in WBC Holdings (Pty) Ltd (WBC Holdings). The group owns an effective 74.2% shareholding in WBC Holdings as a result of the non-controlling interests in TCMH. On 5 October 2021, TCMH concluded a shareholders agreement with the minority shareholders of WBC Holdings, which includes put options in favour of the minority shareholders, which if exercised could result in TCMH acquiring, in various increments and at various intervals, additional shares in WBC Holdings up to a maximum of 25.1% (being all the shares in WBC Holdings currently held by the minority shareholders) and which, if implemented in full, will result in WBC Holdings becoming a wholly owned subsidiary of TCMH. The exercise dates for the put options are as follows:

- Within a 30 day period of 30 September 2023, on the effective date of such option, such number of shares in WBC Holdings as will result in the minority shareholder retaining, after implementation of such sale, 17.6% of the shares in WBC Holdings;
- Within a 30 day period of 30 September 2024, on the effective date of such option, such number of shares in WBC Holdings as will result in the minority shareholder retaining, after implementation of such sale, 10.1% of the shares in WBC Holdings; and
- Within a 30 day period of 30 September 2026, on the effective date of such option, all of the shares held by the minority shareholder in WBC Holdings.

The value of the WBC put option liability is calculated by applying a price earnings multiple to the adjusted profits of WBC for the 12 month period ending on 30 September of the year in which the put option is exercised. The discount rate applied to the valuation is 6.9%. A gain of R568 million has been recognised in the current year relating to the re-measurement of the liability as a result of a change in the expected cash flows.

26.2 The group, through its subsidiaries Nutun Corporate Ventures (Pty) Ltd (Nutun CV) and Tyco Holdings Limited (Tyco), both acting in their capacity as general partners of the Synergy Investment Partnership, owns an effective 65% shareholding in Synergy Contact Centre (Pty) Ltd (SCC) and Synergy Outsource Limited (SOL) respectively. On 28 April 2022, Nutun CV and Tyco concluded a shareholders agreement with the minority shareholders of SCC and SOL, which includes put options in favour of the minority shareholders, which if exercised could result in Nutun CV and Tyco acquiring additional shares in SCC and SOL up to a maximum of 35% (being all the shares in SCC and SOL currently held by the minority shareholders) and which, if implemented in full, will result in SCC and SOL becoming wholly owned subsidiaries of Nutun CV and Tyco respectively. The exercise date for the put options is 28 February 2025.

The value of the Synergy put option liability is calculated by applying a price earnings multiple to the profits of Synergy for the 12 month period ending on 28 February 2025. A discount rate of 7.1% has been used for the SCC valuation and 4.49% for the SOL valuation.

26 Put option liability continued

	2022			2021		
	WBC Rm	Synergy Rm	Total Rm	WBC Rm	Synergy Rm	Total Rm
26.3 The effect of granting these put options on the group's results can be summarised as follows:						
Balance at the beginning of the year	–	–	–	–	–	–
Put option liability recognised	3 710	597	4 307	–	–	–
Imputed interest charge recognised in the income statement	261	19	280	–	–	–
Re-measurement of put option liability	(568)	15	(553)			
Effect of foreign currency exchange difference	–	8	8	–	–	–
Balance at the end of the year	**3 403**	**639**	**4 042**	–	–	–

	2022 Rm	2021 Rm
27 Ordinary share capital		
Authorised		
1 000 000 000 ordinary shares		
Issued		
757 367 333 (30 September 2021: 708 431 319) ordinary shares		
Ordinary share capital	5 179	3 464
Ordinary share capital	**5 179**	3 464

	2022		2021	
	Number of shares million	Share capital Rm*	Number of shares million	Share capital Rm*
27.1 Reconciliation of ordinary share capital				
Balance at the beginning of the year	708.4	3 464	661.5	2 015
Shares issued in settlement of the Conditional Share Plan (Note 27.1.1)	2.4	96	0.9	22
Equity raised through the open market	–	–	12.4	248
Equity raised through accelerated bookbuild (Note 27.1.2)	36.1	1 263	33.1	1 159
Shares issued to subsidiaries (Note 27.1.3)	10.5	356	0.5	20
Balance at the end of the year	**757.4**	**5 179**	708.4	3 464

* *Net of share issue costs.*

27.1.1 In terms of specific authority received from shareholders on the adoption of the Transaction Capital Conditional Share Plan, a total of 2 353 523 shares were issued to participants/employees as part of respective vestings at an average price of R40.85 per share.

27.1.2 On 9 September 2022 Transaction Capital raised equity in the form of 36 055 520 shares through the issue of new ordinary shares to qualifying investors through an accelerated bookbuild. The ordinary shares were priced at R35.50 per share (before share issue costs), a 3.9% and 7.5% discount to the pre-launch close price of R36.95 and the 30 business day volume weighted average price of R38.36 respectively, as at the market close on 8 September 2022. The equity raise was completed under the company's general authority to issue shares for cash approved by Transaction Capital shareholders at the annual general meeting of the company held on 10 March 2022.

27 Ordinary share capital continued

27.1.3 On 5 October 2021 Transaction Capital issued 10 526 971 shares to Transaction Capital Motor Holdco Proprietary Limited (TCMH) at an average price of R33.83 per share (before share issue costs) in respect of the acquisition of the additional 25% interest in the WBC group. The 10 526 971 shares were in turn transferred to WBC Holdings (Pty) Ltd (WBC Holdings) and certain of the previous shareholders in WBC Holdings as part of the settlement by TCMH of the purchase price. WBC Holdings distributed the shares paid to it to previous shareholders through a dividend declared which was declared prior to TCMH's acquisition of the investment.

Preference share capital

Authorised

10 000 000 cumulative, non-participating, non-convertible preference shares of no par value

Issued

Nil (2021: nil) preference shares

28 Non-controlling interests

	2022 Rm	2021 Rm
Balance at the beginning of the year	**1 402**	555
Dividends paid	**(154)**	(34)
Share of profit for the year	**360**	116
Purchase of shares in subsidiaries from non-controlling interests	**–**	(27)
Issue of shares by subsidiary to non-controlling interests (refer to note 28.1)	**1**	31
Business combination (refer to note 28.2)	**27**	761
Balance at the end of the year	**1 636**	1 402

28.1 On 18 May 2022, the group, through its newly formed subsidiary WBC AME Holdings DMCC (WBC AME), issued shares to the CEO of WBC AME for a consideration of R1 million. Following the transaction, WBC Holdings owns 95% of WBC AME.

28.2 On 1 April 2022, the group, through its subsidiary Nutun Holdings (Nutun), acquired 65% of the shares and voting interests in Synergy. The acquisition comprised two entities: Synergy Call Centre (SCC) and Synergy Outsource Limited (SOL). The consideration paid for the 65% shareholding in SCC amounted to R360 million and the consideration for SOL amounted to R41 million. Refer to note 45.

29 Reclassifications

The group reassessed the classification principles on the income statement during the current financial year, to ensure that the information presented on the face of the income statement remained reliable and relevant and to improve how information is communicated following the material contribution of WBC to the group. This resulted in a reclassification of the comparative income statement and related notes for the year ended 30 September 2021.

The reclassification is not considered to be a restatement, error or a change in accounting policy as defined in IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. This reclassification enhances the group's disclosure and provides users of the financial statements with more relevant information. It does not impact the statement of financial position, the statement of changes in equity or the cashflow statement.

Included below is the impact of the reclassifications discussed above on the income statement.

	30 September 2021 Reclassifications				
	As previously presented Rm	Disaggregation of non-interest revenue (note 29.1) Rm	Categorisation of net interest income (note 29.2) Rm	Presentation of non-operating items as non-operating profit/(loss) (note 29.3) Rm	Reclassified Rm
Gross profit from the provision of services and sale of goods	–	1 879	–	–	1 879
Revenue	–	5 838	–	–	5 838
Cost of revenue	–	(3 959)	–	–	(3 959)
Net interest income from provision of financing to customers	1 431	–	156	–	1 587
Interest income, calculated using the effective interest rate method	2 663	–	(80)	–	2 583
Interest expense	(1 232)	–	236	–	(996)
Impairment of loans and advances	(563)	–	–	–	(563)
Risk-adjusted net interest income from provision of financing to customers	868	–	156	–	1 024
Net insurance result	392	–	8	–	400
Insurance revenue	1 015	–	–	–	1 015
Insurance service expense	(620)	–	–	–	(620)
Insurance finance income	(3)	–	8	–	5
Other non-interest revenue	2 973	(2 973)	–	–	–
Operating costs	(3 122)	1 050	–	6	(2 066)
Net finance charge – not relating to provision of financing to customers	–	–	(164)	–	(164)
Finance income	–	–	72	–	72
Finance charges	–	–	(236)	–	(236)
Other income	–	44	–	–	44
Equity accounted income	213	–	–	–	213
Fair value gain on previously held equity interest	–	–	–	1 417	1 417
Non-operating profit	1 419	–	–	(1 419)	–
Operating profit	2 743	–	–	4	2 747
Non-operating profit	–	–	–	(4)	(4)
Once off transaction costs	–	–	–	(6)	(6)
Other non-operating profit	–	–	–	2	2
Profit before tax	2 743	–	–	–	2 743
Income tax expense	(325)	–	–	–	(325)
Profit for the year from continuing operations	2 418	–	–	–	2 418

29 Reclassifications continued

The three main categories of reclassifications made in the income statement are as follows:

29.1 **Disaggregation of non-interest revenue:** The group previously presented non-interest revenue as a single line item on the income statement. Given recent changes in the group's structure, most notably, the acquisition of WBC in the prior year, it has become necessary to amend this presentation. WBC is a retailer of second-hand vehicles, and a presentation which reflects gross revenue less the costs incurred to generate the revenue is more relevant for users of the financial statements. This has resulted in the group disaggregating the non-interest revenue line into various line items and reallocating costs previously allocated as operating expenses into cost of revenue.

29.2 **Categorisation of net interest income:** The group previously reflected all interest income and interest expenses in a single section on the income statement. Management is of the view that users of the financial statements will benefit from a view that separates the net interest income from provision of financing to customers from the net finance income/expense not relating to provision of financing to customers.

29.3 **Presentation of non-operating items as non-operating profit/(loss):** The group previously presented items of income and expenditure which were not of an operating nature to the business as part of its operating expenses and income. These items are now reflected below the operating profit line to give users of the financial statements a more accurate view of the operating results of the group.

30 Interest

		2022 Rm	2021 Reclassified* Rm
30.1	**Interest**		
	Net interest income from provision of financing to customers		
	Interest income is earned from:		
	Loans and advances	**2 875**	2 583
	Total interest income	**2 875**	2 583
	Interest expenses are paid on:		
	Interest-bearing liabilities	**(1 240)**	(996)
	Total interest expense	**(1 240)**	(996)
	Interest income, calculated using the effective interest rate method	**2 875**	2 583
	Interest expense	**(1 240)**	(996)
	Net interest income from provision of financing to customers	**1 635**	1 587
30.2	**Net finance charge – not relating to provision of financing to customers**		
	Finance income is earned from:		
	Cash and cash equivalents	**66**	54
	Other	**12**	18
	Total finance income	**78**	72
	Finance charges are paid on:		
	Bank overdrafts and other short term-borrowings	**(84)**	(36)
	Interest-bearing liabilities	**(331)**	(154)
	Lease liabilities	**(39)**	(28)
	Interest on preference share loan	**(7)**	(16)
	Other	**(1)**	(2)
	Total finance charges	**(462)**	(236)
	Finance income	**78**	72
	Finance charges	**(462)**	(236)
	Net finance charge – not relating to provision of financing to customers	**(384)**	(164)

* *In the current year, the group reclassified the presentation of the income statement. This resulted in a reclassification of the comparative period. Refer to note 29 for further information.*

* *As part of the reclassification stated above, insurance related interest received on bank balances of R8 million was reclassified from interest income to insurance finance income. Refer to note 33, where this interest income has been reclassified to.*

	2022 Rm	2021 Rm
31 Impairment of loans and advances		
Impairment comprises:		
Movement in provision for impairment*	**111**	(40)
Fair value movement of loans and advances: shortfall financed debtors**	**–**	25
Fair value movement of loans and advances: entry-level vehicles	**3**	–
Bad debts written off ***	**(961)**	(542)
Bad debts recovered	**6**	7
Impairment	**(841)**	(550)
Losses on onerous contracts and reversals of these losses (refer to note 23.6.1.1)	**(15)**	(13)
Total impairment	**(856)**	(563)

* *Refer note 43 for further detail on the impairment of loans and advances.*

** *During the prior year, given both interest in the market and management's intention to sell the shortfall book, the shortfall book was fair valued to R25 million, with a fair value adjustment of R25 million. The process of selling this book has slowed during the financial year ended 30 September 2022, given subdued market conditions. The shortfall book continues to be held at fair value as management intends to continue to pursue the sale thereof when market conditions improve.*

*** *Includes the utilisations of IFRS17 insurance contracts liabilities amounting to R43 million (2021: R58 million). Refer to note 23.*

32 Revenue recognition

32.1 General policy

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue comprises invoiced sales in respect of the sale of goods; insurance income, fees for rendering of services to customers; collection of amounts due on purchased credit-impaired loan portfolios; and finance charges on loans and suspensive sale credit agreements.

The policy for the recognition of revenue accounted for under IFRS 9 as interest income on loans and suspensive sale credit agreements, as well as purchased credit-impaired loan portfolios, is described note 43.

Interest revenue is disclosed in note 30.

32.2 Capital enabled revenue

Capital enabled revenue comprises revenue from collecting on purchased book debts. Capital enabled revenue is recognised at a point in time when payment is received from the debtors, including amounts in respect of interest and cost recoveries.

32 Revenue recognition continued

32.3 Sale of goods and rendering of services

The recognition of revenue from the sale of goods and the rendering of services is included in the table below for each significant source of revenue.

The group derives revenue from other insignificant sources not separately specified below. These revenue streams are recognised when the performance obligation is met, either at a point in time or over the period of obligation. The transaction price of these revenue items is priced at their relevant stand-alone prices. There are no significant payment terms as payment is due at the time of invoicing.

Product and service	Nature, timing of satisfaction of performance obligations
Commission income	The group earns commission revenue from the following: ▷ administration and installation of tracking devices. The transaction price is a fixed percentage fee as agreed upon in the commission contract. The tracking revenue is recognised over the period of the financing vehicle agreement and the installation revenue is recognised at a point in time, when the installation is complete. ▷ fees earned from finance, insurance related and allied products (F&I products) sold on behalf of major banks providing asset-backed and unsecured vehicle finance, and leading insurance providers. ▷ Also included here is commission revenue from the sale of value-added products as well as service and maintenance plans. Revenue is recognised at a point in time when the commission has been earned.
Customer experience management	The group earns customer experience management services revenue from the following: ▷ Consulting and service fees are recognised over a period of time as performance obligations are met and the service delivered to clients. ▷ Processing fees are based on performance of electronics fund transfers. Revenue is recognised on delivery of the service, being the processing of payments. ▷ Commissions and fees for collection of debtors as agent for third parties are recognised at a point in time on receipt of payments from the debtors.
Dividend and rebate income from insurance related activities	The group earns dividend and rebate income from its investment in Gaurdrisk Insurance Company Limited. Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the group and the amount of income can be measured reliably).
Fee income	Admin fees: The identified performance obligation is the ongoing service, should the member be involved in an accident and/or injured in a road related incident. The service is available over the subscription period. Revenue is recognised over time as the customer simultaneously receives and consumes all the benefits provided by the entity as the entity performs. Service fees are recognised over a period of time as performance obligations are met and the service delivered to clients.
Revenue from sale of goods	Revenue from direct sales is recognised at a point in time. Sales relate to vehicles, parts, and hardware. For vehicles, this usually occurs when the customer signs the new contract, the group has satisfied its performance obligations in terms of the contract and the customer takes delivery of the vehicle. For parts, this occurs when the parts are handed over or delivered to the customer.

32 Revenue recognition continued

	2022 Rm	2021 Reclassified* Rm
32.4 Revenue comprises:		
Commission income	**384**	101
Customer experience management	**1 186**	974
Capital enabled revenue**	**1 792**	1 383
Dividend and rebate income from insurance related activities	**26**	2
Fee income	**143**	125
Revenue from sale of goods	**19 101**	3 237
Other income	**20**	16
Total revenue	**22 652**	5 838

* *In the current year, the group reclassified the presentation of the income statement. Non-interest revenue was previously presented on a net basis in a single line in the income statement. The group has disaggregated this presentation into revenue and cost of revenue. This resulted in a reclassification of the comparative period. Refer to note 29 for further information.*

** *Included in capital enabled revenue is notional interest income of R833 million (2021: R609 million). This revenue is generated by Nutun Business Services South Africa (previously Transaction Capital Recoveries) through the collection of distressed debt. This is a services business and managed as such and the revenue is therefore classified as revenue.*

33 Net insurance result

The net insurance result comprises the following:

	2022 Rm	2021 Reclassified* Rm
Insurance revenue (refer note 33.1)	**1 143**	1 015
Insurance service expense (refer note 33.2)	**(738)**	(620)
Insurance finance (expense)/income (refer note 33.3)	**6**	5
Net insurance result	**411**	400

* *In the current year, the group reclassified its income statement. As a result, R8 million insurance interest received on bank balances in the prior year was reclassified from interest income to the other insurance service expense. Refer to note 29 for further information on the income statement reclassification.*

33 Net insurance result continued

33.1 Insurance revenue

The table below presents an analysis of the total insurance revenue recognised in the period:

	Short-term motor comprehensive policy – financed portfolio Rm	Credit life portfolio Rm	Short-term motor comprehensive policy – non-financed portfolio Rm	Other* Rm	Total Rm
2022					
Contracts measured under the PAA approach	**713**	**262**	**160**	**8**	**1 143**
Insurance revenue	**713**	**262**	**160**	**8**	**1 143**

	Short-term motor comprehensive policy – financed portfolio Rm	Credit life portfolio Rm	Short-term motor comprehensive policy – non-financed portfolio Rm	Other* Rm	Total Rm
2021					
Contracts measured under the PAA approach	666	193	144	12	1 015
Insurance revenue	666	193	144	12	1 015

* *Other includes the Taxi Owner Protection Plan (TOPP) portfolio.*

33.2 Insurance service expense

The insurance service expense comprises of the following:

	2022 Rm	2021 Reclassified Rm
Claims and benefits*	**536**	521
Fees and commissions	**53**	39
Change in estimate – onerous insurance contracts	**5**	(48)
Other**	**144**	108
Insurance service expense	**738**	620

* *Includes the utilisations of IFRS 17 insurance contracts liabilities amounting to R19 million (2021: R15 million). Refer to note 23.*
** *Includes fulfilment cashflows (including an allocation of variable and fixed overheads) as required by IFRS 17 paragraphs B65 and B66.*

33 Net insurance result continued

33.3 Insurance finance (expense)/income

The table below presents an analysis of the insurance finance (expense)/income from insurance contracts issued:

	Short-term motor comprehensive policy – financed portfolio Rm	Credit life portfolio Rm	Short-term motor comprehensive policy – non-financed portfolio Rm	Other* Rm	Total Rm
2022					
Insurance finance expense					
Interest accreted to insurance contracts	–	–	–	–	–
Changes in interest rates and other financial assumptions	–	–	–	–	–
Insurance bank interest	–	–	–	6	6
Total insurance finance expense	–	–	–	6	6

	Short-term motor comprehensive policy – financed portfolio Rm	Credit life portfolio Rm	Short-term motor comprehensive policy – non-financed portfolio Rm	Other* Rm	Total Rm
2021					
Insurance finance income					
Interest accreted to insurance contracts	(1)	–	–	–	(1)
Changes in interest rates and other financial assumptions	(2)	–	–	–	(2)
Insurance bank interest	–	–	–	8	8
Total insurance finance income	(3)	–	–	8	5

* *Other includes the Taxi Owner Protection Plan (TOPP) portfolio.*

All insurance finance income/(expense) from insurance contracts are recognised in profit or loss.

		2022 Rm	2021 Reclassified* Rm
34	**Operating costs**		
	Operating costs comprise:		
	Advertising, marketing and public relations	**(279)**	(45)
	Amortisation of intangible assets	**(92)**	(67)
	Annual report	**(2)**	(3)
	Audit fees**	**(31)**	(28)
	Bank charges	**(25)**	(15)
	Cleaning costs	**(13)**	(8)
	Commissions paid	**(4)**	–
	Communication costs	**(26)**	(10)
	Consulting fees	**(79)**	(49)
	Depreciation	**(209)**	(116)
	Donations	**(5)**	(2)
	Electricity and water	**(41)**	(21)
	Employee expenses	**(1 823)**	(964)
	Entertainment	**(7)**	(2)
	External management fees paid***	**(9)**	(15)
	Handling and logistics costs	**(264)**	(185)
	Impairment of goodwill	**(4)**	(5)
	Impairment of property, plant and equipment	**(28)**	(8)
	Impairment of right-of-use assets	**(1)**	(15)
	Impairment of intangible assets	**–**	(113)
	Impairment of investments	**–**	(6)
	Impairment of trade and other receivables	**(7)**	(30)
	Impairment of other loans receivable	**(1)**	(15)
	Information technology	**(145)**	(75)
	Listing costs	**(4)**	(3)
	Maintenance	**(33)**	(14)
	Motor vehicle expenses	**(10)**	(5)
	Non-executive directors' fees	**(11)**	(10)
	Operating lease rentals and storage costs	**(48)**	(39)
	Printing and stationery	**(23)**	(25)
	Professional fees – legal	**(36)**	(32)
	Professional fees – other	**(31)**	(12)
	Property rates and taxes	**(19)**	(6)
	Recruitment fees	**(12)**	(9)
	Risk management	**(57)**	(32)
	Staff welfare	**(32)**	(18)
	Subscriptions	**(11)**	(7)
	Training and seminars	**(12)**	(11)
	Travel	**(25)**	(6)
	VAT disallowed	**(43)**	(37)
	Write off of minor assets	**(4)**	–
	Other operating costs	**(13)**	(3)
	Total operating costs	**(3 519)**	(2 066)

* *In the current year, the group reclassified the presentation of the income statement. Costs directly attributable to the sale of goods and the provision of services have been reclassified to cost of revenue. This resulted in a reclassification of the comparative period. Refer to note 29.*

** *Includes non-audit fees of R2 million (2021: R2 million).*

*** *Includes R5 million (2021: Nil) paid by the WBC group to Faan van der Walt, the CEO of the WBC group in terms of the WBC shareholders agreement. Refer to the executive compensation note.*

34 Operating costs continued

Executive compensation

Executive directors' remuneration

The following table shows a breakdown of the annual remuneration of directors for the year ended 30 September 2022:

	2022						2021				
	Salary R	Short-term employee benefits[1] R	Present value of share-based awards[2] R	Annual incentive bonus R	Management fees[3] R	Total R	Salary R	Short-term employee benefits[1] R	Present value of share-based awards[2] R	Annual incentive bonus R	Total R
Executive director											
Sean Doherty	2 899 611	539 430	4 574 708	2 833 333	–	10 847 082	2 569 551	480 966	3 671 204	2 250 000	8 971 721
Mark Herskovits	2 732 190	574 983	3 734 644	2 708 333	–	9 750 150	2 613 202	540 933	3 509 204	2 326 430	8 989 769
David Hurwitz	6 220 437	690 169	5 463 769	6 792 500	–	19 166 875	5 110 619	627 550	5 134 023	5 958 333	16 830 525
Jonathan Jawno	4 012 631	89 270	–	6 000 000	–	10 101 901	3 929 180	175 236	–	6 000 000	10 104 416
Michael Mendelowitz	4 012 155	183 725	–	6 000 000	–	10 195 880	3 913 237	177 167	–	6 000 000	10 090 404
Roberto Rossi[4]	4 180 000	100 738	–	6 000 000	–	10 280 738	–	–	–	–	–
Prescribed officer											
Terry Kier	4 692 361	2 085 810	–	–	–	6 778 171	3 989 116	881 399	–	4 015 134	8 885 649
David McAlpin	3 605 935	683 490	4 222 432	5 001 492	–	13 513 349	3 371 321	652 686	10 139 337	3 711 682	17 875 026
Faan van der Walt[5]	3 716 671	666 544	–	–	5 079 864	9 463 079	–	–	–	–	–
Total	36 071 991	5 614 159	17 995 553	35 335 658	5 079 864	100 097 225	25 496 226	3 535 937	22 453 768	30 261 579	81 747 510

1. *There were no post employment, other long-term or post termination benefits paid to executive directors.*
2. *Value of the share-based awards made for the financial year. To enhance disclosure, the present value of share based payments have been restated to include the stretch performance awards awarded to the executive directors on 16 November 2021. The figure presented in the prior year included only the normal awards.*
3. *Management fees are paid by the WBC group to I Faan (Pty) Ltd in terms of the WBC shareholders agreement. I Faan (Pty) Ltd is an entity owned by Faan van der Walt, the CEO of the WBC group, and is a shareholder of WBC Holdings.*
4. *Roberto Rossi was appointed as an executive director with effect from 30 September 2021. Therefore no remuneration has been paid to him in his capacity as executive director in the prior financial year. Refer to non-executive directors fee disclosure for the fees earned as a non-executive director during the prior year.*
5. *The acquisition of the WBC group was effective towards the end of the prior financial year, therefore Faan van der Walt is only disclosed as a prescribed officer from the current financial year.*

34 Operating costs continued

Executive compensation continued

Conditional Share Plan (CSP)

The following table shows the position for directors in office at 30 September 2022:

	Component	Present value of CSP[1]	Number of CSPs[1]	Vesting periods (years)	Number of CSPs exercised during the year	Gain on CSPs exercised R
Executive director						
David Hurwitz						
Granted on 22 November 2016	Group	–	–	2 to 4	30 759	1 305 720
Granted on 22 November 2017	Group	348 666	27 760	2 to 5	85 920	3 647 304
Granted on 20 November 2018	Group	1 599 690	98 203	2 to 5	85 351	3 623 150
Granted on 26 November 2019	Group	3 632 316	191 007	3 to 5	–	–
Granted on 24 November 2020	Group	4 635 135	255 192	3 to 5	–	–
Granted on 16 November 2021	Group	5 134 023	126 766	3 to 5	–	–
Granted on 15 November 2022	Group	5 463 769	146 639	3 to 5	–	–
Mark Herskovits						
Granted on 22 November 2016	Group	–	–	2 to 4	26 313	1 116 987
Granted on 22 November 2017	Group	175 664	13 986	2 to 5	43 290	1 837 661
Granted on 20 November 2018	Group	798 990	49 049	2 to 5	42 631	1 809 686
Granted on 26 November 2019	Group	1 615 142	84 933	3 to 5	–	–
Granted on 24 November 2020	Group	3 013 986	165 938	3 to 5	–	–
Granted on 16 November 2021	Group	3 509 204	86 647	3 to 5	–	–
Granted on 15 November 2022	Group	3 734 644	100 232	3 to 5	–	–
Sean Doherty						
Granted on 19 June 2019	Group	3 711 399	215 779	3 to 5	107 889	4 670 515
Granted on 26 November 2019	Group	1 634 558	85 954	3 to 5	–	–
Granted on 24 November 2020	Group	2 267 200	124 823	3 to 5	–	–
Granted on 16 November 2021	Group	3 671 204	90 647	3 to 5	–	–
Granted on 15 November 2022	Group	4 574 708	122 778	3 to 5	–	–
Prescribed officer						
David McAlpin						
Granted on 22 November 2016	Nutun	310 817	72 283	2 to 4	72 283	537 375
Granted on 22 November 2017	Nutun	5 476 644	1 140 402	2 to 5	1 078 792	8 020 121
Granted on 25 March 2019	NutunX	11 460 166	2 196 837	2 to 4	1 464 558	10 888 001
Granted on 24 November 2020	Nutun	785 824	142 102	3 to 5	–	–
Granted on 13 March 2021	Nutun	10 139 337	1 837 673	2 to 4	–	–
Granted on 31 May 2022	Nutun	4 222 432	560 748	2.5	–	–

1. *To enhance disclosure, the present value of share based payments have been restated to include the stretch performance awards awarded to the executive directors on 16 November 2021. The figure presented in the prior year included only the normal awards.*
   Jonathan Jawno, Michael Mendelowits, Roberto Rossi, Terry Kier and Faan van der Walt do not participate in the CSP.
   Refer to Note 37 for further details on the CSPs.

34 Operating costs continued

Executive compensation continued

Non-executive directors' fees

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

Board members **2022**	C Seabrooke R	K Pillay R	D Radley[1] R	B Hanise R	S Wapnick R	I Kirk R	S Kana[2] R	A Kekana[3] R	Total R
Board chairman (including committee attendance)	1 793 821	–	–	–	–	–	–	–	**1 793 821**
Lead independent director	–	–	–	–	–	–	128 130	–	**128 130**
Director	–	420 267	420 267	420 267	420 267	420 267	420 267	420 267	**2 941 869**
Audit committee (chairperson)	–	–	445 893	–	–	–	–	–	**445 893**
Audit committee (member)	–	–	–	179 382	–	179 382	179 382	–	**538 146**
Asset and liability committee (chairperson)	–	–	–	–	–	–	296 525	–	**296 525**
Asset and liability committee (member)	–	–	140 000	–	–	140 000	–	–	**280 000**
Remuneration committee (chairperson)	–	297 262	–	–	–	–	–	–	**297 262**
Remuneration committee (member)	–	–	–	–	140 017	140 017	–	–	**280 034**
Nominations committee (member)	–	140 017	–	–	140 017	–	140 017	–	**420 051**
Social and ethics committee (chairperson)	–	–	–	–	–	–	297 262	–	**297 262**
Social and ethics committee (member)	–	140 017	–	–	–	–	–	140 017	**280 034**
Risk and technology committee (chairperson)	–	–	–	–	–	297 262	–	–	**297 262**
Risk and technology committee (member)	–	–	140 017	–	–	–	140 017	–	**280 034**
Total annual fees	1 793 821	997 563	1 146 177	599 649	700 301	1 176 928	1 601 600	560 284	**8 576 323**

1. *In addition to the fees received above, D Radley received directors' fees of R353 383 excluding VAT for acting as an independent non-executive director of SA Taxi Holdings (Pty) Ltd and Nutun Holdings (Pty) Ltd.*
2. *Suresh Kana was appointed as chairman of the social and ethics committee on 1 October 2021.*
3. *Albertinah Kekana was appointed as a member of the social and ethics committee with effect from 1 October 2021.*

34 Operating costs continued

Executive compensation continued

Non-executive directors' fees continued

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

Board members 2021	C Seabrooke[1] R	P Langeni[2] R	R Rossi[3] R	K Pillay[4] R	D Radley[5] R	P Miller[6] R	B Hanise[7] R	S Wapnick[8] R	I Kirk[9] R	S Kana[10] R	A Kekana[11] R	Total R
Board chairman (including committee attendance)	1 750 000	–	–	–	–	–	–	–	–	–	–	**1 750 000**
Lead independent director	–	–	–	10 417	–	–	–	–	–	114 583	–	**125 000**
Director	–	410 000	410 000	410 000	410 000	–	410 000	410 000	375 834	375 834	205 000	**3 416 668**
Alternate director	–	–	–	–	–	153 750	–	–	–	–	–	**153 750**
Audit committee (chairperson)[12]	–	–	–	–	435 000	–	–	–	–	–	–	**435 000**
Audit committee (member)[12]	–	–	–	–	–	–	175 000	–	160 417	160 417	–	**495 834**
Asset and liability committee (chairperson)	–	–	–	–	–	–	–	–	–	265 833	–	**265 833**
Asset and liability committee (member)	–	–	–	–	140 000	–	11 667	–	128 333	–	–	**280 000**
Remuneration committee (chairperson)	–	–	–	290 000	–	–	–	–	–	–	–	**290 000**
Remuneration committee (member)	–	–	140 000	–	–	–	–	–	128 333	–	–	**268 333**
Nominations committee (member)	–	–	140 000	140 000	–	–	–	128 333	–	128 333	–	**536 666**
Social and ethics committee (chairperson)	–	290 000	–	–	–	–	–	–	–	–	–	**290 000**
Social and ethics committee (member)	–	–	140 000	140 000	–	–	–	–	–	128 333	–	**408 333**
Risk and technology committee (chairperson)[12]	–	–	–	–	–	–	–	–	24 167	–	–	**24 167**
Risk and technology committee (member)[12]	–	–	–	–	11 667	–	–	–	–	11 667	–	**23 334**
Total annual fees	1 750 000	700 000	830 000	990 417	996 667	153 750	596 667	538 333	817 084	1 185 000	205 000	**8 762 918**

1. *C Seabrooke is also the chairman of the nominations committee and a member of the remuneration committee and the asset and liability committee. C Seabrooke resigned as a member of the audit committee with effect from 1 November 2020.*
2. *Resigned as a non-executive director and as chair of the social and ethics committee effective 30 September 2021.*
3. *Appointed as an executive director with effect from 30 September. In addition to the fees received above, R Rossi received R9.2 million for consulting fees rendered to Transaction Capital Limited.*
4. *Resigned as lead independent director effective 1 November 2020.*
5. *In addition to the fees received above, D Radley received directors' fees of R 344 200 excluding VAT for acting as an independent non-executive director of SA Taxi Holdings (Pty) Ltd and Nutun Holdings (Pty) Ltd.*
6. *Resigned as an alternate director to R Rossi effective 1 April 2021.*
7. *Resigned as a member of the assets and liabilities committee effective 1 November 2020.*
8. *Appointed as a member of the nominations committee effective 1 November 2020.*
9. *Appointed as an independent non-executive director and a member of the audit committee, assets and liabilities committee and remuneration committee effective 1 November 2020.*
10. *Appointed as lead independent director, chairman of the assets and liabilities committee and a member of the nominations committee, audit committee and the social and ethics committee effective 1 November 2020.*
11. *Appointed as an independent non-executive director effective 1 April 2021.*
12. *With effect from 2 September 2021, the board resolved to establish a new board sub-committee known as the risk and technology committee. Ian Kirk (as chairperson), Suresh Kana and Diane Radley were appointed as members of this committee. The sub-committee previously referred to as the audit, risk and compliance committee was renamed the audit committee with effect from the same date.*

35 Income tax

35.1 Current tax

The charge for current tax is based on the results for the year adjusted for items which are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted by the financial year-end.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

35.2 Income tax expense

	2022 Rm	2021 Rm
South African normal taxation:		
Current taxation	**(355)**	(127)
Current year	**(342)**	(127)
Prior years	**(13)**	–
Deferred taxation	**(54)**	(193)
Current year	**(116)**	(194)
Prior years	**62**	1
Foreign taxation	**(2)**	(5)
Total income tax expense	**(411)**	(325)
South African tax rate	**28.0%**	28.0%
Tax effects of:		
Income not subject to tax*	**(4.4)%**	(17.8)%
Expenses not deductible for tax purposes**	**(2.5)%**	1.4%
Tax losses not recognised	**0.1%**	–%
Prior year taxes***	**(1.9)%**	0.2%
Permanent differences	**(0.7)%**	–%
Effects of losses/(profits) taxed in different jurisdictions	**(0.1)%**	–%
Tax rate change adjustment	**(1.7)%**	–%
Effective tax rate	**16.8%**	11.8%

* *Income not subject to tax consists mainly of re-measurement adjustments to put options over NCI, fair value adjustments on the call option over NCI, share of profits from equity accounted investments, as well as capital receipts that are not taxable.*

** *Expenses not deductible for tax purposes consists of expenses not incurred in the production of taxable income, depreciation on leasehold assets, interest and penalties, write off of goodwill, imputed finance charge on put option over NCI, and other.*

*** *This relates mostly to the reassessment of deferred tax in relation to foreign insurance dividends expected in the foreseeable future (in terms of IAS 12). This is as a result of the change in the terms and conditions of absconsion, violation and credit shortfall (AVCS) cover for the financed insurance portfolio.*

		Units	2022 Rm	2021 Rm
36	**Earnings per share**			
36.1	From continuing and discontinued operations			
	Basic earnings per share			
	Diluted basic earnings per share	cents	**227.4**	336.9
	Headline earnings per share	cents	**222.1**	334.9
	Diluted headline earnings per share	cents	**219.8**	145.5
	The calculation of earnings per share is based on the following data:	cents	**214.6**	144.7
	Earnings			
	Earnings for the purposes of basic and diluted earnings per share	Rm	**1 643**	
	Being profit for the year attributable to ordinary equity holders of the parent			
	Headline earnings adjustments:	Rm	**(55)**	(1 301)
	Impairment of goodwill	Rm	**3**	4
	Fair value gain on previously held interest	Rm	**–**	(1 403)
	Impairment of property, and equipment	Rm	**5**	7
	Impairment of intangibles	Rm	**–**	67
	Impairment of right of use assets	Rm	**16**	12
	Impairment of investment	Rm	**–**	10
	Loss from changes in foreign exchange rates from equity accounted investments		**–**	2
	Profit on disposal of salvage business	Rm	**(79)**	–
	Earnings for the purposes of headline and diluted headline earnings per share	Rm	**1 588**	989
	Number of shares			
	Weighted average number of ordinary shares for the purposes of basic and headline earnings per share			
	Number of ordinary shares in issue at the beginning of the year	million	**708.4**	661.5
	Effect of shares issued during the year	million	**14.0**	18.2
	Weighted average number of ordinary shares for the purposes of basic and headline earnings per share	million	**722.4**	679.7
	Effect of dilutive potential ordinary shares:			
	Shares deemed to be issued for no consideration in respect of conditional share plan	million	**17.5**	4.0
	Weighted average number of ordinary shares for the purposes of diluted basic and headline earnings per share	million	**739.9**	683.7

36 Earnings per share continued

36.2 From continuing operations

	Units	2022 Rm	2021 Rm
Basic earnings per share	cents	**232.0**	338.7
Diluted basic earnings per share	cents	**226.5**	336.7
Headline earnings per share	cents	**224.4**	147.0
Diluted headline earnings per share	cents	**219.1**	146.1
The calculation earnings per share is based on the following data:			
Earnings			
Profit for the year attributable to ordinary equity holders of the parent	Rm	**1 643**	2 290
Adjustments to exclude the loss for the year from discontinued operations	Rm	**33**	12
Earnings from continuing operations for the purposes of basic and diluted earnings per share excluding discontinued operations	Rm	**1 676**	2 302
Headline earnings adjustments:	Rm	**(55)**	(1 303)
Impairment of goodwill	Rm	**3**	4
Fair value gain on previously held interest	Rm	**–**	(1 403)
Impairment of property, and equipment	Rm	**5**	7
Impairment of intangibles	Rm	**–**	67
Impairment of right of use of assets	Rm	**16**	10
Impairment of investment	Rm	**–**	10
Loss from changes in foreign exchange rates from equity accounted investments	Rm	**–**	2
Profit on disposal of salvage business	Rm	**(79)**	–
Earnings from continuing operations for the purposes of headline and diluted headline earnings per share excluding discontinued operations	Rm	**1 621**	999

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

37 Share-based payments

Equity settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight line basis over the vesting period, based on the group's estimate of the number of equity instruments that will eventually vest. At each reporting period, the group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

37.1 Equity settled conditional share plan

37.1.1 Details of the equity settled conditional share plan

The group implemented a conditional share plan for executives and senior employees of the company and its subsidiaries. In accordance with the terms of the plan, as approved by shareholders at a general meeting, the grant of conditional share plans awards (CSPs) will be made on an annual or on an ad hoc basis. The number of CSPs granted to an employee will take cognisance of the employees grade, performance, term of employment, retention requirements and market benchmarks. A CSP is a conditional right to acquire Transaction Capital shares for no consideration, the number of shares being determined by the value of the CSP at vesting date, and the number of CSPs granted. The value of Transaction Capital shares issued will be subject to income tax.

The CSP mechanism is overseen and approved by the remuneration committee. Key executives are awarded CSPs in each member group (SA Taxi, Nutun, NutunX, Transaction Capital, TCRS Australia or WeBuyCars) for zero cost based on retention and performance criteria. The CSPs are based on notional shares held in each member group, giving executives direct exposure to the performance of that member group (or based on Transaction Capital's share price for employees of the group executive office). At each date on which a CSP award is made, a valuation of each member group is performed by an independent expert. Transaction Capital executives are awarded CSPs at the prevailing share price of Transaction Capital on the date of the award. An updated valuation of each member group is performed semi-annually by an independent expert.

37 Share-based payments continued

37.1 Equity settled conditional share plan continued

37.1.1 Details of the equity settled conditional share plan continued

Vesting periods range between 2 and 5 years and are based on both a retention element (subject to continued employment) and a performance element (subject to continued employment and linked to performance criteria). The performance criteria are based on the achievement of core continuing earnings per share from continued operations in excess of prescribed CPI thresholds. For CSPs awarded from June 2019 onwards, vesting is based on the performance element only.

Employees are required to remain in the employ of the group to be eligible for CSP vestings (subject to standard "good leaver" rules). Subject to approval of the remuneration committee, employees may be transferred between member groups with an appropriate adjustment to be made to the number and fair values of CSPs transferred. Employees who resign or are dismissed will forfeit any CSP awards that have not vested.

Due to the nature of the CSP awards, the grant price of each CSP is zero. The fair value of each CSP at grant date is underpinned by the value of the notional share of each member group.

37.1.2 Fair value of conditional share plan awards granted in the year

The following Conditional Share Plan awards were in existence at year end:

		Weighted average fair value at grant date (cents)						
	Number	**SA Taxi ZAR**	**Nutun ZAR**	**Nutun X ZAR**	**Transaction Capital Limited ZAR**	**TCRS Australia AUD**	**WBC ZAR**	**WBC equity value ZAR**
Granted on 22 November 2017	621 587	888	467		1 260			–
Granted on 1 January 2018	33 334					348		–
Granted on 25 May 2018	125 000	901				382		–
Granted on 20 November 2018	2 215 235	989	572		1 629	450		–
Granted on 25 March 2019	934 831			521				–
Granted on 19 June 2019	713 218	964	567		1 720			–
Granted on 26 November 2019	6 218 193	1 402	664	598	1 902	451		–
Granted on 29 May 2020	253 623				1 479			–
Granted on 24 November 2020	7 476 961	1 226	553		1 817	557	290	–
Granted on 1 February 2021	428 790		521					–
Granted on 4 March 2021	229 709		522					–
Granted on 31 March 2021	3 291 642	1 212	552				269	–
Granted on 1 April 2021	4 652				3 708			–
Converted on 1 July 2021	93							20 000 000
Granted on 1 July 2021	37 859		554					–
Granted on 25 November 2021	6 444 191	1 263	656		3 810	411	350	–
Granted on 31 May 2022	1 543 879	1 243	753		4 100			–
Granted on 1 June 2022	927 952	1 266			3 957		1 505	–

37 Share-based payments continued

37.1 Equity settled conditional share plan continued

37.1.2 Fair value of conditional share plan awards granted in the year continued

The values of CSPs are determined using a present value methodology whereby the unconditional share value is equal to the value of the notional share of each member group less the present value of estimated dividends paid prior to time of exercise. Key input assumptions are therefore expectations of dividend yields and risk-free interest rates.

Expected dividend yields across the member groups range between 0.95% and 13.25% (2021: between 0.95% and 7.62%). Dividend forecasts are estimated using a combination of historical dividend data and management's view of future dividends. The risk-free interest rate for the TCRS Australia member group ranges between 0.13% and 2.53% (2021: between 0.13% and 2.53%), and the risk-free interest rates for the remaining member groups (SA Taxi, Nutun, NutunX, Transaction Capital and WeBuyCars) range between 3.88% and 8.05% (2021: between 3.88% and 8.05%). These risk-free interest rates are obtained from the swap yield curve on the valuation date. The swap yield curve was independently constructed using a bootstrapping methodology together with a combination of traded market, forward rate agreement (FRA) and swap rate inputs.

The issue prices, or prices at time of transfer, of the notional shares (of SA Taxi, Nutun, NutunX, TCRS Australia and WeBuyCars) and shares (of Transaction Capital) are disclosed below:

	SA Taxi ZAR	Nutun ZAR	Nutun X ZAR	Transaction Capital Limited ZAR	TCRS Australia AUD	WBC ZAR	WBC equity value ZAR
Granted on 22 November 2017	974	563		1 445			
Granted on 1 January 2018					400		
Granted on 25 May 2018	974				400		
Granted on 20 November 2018	1 125	651		1 816	464		
Granted on 25 March 2019			569				
Granted on 19 June 2019	1 125	651		1 931			
Granted on 26 November 2019	1 609	761	685	2 181	487		
Granted on 29 May 2020				1 656			
Granted on 24 November 2020	1 409	653		2 103	590	368	
Granted on 1 February 2021		653					
Granted on 4 March 2021		653					
Granted on 31 March 2021	1 409	653				368	
Granted on 1 April 2021				4 265			
Converted on 1 July 2021							20 000 000
Granted on 1 July 2021		697					
Granted on 25 November 2021	1 430	800		4 265	522	551	
Granted on 31 May 2022	1 430	856		4 367			
Granted on 1 June 2022	1 430			4 146		1 690	

37 Share-based payments continued

37.1 Equity settled conditional share plan continued

37.1.3 Movement in conditional share plan during the year

	2022 Number of CSPs	2021 Number of CSPs
Balance at beginning of year	**33 196 589**	24 134 948
Granted during the year	**10 840 090**	12 035 323
Conversion from WBC cash settled scheme*	**93**	–
Exercised during the year	**(8 647 027)**	(1 258 139)
Conversion adjustment arising from transfer between member groups	**12 369**	(108 930)
Forfeited during the year	**(3 901 365)**	(1 606 613)
Balance at end of year	**31 500 749**	33 196 589

* *Relates to the conversion of a cash settled share scheme which existed in WBC Holdings to an equity settled scheme with effect from 1 July 2021.*

37.1.4 Conditional share plan exercised during the year

	2022		2021	
	Number of CSPs exercised	Weighted average share price (cents)	Number of CSPs exercised	Weighted average share price (cents)
Granted on 22 November 2016	**1 029 629**	**4 245**	32 402	2 394
Granted on 29 May 2017	**–**	**–**	263 719	3 073
Granted on 22 November 2017	**3 537 987**	**4 238**	106 333	2 435
Granted on 1 January 2018	**33 333**	**4 245**	33 333	2 350
Granted on 25 May 2018	**102 376**	**4 245**	418 827	2 936
Granted on 20 November 2018	**1 387 978**	**4 152**	203 740	2 674
Granted on 25 March 2019	**1 789 486**	**4 245**		
Granted on 19 June 2019	**489 324**	**4 314**	56 819	1 857
Granted on 26 November 2019	**135 154**	**3 360**	133 254	2 412
Granted on 29 May 2020	**48 310**	**4 245**		
Granted on 24 November 2020	**82 596**	**3 438**	9 712	2 804
Granted on 25 November 2021	**10 398**	**2 127**	–	–
Granted on 31 May 2022	**456**	**3 713**	–	–
Total CSPs exercised during the year	**8 647 027**		1 258 139	

37.1.5 Conditional share plan expense recognised during the year

	2022 Rm	2021 Rm
The expense has been recognised in the income statement under employee costs	**74**	62

Notes to the consolidated financial statements continued
for the year ended 30 September 2022

38 Cash generated by operations

	Notes	2022 Rm	2021 Rm
Profit before taxation from continuing operations:		**2 447**	2 743
Adjusted for:			
Interest income*		**(2 959)**	(2 663)
Interest expense	30	**1 663**	1 204
Interest expense (lease liabilities)	30	**39**	28
Amortisation of intangible assets	15	**92**	67
Amortisation of principal book portfolio	11	**395**	314
Impairment of goodwill	17	**4**	5
Impairment of property plant and equipment	16	**7**	8
Impairment of right-of-use assets	16	**22**	15
Impairment of intangible assets	15	**–**	113
Impairment of investments		**–**	6
Bad debts written off	31	**961**	542
Movement in provisions	22	**3**	2
Depreciation (including right-of-use assets)	16	**210**	116
Fair value adjustment of other financial assets	11	**(43)**	(21)
Lease concessions		**–**	(7)
Movement in impairment of loans and advances	31	**(99)**	53
Impairment of trade receivables		**6**	30
Impairment of other loans receivable	12	**1**	15
Movement in conditional share plan accrual	37	**74**	62
Share of profit from associate	14	**(47)**	(213)
Movement in insurance contract liabilities	23	**(91)**	(103)
Fair value on previously held interest		**–**	(1 417)
Profit on disposal of property and equipment	16	**(1)**	(1)
Gain on loan write off		**–**	(2)
Loss on derivatives		**3**	–
Other income on recognition of sublease		**–**	(5)
Imputed interest charge – options over non-controlling interests	26	**280**	–
Remeasurement of put options over non-controlling interests	26	**(553)**	–
Fair value gain on call option derivative	13	**(269)**	–
Fair value gain on contingent consideration	21	**(45)**	–
Profit on sale of business		**(133)**	–
Cash generated by operations		**1 967**	892

* *Comprises interest received of R2 953 million (2021: R2 655 million) per note 30, and bank interest received from insurance operations of R6 million (2021: R8 million) per note 33.*

Notes to the consolidated financial statements continued
for the year ended 30 September 2022

		Notes	2022 Rm	2021 Rm
38	**Cash generated by operations** continued			
38.1	Cash flow from loans and advances			
	The cash flow movement in loans and advances is calculated as follows:			
	Increase in net loans and advances	10	**(1 657)**	(1 760)
	Movement in loans and advances classified as assets held for sale	19	**20**	158
	Impairment of loans and advances	31	**(856)**	(563)
	Bad debts recovered	31	**(6)**	(7)
	Other non-cash movement*		**(50)**	–
	Accrued interest		**707**	586
	Net increase in loans and advances		**(1 842)**	(1 586)
	* *The impairment expense includes a loan of R50 million which has been subordinated during the current year, which represents a portfolio credit enhancement in relation to the quality renewed taxi portfolio.*			
38.2	Cash flow from purchased book debts			
	The cash flow movement in purchased book debts is calculated as follows:			
	Increase in purchased book debts	11	**(767)**	(921)
	Amortisation of purchased book debts		**(352)**	(293)
	Effect of foreign currency exchange difference	11	**19**	(16)
	Business combinations		**–**	71
	Disposal of purchased book debts where payment has not been received	11	**(26)**	–
	Transfer to assets held for sale	11	**(316)**	–
	Net increase in purchased book debts		**(1 442)**	(1 159)
39	**Income taxes paid**			
	Amounts payable at the beginning of the year		**(11)**	(14)
	Charged in statement of comprehensive income		**(411)**	(325)
	Deferred taxation charge in the income statement		**116**	194
	Business combinations		**(11)**	(68)
	Prior year deferred tax		**(62)**	(1)
	Effects of foreign exchange rates		**(2)**	2
	Amounts payable at the end of the year		**30**	11
	Income taxes paid		**(351)**	(201)
40	**Dividends paid**			
	Dividends paid to ordinary equity holders of the parent		**(476)**	(128)
	Dividends paid to non-controlling shareholders		**(154)**	(34)
	Total dividends paid		**(630)**	(162)

In line with the stated dividend policy of 2 to 2.5 times, the board resolved to declare a final gross cash dividend to shareholders of 37 cents per share at a rate of 2.4 times cover based on the second half's earnings. This brings the total dividend per share for the 2022 financial year to 70 cents following the interim dividend of 33 cents per share at a rate of 2.5 times cover.

	2022 Rm	2021 Rm
41 Contingencies and commitments		
Capital commitments		
Approved	**92**	368
Contracted	**171**	443
Total capital commitments*	**263**	811
Operating lease commitments		
Future minimum payments under non-cancellable operating leases		
Premises		
Year 1	**11**	20
Year 2	**–**	1
Total operating lease commitments for premises	**11**	21
Future minimum payments under other operating lease commitments are in aggregate R1.5 million (2021: R1 million) and are therefore not separately disclosed. Operating lease commitments has decreased year on year as a result of leases becoming short term leases		
Contingent liabilities		
Guarantees issued**	**411**	235
Total contingent liabilities	**411**	235

Loan commitments

The group has sold its salvage business in exchange for a 40% investment in GoBid (Pty) Ltd (refer to the investment in associate note 13 for more information). As part of the sale of the business, the group has committed to issue an interest free loan to GoBid (Pty) Ltd to the extent that they do not generate a minimum turnover amount of R194 million in cash over the two year forward flow period from the sale of the salvage taxis delivered to it by the group. As such, the group has a loan commitment in terms of IFRS 9 as they have a possible obligation to provide GoBid (Pty) Ltd with an interest free loan. SA Taxi expects that GoBid (Pty) Ltd will meet the minimum turnover amount by the end of the forward flow term given SA Taxi's access to stock (by way of insurance accident salvage vehicles as well as repossessions off the portfolio), and as such, the fair value of the loan commitment has been measured at zero given no current expected probability of payment. This position will be reassessed over the 24 month period.

* *Total capital commitments relate to either approved or contractual commitments that the group has entered into in relation to the acquisition of property and equipment. In the prior year, WBC had significant commitments for the acquisition of buildings which took place in the current year.*

** *The following guarantees have been provided:*

- *Recoveries Corporation has a contingent liability of R16 million (2021: R16 million) in respect of guarantees issued by bankers for facilities in the normal course of business to the extent that they are utilised.*
- *We Buy Cars (Pty) Ltd has guaranteed the obligations of its wholly-owned subsidiary company, WBC Properties (Pty) Ltd, in favour of Investec Bank Limited. The potential liability in this regard is limited to R238 million (2021: R169 million) plus interest and costs. The guarantee will remain in place, as continuing security for the obligations due to Investec Bank Limited until such time that the mortgage loans in WBC Properties (Pty) Ltd are repaid in full.*
- *We Buy Cars (Pty) Ltd has also guaranteed the obligations of its wholly-owned subsidiary, WBC Properties (Pty) Ltd, in favour of FirstRand Bank Limited. The potential liability in this regard is limited to R107 million (2021: Rnil) plus interest and costs. The guarantee will remain in place, as continuing security for the obligations dur to FirstRand Bank Limited until such time that the mortgage loans in WBC Properties (Pty) Ltd are repaid in full.*
- *We Buy Cars (Pty) Ltd is a party to a R50 million (2021: R50 million) (plus interest and costs) cross suretyship agreement signed in favour of FirstRand Bank Limited. In terms of this agreement the company and its wholly-owned subsidiary, WBC Properties (Pty) Ltd, each individually bind themselves in favour of FirstRand Bank Limited as sureties and as co-principal debtors, jointly and severally, until such time that the mortgage loan with FirstRand Bank Limited (in WBC Properties (Pty) Ltd) is repaid in full.*

	Number of shareholders	Number of shares (million)	Number of shares (%)
42 Shareholder spread at 30 September 2022			
Non-public			
Directors of Transaction Capital and its subsidiaries and their associates	31	121	16
Sub-total	31	121	16
Public			
Public Investment Corporation	1	125	16
Coronation Fund Managers	1	96	13
Old Mutual Investment Group	1	52	7
Royal Bafokeng Holdings	1	38	5
Remaining institutional shareholders	199	285	38
Retail investors	1 141	40	5
Sub-total	1 344	636	84
Total	1 375	757	100

43 Financial risk management

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

The board is responsible for risk management and the setting of the risk management framework. Oversight of risk management is the responsibility of two board sub-committees; the asset and liability committee (ALCO) and the audit committee. ALCO monitors risks associated with liquidity and funding, interest rates, counterparties, currency exposures and capital adequacy. The audit committee monitors risks associated with financial reporting, accounting policies and internal control. The audit committee is responsible for risk management including setting the risk management framework, setting risk appetite and monitoring the group's management of risk including credit and compliance.

The responsibility for day to day management of risks falls on each of the respective subsidiary's chief executive officers and their executive committees. Risk management is managed at subsidiary level through the divisional executive committees and reviewed by each of the respective subsidiary boards. Group oversight is the responsibility of the group chief financial officer.

Financial instruments

A financial instrument is defined as a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

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

Initial recognition

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments are grouped into classes that are appropriate taking into account the characteristics and risks of those financial instruments. Classes of financial instruments have been determined by referring to the nature and extent of risks arising from the financial instruments and how these are managed.

Classification

A financial asset is measured at amortised cost if:

- The financial asset is held within a business model whose objective is to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

43 Financial risk management continued

Classification continued

A financial asset is measured at fair value through other comprehensive income if:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit and loss unless it is measured at amortised cost or at fair value through other comprehensive income. In certain instances the business model is not to collect contractual cash flows, nor to sell the asset and in these cases the financial asset is held at fair value through profit and loss.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss (FVTPL).

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial assets

Financial assets at fair value through profit or loss

Financial assets that are held at fair value through profit and loss include loans and advances for entry-level vehicles and the shortfall book, and certain purchased credit-impaired loan portfolios that are either managed on a fair value basis or that do not meet the requirements to be measured at amortised cost (refer to other financial assets in note 11.2 of the consolidated annual financial statements).

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

Financial assets at fair value through comprehensive income

Financial assets that are held at fair value through other comprehensive income include the effective portion of derivative financial instruments designated as cash flow hedging instruments.

Amortised cost and effective interest method

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

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

Purchased credit-impaired loan portfolios are portfolios of written-off consumer debts purchased at prices below the nominal receivable amounts. Purchased credit-impaired loan portfolios, other than those at fair value through profit and loss (referred to as other financial assets in note 11.2 of the consolidated annual financial statements), are reflected at amortised cost on a portfolio basis. Cost includes amounts payable to the vendor and other direct acquisition costs.

Purchased credit-impaired financial assets are those which are credit-impaired on initial recognition.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

43 Financial risk management continued

Financial assets continued

Amortised cost and effective interest method continued

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired. For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the net carrying amount of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the interest income line item (note 30 of the consolidated annual financial statements).

Impairment

The group recognises a loss allowance for expected credit losses (ECL) on financial assets that are measured at amortised cost, at fair value through other comprehensive income, contracts or loan commitments and financial guarantee contracts.

The loss allowance for a financial instrument is measured at the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. The group only recognises cumulative changes in lifetime expected losses since initial recognition on purchased credit-impaired assets such as purchased credit-impaired loan portfolios.

When calculating the expected cash flows at initial recognition (to determine the credit-adjusted effective interest rate), and for subsequent measurement of the loans (to determine the loss allowance), the group has elected to include those forecast incremental collection costs that are directly attributable to the recovery of cash flows, as a reduction in the future expected cash flows.

The impairment requirements result in the recognition of lifetime ECL for all financial instruments for which there have been significant increases in credit risk since initial recognition, whether assessed on an individual or collective basis, considering all reasonable and supportable information, including that which is forward looking. 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 ECL. This does not apply to purchased credit-impaired assets on which the group only recognises cumulative changes in lifetime expected losses since initial recognition as an impairment gain or loss and are disclosed as part of amortisation in cost of revenue.

12 month ECL are the portion of the lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within 12 months after reporting date. For loan commitments and financial guarantee contracts, the date that the group becomes party to the irrevocable commitment is considered the date of initial recognition for the purposes of applying the impairment requirements.

If the group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that there is no longer a significant increase in credit risk since initial recognition, the loss allowance is measured at an amount equal to 12 month ECL at the current reporting date. Impairment losses or reversals are recognised in profit or loss.

43.1 Credit risk

Credit risk is the risk of loss arising from the failure of a client or counterparty to discharge an obligation to the group. The primary credit risks that the group are exposed to arise from finance leases to minibus taxi operators (SA Taxi) and private consumer vehicles (GoMo). Both SA Taxi and GoMo have strict policies for granting credit. Loans and advances comprise a large number of accounts which are secured by minibus taxis or private consumer vehicles. Collections of instalments are made through a combination of cash and debit order collections, with 83.8% (2021: 87.3%) of the portfolio being cash payers. The nature of SA Taxi's and GoMo's services does not result in significant concentration risks in unsecured credit. The portfolio of purchased book debts exposes the group to credit risk if they fail to perform in accordance with estimated net future cash flows. It is not the group's strategy to avoid credit risk, but rather to manage credit risk within the group's risk appetite and to earn an appropriate risk-adjusted return.

The group limits its counterparty exposure arising from money market instruments by dealing only with well established financial institutions of high credit standing. Deposits are limited to the big five banks within South Africa.

Credit risk management and measurement

Each subsidiary is responsible for the identification, measurement, management, control and reporting of credit risk within their business units. Exposure to credit losses is managed by assessing customers' affordability and their ability to repay loans and advances, a customer's risk profile, employment status and stability, earnings potential in the case of taxis and private consumer vehicles and collectability in the case of purchased book debts. Each of the group's lending businesses tends to have homogeneous or similar asset portfolios within their respective businesses. Impairments are monitored and provided for using statistical techniques including experiential and behavioral models. These models are based on customers' financial performance information while on book and assume that recent performance is a strong indicator of future performance. In the case of key asset classes, independent models are developed to monitor the robustness of the primary models relative to actual performance and to optimise their effectiveness. Models are either developed internally or by expert external advisors. In the case of secured lending asset classes, the realisable/fair value of the underlying security is taken into consideration in arriving at a final impairment.

43 Financial risk management continued

43.1 Credit risk continued

Credit risk management and measurement continued

The group assumes that the credit risk on a financial instrument has not increased significantly if the financial instrument is determined to have a low credit risk at the reporting date.

Measurement of expected credit losses (ECL)

The group measures ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum period considered when measuring ECL is the maximum contractual period (including extension options) over which the group is exposed to credit risk, and not a longer period, even if that period is consistent with business practice.

The measurement of ECL is a function of the probability of default (PD), loss given write-offs (LGW) and exposure at default (EAD). The assessment of the probability of default and loss given write-offs is based on historical data adjusted by forward-looking information as described above.

As for the EAD for financial assets, this is represented by the assets' gross carrying amount at the reporting date and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

Modified financial assets

Standard term extensions

If the contractual cash flows of a financial asset have been renegotiated or modified and the financial asset was not derecognised, the group assesses whether there has been a significant increase in the credit risk of the financial instrument by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of default occurring at initial recognition (based on the original, unmodified contractual terms).

Quantitative analysis has proven that the modifications do not exhibit significantly higher risk than non-modified accounts. The value of these standard modified accounts is immaterial, relative to the book size. Standard modifications are provided to clients in the form of a term extension where the customer has demonstrated payment performance, amongst other specified criteria (such as mechanical breakdown or accident). Although the term of a contract can be extended, the interest rate applicable for the contract remains unchanged and therefore term extensions do not have any effect on the net present value (NPV) of the financial asset. Due to the fact that a vehicle is an income-producing asset, the group understands that the client is unable to pay if the vehicle is out of operation.

SA Taxi

Debt rehabilitation program

The devasting impact of the COVID-19 pandemic and associated national lockdowns continue to impact the ability of customers to repay and/or catch up their loan obligations. Collections have been further impacted by the July 2021 civil unrest in KwaZulu-Natal and portions of Gauteng, the outbreak of taxi violence during August 2021 in the Western Cape as well as the severe flooding in KwaZulu-Natal mainly during April 2022.

COVID-19 relief was previously granted to customers in the form of payment holidays which resulted in the partial capitalisation of arrears for the affected accounts in the month where the respective client qualified for payment relief (capitalisation applied to the instalments that were raised during the relief time and did not include all arrears). The interest rate remained unchanged, and the term extension did not change the present value of the remaining cash flows. Arrears were not modified, and as a result, the accounts rolled forward without modification.

Given the distressed economic environment over the past 2 years, SA Taxi commenced with a debt rehabilitation program to support its customers during 2022 with a total of 6 729 accounts being restructured (which represents 18.7% of the loan book). This mainly includes extending the term of the contracts, amongst other relief measures and is subject to strict payment performance criteria such that customers must demonstrate an extended period of corrective payment behaviour prior to qualifying for debt rehabilitation.

The program has not had a material impact on the financial performance given that payment is required in order to qualify for the relief which naturally improves recency on the account. A net modification loss of R2.5 million has been recognised in the current year mainly due to interest rate concessions.

Customer performance continues to be closely monitored thereafter with quick remedial action taken, where required.

43 Financial risk management continued

43.1 Credit risk continued

Credit risk management and measurement continued

SA Taxi continued

Method of provisioning and fair valuing

The credit committee is responsible for providing executive management and oversight over all credit risk arising within and impacting the SA Taxi balance sheet. Credit committee meetings are attended by the company chief executive officer, chief financial officer, chief commercial officer and executive director of capital management.

The credit policy is designed to ensure that SA Taxi's credit processes are efficient for the applicant while providing SA Taxi with the necessary details to make informed credit decisions. SA Taxi takes the following into consideration in granting credit to prospective customers:

- Vehicle type;
- Validity of the taxi route;
- Client's ability to pay using a route calculator (affordability check); and
- Verification of details and credit history against two independent credit bureaus.

The expected loss model is developed using statistical techniques based on actual historical data. The expected loss is calculated for each active account, using parameter estimates including the probability of default (PD), exposure at default (EAD) and loss given write-off's (LGWs). The segmentation ensures homogenous risk buckets. The LGW is calculated on an explicit basis per account, taking into consideration the settlement balance, recovery value (being either a violation insurance claim less excess, or the market value less repair costs, where applicable), discount rates and discount periods.

SA Taxi determines whether the credit risk of financial instruments has increased significantly since initial recognition based on the contractual delinquency (CD) state (aging and recency). If the account is in stage 1 then the 12-month expected credit loss is calculated, otherwise, for stage 2 & 3, the lifetime expected loss is calculated.

SA Taxi determines significant increases in credit risk using both arrears aging and recency of payments for an account. Due to the nature of the business and higher risk appetite, compared to other Tier 1 financiers, it is the expectation that a client who is 30 days past due is not a significant risk. Most of the SA Taxi clients are cash payers because the taxi industry collects fares in cash from commuters. Recency is included in the definition of default as it is an indicator that the minibus taxi is operational as a cash generating unit and therefore indicative of a customers' ability to make payment on the underlying loan. SA Taxi has therefore rebutted the 30-day past due presumption for significantly increased credit risk. This rebuttal is based on a quantitative analysis of account performance relative to expectation at initial recognition as well as alignment to operation collections processes.

SA Taxi's rebuttal is on segments that are never expected to be very large but which are appropriate for the business. The group has therefore defined stage 2 as an account in arrears that did make a qualifying payment in the last month. A qualifying payment is defined as a payment made which is more than 50% of the instalments due in the last month.

SA Taxi has defined default as 75 days past due (more than 2.5 missed instalments), with no qualifying payment received in the past 3 months. The 90-day presumption was rebutted based on a quantitative analysis of the PDs and alignment to operational collection processes.

The definition of credit-impaired financial assets aligns to the default definition described above. Applying this approach ensures consistency between the accounting application, impairment modelling and internal credit risk management practices. The write-off of an asset occurs at the point of receipt of the recovery amount, following repossession (or write off, where applicable).

Once a vehicle has been repossessed, and final recovery paid by way of a violation insurance claim or through refurbishment and ultimate sale of the repossessed vehicle, any difference between the net recovery value and the outstanding amount of the underlying asset is written off. Amounts written off in the current year that are still subject to enforcement activity amount to R961 million (2021: R542 million). Refer to note 31 of the group consolidated financial statements.

SA Taxi has performed a detailed statistical analysis on a multitude of macro-economic factors, namely prime rate, unemployment rate, petrol price, USD/ZAR exchange rate, GDP and CPI. Regression analysis shows that the economic factors do not add explanatory power to the model, hence they are not included. SA Taxi have incorporated a forward-looking forecast for the mechanical repair costs and resale values, where applicable, as these have shown consistent trends over time. Continued investment into parts procurement is expected to assist in mitigating inflationary effects on repair costs in the foreseeable future.

43 Financial risk management continued

43.1 Credit risk continued

Credit risk management and measurement continued

GoMo

Method of provisioning and fair valuing

The credit committee of GoMo is responsible for providing executive management and oversight over all credit risks arising within and impacting the balance sheet. Credit committee meetings are attended by the company's chief executive officer, chief financial officer, and Managing Head: Pricing.

The credit policy is designed to ensure that GoMo's credit processes are efficient for the applicant while providing GoMo with the necessary details to make informed credit decisions. GoMo's credit risk appetite, both the minimum and maximum levels of portfolio credit risk that GoMo is prepared to accept to achieve its objectives, are underpinned by its credit guidelines. This differentiates its willingness to consider a credit application based on three core areas:

- **Eligibility:** A list of compliance requirements, including those set out in the National Credit Act of 2005, as well as internal compliance measures
- **Affordability:** As per the criteria to conduct affordability assessment set out in the National Credit Regulations, including Affordability Assessment Regulations as per Government Gazette No.38557 (13 March 2015), augmented by the Shoprite Investments Limited case law as per the Case Number: A509/2107
- **Credit strategy:** The operational output of GoMo's credit application scorecard, which is the primary view of the underlying credit risk of an application, serves as a platform where both the system approval rate and process flow are defined.

All new business that originated after passing each of the three abovementioned areas is assigned an expected loss (EL) assumption, which is the periodic sum of credit losses anticipated over the life of a tranche of homogeneous credit risks. For this analysis, eligibility and affordability are assumed to be met, with differentiated distribution options of credit strategy to solve for both a minimum- and maximum level of EL.

The expected loss is calculated for each active account, using parameter estimates including the probability of default (PD), exposure at default (EAD) and loss given default (LGDs). GoMo has chosen to use the Implied Market LGD methodology as per IFRS 9 since the LGD under this methodology is measured based on expected asset value, which will be informed by WeBuyCars' vehicle value data. Once data volume suffices, GoMo may opt to move to a workout LGD methodology where the LGD is measured on actual data ensuring accuracy. Furthermore, given a default, the likelihood of a loss being incurred will, for the interim, be informed by subject matter expert advice, to be substantiated by actual data in time.

Significant increase in credit risk (SICR)

When identifying whether an account is classified as SICR, GoMo will evaluate two dimensions to ensure that the correct stage is assigned to the account for the ECL calculation. GoMo determines significant increases in credit risk using the dimensions of internal behavioural information (partial arrears) and external client information (credit bureau data).

Definition of default

GoMo's definition of default is based on the SARB Directive 7 of 2015. GoMo has defined default as 90 days or more past due. If an account goes into a legal status or is under debt review, the account is included in the default population. When a restructure is performed due to the financial distress of the obligor, the restructure will be seen as a distressed restructure. Distressed restructures are also included in the default population for a monitoring period of 6 months after the restructure happened. No distressed restructures or cures have taken place during the current financial year.

Nutun

Investment process

Prior to the acquisition of purchased book debts (PBDs) there is a defined investment process that is followed in accordance with guidelines determined by a constituted investment committee. PBDs are acquired from various credit providers in multiple sectors. Valuations are determined by projecting the present value of anticipated monthly collections, net of directly attributable collection costs, using past performance characteristics applicable to similar PBDs. Said valuations are ultimately presented to the investment committee to decide upon pricing and bidding strategy.

Collections process

The Insights, Data & Enterprise Analytics (IDEA) team continually develops and recalibrates insights and analytics used by operations to optimise the collection processes, and infrastructure, associated with non-performing debt collected.

43 Financial risk management continued

43.1 Credit risk continued

Credit risk management and measurement continued

Nutun continued

Method of provisioning and fair valuing

PBDs are classified as purchased credit-impaired financial (POCI) assets (stage 3) on initial recognition based on the presumption that events that have a detrimental impact on the estimated future cash flows of these financial assets have occurred before initial recognition and acquisition. The classification of PBDs does not change subsequent to initial recognition, even in the unlikely event of the expected cash flows associated thereto returning to full contractual terms.

Any changes in lifetime Expected Credit Losses (ECLs) are recognised in profit or loss via an amortisation expense. The group recognises favorable changes in lifetime ECLs as an impairment gain, also via the amortisation charge, even if lifetime ECLs are less than the amount of ECLs that were included in the estimated cash flows on initial recognition.

Nutun utilises statistical techniques and models to value PBDs on a monthly basis. Each PBD is modelled based on the collection activity applied to it. A combination of inflows applicable to each PBD and the direct, activity-based, cost projections applicable thereto are used to determine a net cash flow per month for 120 months, which is subsequently discounted to present value using a credit-adjusted effective interest rate to determine its amortised cost value. The movement in amortised cost value per month is recorded in the income statement.

Nutun continually performs statistical analysis on a multitude of macro-economic factors, namely; prime interest rates, unemployment rates, petrol prices, USD/ZAR exchange rates, GDPs and CPIs. Regression analysis shows that economic factors do not add explanatory information to the model as there is no significant correlation, hence they are not included in the analysis.

Due to the nature of the credit-impaired financial assets, no contractual terms exist without activation by Nutun at the date of purchase. Any changes to the expected cash flows will not be treated as a modification and will therefore not result in a change to the credit risk.

Other financial assets, recognised within the principal book portfolio, include a receivables balance measured at fair value. The valuation technique applicable thereto calculates the present value of all future cash flows associated thereto net of all associated costs.

Carrying value of purchased book debts

COVID-19 continues to impact the operations of the business and the debtors from which Nutun collects, albeit less severely than prior years. In SA the Nutun business model continues to gain relevance as the protracted effects of COVID-19 drive up indebtedness and impair consumers' ability to service their debt, leaving consumer facing entities with significantly larger NPL portfolios to manage. The Australian economy has been negatively impacted by the outbreak of the Omicron variant that peaked in January 2022. The severe lockdown measures enforced during this period has hindered collections.

Nutun group collections revenue grew 26% for the year, driven by new acquisitions performing above investment case, whilst existing book collection rates continue to recover in line with levels anticipated and provided for in our prior year results. Nutun will continue to amortise the carrying value of its purchased book debts at a more conservative rate than before the pandemic, further strengthening its balance sheet and improving its quality of earnings.

The impact of the adverse collection experience since April 2020 caused by COVID-19, has been considered on the impairment model parameters – (ie. we did not modify arrears and as a result we allowed accounts to age and roll forward without modification). These impairment model parameters have been applied in determining expected cash shortfalls arising from non-payment in the best estimate provision on the loan book as at 30 September 2022.

Impact of natural disasters

Bush fires and severe flooding experienced in parts of Australia has and will continue to have an impact on the associated entity's performance, with respect to its ability to collect on outstanding debtors. Government and banking holds placed on collection capabilities continue to strain collections and new book acquisitions are delayed or curtailed.

43 Financial risk management continued

43.1 Credit risk continued

43.1.1 Financial assets

43.1.1.1 Financial assets subject to risk

	Loans and advances* Rm	Other loans receivable Rm	Trade and other receivables** Rm	Purchased book debts Rm	Total Rm
2022					
Neither past due nor impaired	**6 397**	**126**	**1 111**	**–**	**7 634**
Past due but not impaired	**5 817**	**–**	**63**	**–**	**5 880**
Impaired	**3 166**	**6**	**16**	**–**	**3 188**
Purchased credit-impaired financial assets	**–**	**–**	**–**	**4 208**	**4 208**
Impairment allowance***	**(562)**	**(6)**	**(14)**	**–**	**(582)**
Performing loans and advances	**(271)**	**–**	**–**	**–**	**(271)**
Non-performing loans and advances	**(291)**	**–**	**–**	**–**	**(291)**
Non-performing other loans receivable	**–**	**(6)**	**–**	**–**	**(6)**
Non-performing trade and other receivables	**–**	**–**	**(14)**	**–**	**(14)**
Carrying value of financial assets	**14 818**	**126**	**1 176**	**4 208**	**20 328**

	Loans and advances* Rm	Other loans receivable Rm	Trade and other receivables** Rm	Purchased book debts Rm	Total Rm
2021					
Neither past due nor impaired	5 517	65	798	–	6 380
Past due but not impaired	5 685	–	37	–	5 722
Impaired	2 717	6	23	–	2 746
Purchased credit-impaired financial assets	–	–	–	3 441	3 441
Impairment allowance	(675)	(6)	(20)	–	(701)
Performing loans and advances	(348)	–	–	–	(348)
Non-performing loans and advances	(327)	–	–	–	(327)
Non-performing other loans receivable	–	(6)	–	–	(6)
Non-performing trade and other receivables	–	–	(20)	–	(20)
Carrying value of financial assets	13 244	65	838	3 441	17 588

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities.*

** *Dealer incentive commissions, prepayments, VAT receivables and deposits relating to property purchase transactions are not financial assets and therefore have been excluded from trade and other receivables.*
In the current year, the group reclassified the presentation of trade and other receivables. To enhance disclosure, derivative assets, which were previously presented as part of trade and other receivables are now disclosed separately. Comparatives have been restated accordingly.

*** *Provision coverage for the current year has been favourably affected by the changes in the terms and conditions of underlying insurance contracts (refer to note 23), as well as changes in overall book construct (which includes impacts of the debt rehabilitation programme) where a smaller proportion of the book sits within buckets measured at lifetime expected credit losses.*

43 Financial risk management continued

43.1 Credit risk continued

43.1.1 Financial assets continued

43.1.1.2 Valuation of collateral

The group typically holds vehicles (taxis and private consumer vehicles) as collateral against secured advances. In SA Taxi, the taxis are insured by way of comprehensive motor policy (including violation cover). Any security taken as part of the credit decision is valued according to the applicable credit policies at the time of credit approval and at regular intervals thereafter. The market value of collateral over the secured debt is calculated with reference to the expected recovery being the violation insurance claim (through Guardrisk), or selling prices achieved in the active second hand taxi market less costs to repair (non Guardrisk), whichever is applicable.

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

Due to the specialised nature of the group's businesses, a certain degree of concentration in the collateral underpinning the various portfolios cannot be avoided. At the statement of financial position date, the group did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

	2022 Rm	2021 Rm
Related credit risk exposure and enhancements*		
Maximum exposure to credit risk of loans and advances	**15 380**	13 919
Impairment allowance	**(562)**	(675)
Maximum exposure to credit losses of loans and advances	**14 818**	13 244
Ceded insurance contract liabilities	**(10)**	(52)
Maximum exposure to credit losses of loans and advances (after the effect of ceded insurance contract liabilities)	**14 808**	13 192
Credit risk exposure mitigated through unguaranteed residual asset values held as collateral		
Total	**15 765**	18 244
Vehicles	**2 064**	18 244
Insurance claim	**13 701**	–
Total vehicles	**2 064**	18 244
Fair value of collateral held for impaired financial assets	**250**	2 676
Fair value of collateral held for financial assets past due but not specifically impaired	**404**	7 059
Fair value of collateral held for financial assets neither past due nor impaired	**1 410**	8 509
Total insurance claim	**13 701**	–
Fair value of collateral held for impaired financial assets	**2 699**	–
Fair value of collateral held for financial assets past due but not specifically impaired	**5 009**	–
Fair value of collateral held for financial assets neither past due nor impaired	**5 993**	–
Collateral attached comprises vehicles.		

* *Collateral values are shown excluding the impact of ceded insurance contract liabilities and fair value of collateral held for impaired non financial assets (2022: R145 million, 2021: R62 million). In the current year, the amendments to the terms and conditions of the underlying insurance contracts has resulted in the credit provider receiving an insurance claim from the insurer through a violation claim as final settlement/recovery of the loan in the event that a vehicle is repossessed – this recovery therefore represents the collateral value. Following the settlement of the violation claim of the credit provider, the right to the underlying repossessed vehicle transfers to the insurer. (refer to note 23 fo further details on the changes in terms and conditions).*

In the current year collateral attached comprises of either vehicles alone (non Guardrisk), or in the event that a vehicle is repossessed, and customers are insured through Guardrisk, through a violation insurance claim. In the prior year collateral comprised of vehicles only. This is as a result of changes in terms and conditions of underlying insurance contracts. (Refer to insurance contract liabilities note 23.6).

43 Financial risk management continued

43.1 Credit risk continued

43.1.1 Financial assets continued

43.1.1.3 Loans and advances that are neither due nor impaired

	2022 Rm	2021 Rm
Carrying amount of loans and advances that are neither past due nor impaired	**6 397**	5 517
Credit quality		
High	**2 031**	1 945
Medium	**1 383**	1 411
Low	**2 983**	2 161

The credit quality of loans and advances is determined as follows:

SA Taxi and GoMo, in conjunction with TransUnion, have developed a bespoke application scorecard to assess credit quality when granting loans. The scorecard uses demographic, vehicle, route and credit bureau information to determine the risk of the deal. A detailed affordability assessment is also performed to mitigate risk.

In addition to the loans and advances disclosed above, other loans receivables have been assessed as having no significant increased credit risk based on the nature of the counterparty and the recent payment history. Similarly, trade and other receivables have been deemed to not have significant increased credit risk as all the debtors are on standard terms with minimal write-off's and limited concentration to individual debtors.

43.1.1.4 Financial assets that are past due but not impaired

Financial assets that are past due but not impaired are assets where contractual interest or principal payments are past due, but the group believes that impairment is not appropriate. Recent payment history and the level of collateral available, if any, are key considerations in determining whether an asset is impaired.

Credit impaired financial assets are determined considering both ageing and recency of payments for both GoMo and SA Taxi, with GoMo also considering legal and/debt review status.

SA Taxi:

SA Taxi customers are mostly cash payers given that they earn their fares from commuters in cash. Recency provides an understanding of the cash flow that is generated from the underlying asset which is indicative of a customers' ability to make payment on the underlying loan. The impairment provision calculated on loans and advances disclosed as past due but not impaired are measured applying lifetime expected credit losses. Of the R1.8 billion (2021: R3.2 billion) reflected as part of past due but not impaired, a qualifying payment was received on accounts reflecting an exposure balance of R1.4 billion (79%) (2021: R1.7 billion (53%)) in the most recent month, with the remaining 21% being collected in the two months prior to the most recent month.

43 Financial risk management continued

43.1 Credit risk continued

43.1.1 Financial assets continued

43.1.1.4 Financial assets that are past due but not impaired continued

GoMo:

The impairment provision calculated on loans and advances disclosed as past due but not impaired are measured applying lifetime expected credit losses whilst the provision on neither past due nor impaired loans are based on 12 month expected credit losses unless the loan is classified as SICR.

Our models continue to reflect the customers' financial performance information while on book (including their performance over the period affected by COVID-19) and historical performance remains a strong indicator of future performance with the impact of COVID-19 embedded into the underlying impairment provision.

The ageing of loans and advances and trade and other receivables that are past due but not impaired is as follows:

	Past due up to 1 month Rm	Past due up to 1 – 2 months Rm	Past due up to 2 – 3 months Rm	Past due up to 3 – 4 months Rm	Past due older than 4 months Rm	Total Rm
2022						
Loans and advances*	**2 009**	**1 172**	**505**	**293**	**1 838**	**5 817**
Trade and other receivables	**16**	**18**	**9**	**9**	**11**	**63**
Financial assets that are past due but not impaired	**2 025**	**1 190**	**514**	**302**	**1 849**	**5 880**
2021						
Loans and advances*	1 038	425	484	531	3 207	5 685
Trade and other receivables	16	12	4	1	4	37
Financial assets that are past due but not impaired	1 054	437	488	532	3 211	5 722

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities.*

43.1.1.5 Impairment provision reconciliation

	12 month expected credit losses Rm	Lifetime expected credit losses Rm	Credit impaired financial assets Rm	Total Rm
2022				
Balance at the beginning of the year	**5**	**342**	**328**	**675**
Originations	**3**	**1**	**17**	**21**
Existing book movements	**(3)**	**(31)**	**47**	**13**
Write-offs	**(1)**	**(43)**	**(97)**	**(141)**
Derecognition (settlements in the ordinary course of business)	**(1)**	**(1)**	**(4)**	**(6)**
Balance at the end of the year*	**3**	**268**	**291**	**562**
2021				
Balance at the beginning of the year	33	85	506	624
Originations	5	7	20	32
Existing book movements	(24)	274	(58)	192
Write-offs	(2)	(19)	(133)	(154)
Derecognition (settlements in the ordinary course of business)	(7)	(5)	(7)	(19)
Balance at the end of the year*	5	342	328	675

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities.*

43 Financial risk management continued

43.1 Credit risk continued

43.1.1 Financial assets continued

43.1.1.5 Impairment provision reconciliation continued

The maximum exposure to credit risk of loans and advances at the financial year-end is analysed further as follows:

Loans and advances	12 month expected credit losses Rm	Lifetime expected credit losses Rm	Credit impaired financial assets Rm	Total Rm
2022				
Neither past due nor impaired	**6 396**	**1**	**–**	**6 397**
Past due not impaired	**1 316**	**4 501**	**–**	**5 817**
Impaired	**–**	**–**	**3 166**	**3 166**
Impairment allowance	**(3)**	**(268)**	**(291)**	**(562)**
Performing loans and advances	**(3)**	**(268)**	**–**	**(271)**
Non-performing loans and advances	**–**	**–**	**(291)**	**(291)**
Carrying value of financial assets*	**7 709**	**4 234**	**2 875**	**14 818**
2021				
Neither past due nor impaired	5 517	–	–	5 517
Past due not impaired	679	5 006	–	5 685
Impaired	–	–	2 717	2 717
Impairment allowance	(8)	(339)	(328)	(675)
Performing loans and advances	(8)	(339)	–	(347)
Non-performing loans and advances	–	–	(328)	(328)
Carrying value of financial assets*	6 188	4 667	2 389	13 244

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities.*

43.2 Interest rate risk

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

The group is exposed to interest rate risk associated with the effects of fluctuations in the prevailing levels of market rates on future cash flows of a financial instrument and the fair value of the financial instrument based on changes in market interest rates.

43.2.1 Risk profile of financial assets and liabilities

The table below summarises the net exposure of the group to interest rate risk through grouping assets and liabilities that are affected by floating rates.

	Floating rate liabilities Rm	Floating rate assets Rm	Net floating rate liabilities Rm
2022			
Total	**21 191**	**14 758**	**(6 433)**
2021			
Total	15 238	13 185	(2 053)

43 Financial risk management continued

43.2 Interest rate risk continued

43.2.2 Weighted average interest rates

The table below summarises the weighted interest rate of bank balances and borrowings.

	2022		2021	
	Bank balances %	Borrowings %	Bank balances %	Borrowings %
Total	**4.1**	**8.4**	3.1	7.8

43.2.3 Interest rate sensitivity analysis

The group's exposure to interest rate risks is set out below:

	Effect on profit before tax of 1% change in rates* Rm	Total carrying value of assets and liabilities Rm
30 September 2022		
Assets		
Loans and advances**	**148**	**14 818**
Fixed rate loans and advances***	**–**	**60**
Floating rate loans and advances	**148**	**14 758**
Purchased book debts	**42**	**4 208**
Leased assets	**<1**	**11**
Other investments	**14**	**1 426**
Other loans receivable	**–**	**126**
Trade and other receivables***	**12**	**1 176**
Cash and cash equivalents	**15**	**1 478**
Total	**231**	**23 343**
Liabilities		
Interest-bearing liabilities	**212**	**21 862**
Fixed rate liabilities***	**–**	**671**
Floating rate liabilities	**212**	**21 191**
Lease liabilities	**7**	**715**
Put option liability	**–**	**4 042**
Trade and other payables****	**11**	**1 114**
Other short-term borrowings	**<1**	**23**
Bank overdrafts	**8**	**818**
Total	**238**	**28 574**
Net exposure	**(7)**	**(5 331)**

* *The effect of the change in interest rates has been reflected as nil for fixed rate financial assets and liabilities. The put option liability is discounted using the effective interest rate at inception date, and is therefore not subject to the risk of interest rate fluctuations.*

** *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Refer to note 10 for more detail.*

*** *Dealer incentive commissions, prepayments, VAT receivables and deposits relating to property purchase transactions are not financial assets and therefore have been excluded from trade and other receivables.*

**** *Revenue received in advance, VAT payables and bonus accruals are not financial liabilities and therefore have been excluded from trade and other payables.*

43 Financial risk management continued

43.2 Interest rate risk continued

43.2.3 Interest rate sensitivity analysis continued

	Effect on profit before tax of 1% change in rates Rm	Total carrying value of assets and liabilities Rm
30 September 2021		
Assets		
Loans and advances*	132	13 244
Fixed rate loans and advances	–	59
Floating rate loans and advances	132	13 185
Purchased book debts	34	3 441
Leased assets	<1	17
Other loans receivable	–	65
Trade and other receivables**	9	939
Cash and cash equivalents	22	2 236
Total	197	19 942
Liabilities		
Interest-bearing liabilities	152	16 139
Fixed rate liabilities	–	901
Floating rate liabilities	152	15 238
Lease liabilities****	4	420
Trade and other payables***	22	2 229
Other short-term borrowings	1	81
Bank overdrafts	4	364
Total	183	19 233
Net exposure	14	709

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Refer to note 10 for more detail.*

** *Dealer incentive commissions, prepayments, VAT receivables and deposits relating to property purchase transactions are not financial assets and therefore have been excluded from trade and other receivables.*

*** *Revenue received in advance, deferred lease liabilities, VAT payables and bonus accruals are not financial liabilities and therefore have been excluded from trade and other payables.*

**** *Comparatives restated to include lease liabilities.*

The group uses a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous change in market interest rates. The sensitivity analysis is prepared based on financial instruments that are recognised at the end of the reporting period. This is the case even where those exposures did not exist for the entire period or where the exposure changed materially during the period. The company is mainly exposed to fluctuations in the following market interest rates: prime, JIBAR, BLR and LIBOR rates. The sensitivity that is applied is the amount that could reasonably be expected to occur, and has been determined as 1% (100 basis points) up or down. The effect of a 1% change in interest rates is shown above. As the group has no control over rate movements, it cannot predict the effect of future rate movements, if any.

43 Financial risk management continued

43.3 Liquidity risk management

Liquidity risk is the risk that the group is unable to meet payment obligations when they fall due or that insufficient funds are available to meet loan demands in the ordinary course of business. The group's objectives in relation to liquidity risk are to manage the contractual mismatch between cash inflows from assets and cash outflows to settle liabilities, to fund the expected balance sheet growth, to honour all cash outflow commitments, to avoid raising funds at market premiums or through the forced sale of assets as a result of liquidity pressure and to take advantage of attractive but unanticipated borrowing opportunities.

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

The group's capital markets (CM) team is responsible for executing on fund raising mandates given to it by subsidiaries in support of the respective business models. This includes the ongoing assessment and evaluation of various funding sources designed to grow and diversify the group's funding base to achieve an optimal funding profile and sound liquidity. The CM team is also responsible for the ongoing monitoring of asset portfolio performance and its obligations to funders, including covenants.

It is the responsibility of each subsidiary to manage the daily cash flow requirements, to ensure funding covenants are maintained, to produce financial projections to monitor the impact of business trends on future funding requirements and covenants and to notify the CM team of any changes to the business environment that may impact funding requirements.

The group's balance sheet is well capitalised and liquid at a holding company level, underpinned by our conservative capital strategy. Along with the additional measures implemented in response to COVID-19, it provides ample liquidity and flexibility to support the divisions as the pandemic runs its course and recessionary conditions intensify.

The group's capital strategy remains appropriately conservative in the current conditions, with available funds of approximately R1.3 billion in highly liquid money market investments, and unrestricted bank balances and call deposits of R838 million (at 30 September 2022). Refer to notes 6 and 7 of group consolidated financial statements.

Adherence with debt covenants

The group was not in breach or default of any provisions of the terms or conditions of the agreements governing borrowings that will change the timing or amount of cash flows at year end. Compliance with debt covenants is monitored by the group's asset and liability committee. Due to the diversity of the group, debt covenants are different in each subsidiary and cover various performance based and balance sheet measures.

During the quarter ended 30 June 2022, the funders waived a breach on the debt service cover ratio (DSCR) covenant for WBC (Pty) Ltd, and subsequently approved an interest cover ratio (ICR) in in its place. Prior to the change, WBC had to maintain a DSCR of greater than or equal to 1.25 times. The DSCR was however not reflective of the true performance of WBC given the increase in inventory levels due to the company's expansion strategy. Under the updated covenant, WBC is required to maintain an ICR of greater than or equal to 4 times, which is well within management's forecasts.

43 Financial risk management continued

43.3 Liquidity risk management continued

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

	Carrying amount Rm	Total Rm	On demand Rm	Within 1 year Rm	From 1 – 2 years Rm	From 2 – 3 years Rm	From 3 – 4 years Rm	From 4 – 5 years Rm	More than 5 years Rm
2022									
Liabilities									
Bank overdrafts	**818**	**818**	**818**	**–**	**–**	**–**	**–**	**–**	**–**
Other short-term borrowings	**23**	**23**	**23**	**–**	**–**	**–**	**–**	**–**	**–**
Trade and other payables*	**1 114**	**1 114**	**388**	**575**	**114**	**–**	**37**	**–**	**–**
Derivative liabilities	**19**	**19**	**–**	**19**	**–**	**–**	**–**	**–**	**–**
Interest-bearing liabilities**	**21 862**	**26 676**	**–**	**10 033**	**6 076**	**5 088**	**2 367**	**1 829**	**1 283**
Lease liabilities (refer to note 25)	**715**	**880**	**–**	**187**	**191**	**140**	**108**	**97**	**157**
Put option liability	**4 042**	**4 889**	**–**	**–**	**835**	**1 812**	**–**	**2 242**	**–**
Financial liabilities	**28 593**	**34 419**	**1 229**	**10 814**	**7 216**	**7 040**	**2 512**	**4 168**	**1 440**
Non-financial liabilities	**2 190**	**2 190**	**1 158**	**869**	**163**	**–**	**–**	**–**	**–**
Total liabilities	**30 783**	**36 609**	**2 387**	**11 683**	**7 379**	**7 040**	**2 512**	**4 168**	**1 440**

			Undiscounted contractual cash flows						
	Carrying amount Rm	Total Rm	On demand Rm	Within 1 year Rm	From 1 – 2 years Rm	From 2 – 3 years Rm	From 3 – 4 years Rm	From 4 – 5 years Rm	More than 5 years Rm
2021*									
Liabilities									
Bank overdrafts	364	364	364	–	–	–	–	–	–
Other short-term borrowings	81	81	81	–	–	–	–	–	–
Trade and other payables*	2 196	2 196	381	1 649	–	166	–	–	–
Derivative liabilities	57	57	–	57	–	–	–	–	–
Interest-bearing liabilities**	16 139	19 270	–	5 780	4 818	3 767	2 060	2 652	193
Lease liabilities	420	473	–	135	315	–	–	–	24
Financial liabilities	19 258	22 441	826	7 621	5 133	3 933	2 060	2 652	217
Non-financial liabilities	2 052	2 052	1 421	631	–	–	–	–	–
Total liabilities	21 310	24 493	2 247	8 252	5 133	3 933	2 060	2 652	217

* *Revenue received in advance, VAT payables and bonus accruals are not financial liabilities and therefore have been excluded from trade and other payables and included in the non-financial liabilities. Trade and other payables have been restated for the finalisation of the provisional accounting for the WBC group acquisition.*

** *Future cash outflows in respect of interest bearing liabilities (capital and interest as per the cross currency swap, i.e. on a net hedged basis to the swap counterparty)*

*** *To enhance disclosure, the group amended the maturity analysis for liabilities disclosed above by further disaggregating the categories that were previously shown. Comparative disclosures have been amended accordingly.*

43 Financial risk management continued

43.3 Liquidity risk management continued

The group has access to financing facilities as described below, of which R6 165 million were unused as at 30 September 2022 (2021: R4 441 million). The group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

	2022 Rm	2021 Rm
Unsecured bank overdraft facility, reviewed annually and payable on demand:		
Amount used	**293**	232
Amounts unused	**7**	88
Total	**300**	320
Secured bank overdraft and other short term facilities:		
Amount used	**548**	183
Amounts unused	**317**	217
Total	**865**	400
Unsecured bank loan facilities which may be extended by mutual agreement:		
Amount used	**222**	–
Amounts unused	**128**	–
Total	**350**	–
Secured bank loan facilities which may be extended by mutual agreement:		
Amount used	**21 640**	16 139
Amounts unused	**5 713**	4 136
Total	**27 353**	20 275

43.4 Capital risk

The objective of the group's capital management strategy is to maximise shareholder value. To achieve this, the group considers the capital required to support growth in its operating divisions, to maintain credit ratings in group entities, to comply with borrowing covenants and for unexpected shocks.

The group defines capital as equity, group loans and subordinated and structurally subordinated debt.

Equity comprises permanent paid up capital, revenue and other reserves.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a strong capital position.

Capital management – insurance contracts

The group is required by Solvency Assessment and Management (SAM) to hold an excess of its assets over its insurance contract liabilities calculated on a regulatory basis. The requirement aims to ensure that the group is able to meet its obligations over the next 12 months. Breaching this requirement – the solvency capital requirements (SCR) – would result in supervisory intervention by the lead regulator and remedial actions designed to restore the SCR level of capital.

The SAM approach to the measurement of capital adequacy is primarily based on monitoring the relationship of the SCR to regulatory capital. The group complied with all externally imposed capital requirements during 2022 and 2021.

43 Financial risk management continued

43.5 Insurance risk

Insurance risk is the risk assumed under any insurance contract that the insured event occurs. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected and that the group does not charge premiums appropriate for the risks accepted. By the very nature of an insurance contract, this risk is random and unpredictable. The exposure to insurance risk is limited through an underwriting strategy, underwriting limits, adopting appropriate risk assessment techniques and management of the cost of claim. These actions are described below.

Underwriting strategy

The group's underwriting strategy seeks to attract SA Taxi's financed clients as well as non-financed clients. Strict underwriting guidelines for acceptance of new policies are maintained. Adequacy of the pricing structure is monitored through regular review of claims ratios.

Presentation of insurance contract liabilities

The group's exposure to the underlying portfolio consists of both credit risk (measured in accordance with IFRS 9) and insurance risk (measured in accordance with IFRS 17). With respect to the measurement of the liability for remaining coverage, credit metrics are used as indicators for the severity of claim. To the extent that the insured event affects the recovery of the underlying asset and given that the assessment of risk and exposure on the underlying portfolio is considered on a group basis, a portion of the liability for remaining coverage relating to the active financed debtors and repossessed vehicle stock portfolios, is allocated to net loans and advances or inventory (where the repossessed vehicle stock has moved into a repair/ realisation channel) in the notes to the statement of financial position as these insurance contract liabilities reduce the group's overall exposure related to these assets.

Policies for mitigating the risk of fraudulent claims

SA Taxi is exposed to the risk of false, invalid and exaggerated claims. Fraud detection measures are put in place to improve the group's ability to proactively detect fraudulent claims.

Claims development and management

Appointment of authorised assessors and repair centres, as well as different excess structures are monitored and maintained. Management continues to manage the cost of claim effectively through product mix, operational efficiencies in the procurement of parts as well as through the significant investment in SA Taxi Auto Parts during the current and previous financial year.

Current economic climate

Estimation methodologies and reserving processes remains consistent for the year. The ultimate costs of claims are always uncertain, and increasingly so given the current economic environment with prolonged impacts of COVID-19 over the last 3 years, together with July 2021 civil unrest in KwaZulu-Natal and portions of Gauteng, the outbreak of taxi violence during August 2021 in the Western Cape as well as the severe flooding in KwaZulu-Natal during April 2022. This has had an impact on frequency of claims, particularly in the credit life portfolio which resulted in the repricing of this portfolio in the current year. Materially different outcomes to those assumed are possible. Current year claims and related loss ratios have started to return to pre-COVID levels, however uncertainty of various factors continue to be present and monitored appropriately.

Management continues to assess the underlying increased risk of the portfolio in a stressed economic climate and the extending impact on the larger economy and ensures that premiums remain appropriate for the insurance risk being underwritten.

Furthermore, this has not had an impact on our assessment of onerous contracts recognised as part of LRC IFRS 17 provisions on the credit life portfolio, as age remains the highest risk factor even in a stressed economic environment and continues to be assessed closely.

Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus a liquidity premium where applicable. Risk-free rates are determined by reference to the ZAR swap curve. The liquidity premium is determined by reference to observable market rates, including sovereign debt, corporate debt and market swap rates.

The weighted average discount rate applied for discounting of future cash flows is listed below:

	Portfolio duration 12 months	
	2022	**2021**
Insurance contracts issued	**7.1%**	4.2%

The liquidity premium that is added to the risk free rate is 83 bps at 30 September 2022 (83 bps at 30 September 2021).

43 **Financial risk management** continued

43.5 Insurance risk continued

43.5.1 Sensitivities on significant unobservable parameters applied include:

The insurance claim liabilities are sensitive to the key assumptions as per the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. The method used for deriving sensitivity information and significant assumptions as accordance with Short-Term Insurance Regulations.

Potential effect recorded directly in profit and loss

	2022			2021	
Significant unobservable parameters applied*	**Change in assumption**	**Favourable Rm**	**Unfavourable Rm**	**Favourable Rm**	**Unfavourable Rm**
Short-term motor comprehensive policy – financed portfolio**					
Discount rate	**100bps**	**<1**	**(<1)**	<1	(<1)
Probability of repossession	**10%**	**15**	**13**	8	(5)
Premiums charged	**10%**	**31**	**(31)**	1	(1)
Insurance perils	**10%**	**19**	**(19)**	1	(1)
Salvage recovery value	**10%**	**3**	**(3)**	1	(1)
Cost of repair	**10%**	**8**	**(8)**	–	–
Credit life portfolio					
Discount rate	**100bps**	**<1**	**(<1)**	<1	(<1)
Probability of defaults	**10%**	**<1**	**(<1)**	<1	(<1)
Premiums charged	**10%**	**<1**	**(<1)**	<1	(<1)
Mortality rates	**10%**	**<1**	**(<1)**	<1	(<1)
Short-term motor comprehensive policy – financed and non-financed					
Discount rate	**100bps**	**1**	**(1)**	<1	(<1)
Ultimate loss rate gross claims	**1%**	**3**	**(3)**	3	(3)
Salvage value	**10%**	**<1**	**(<1)**	<1	(<1)
Development factor	**Smoothed**	**2**	**(2)**	2	(2)

* *These represent the significant unobservable parameters applied in the actuarial model.*

** *The impact of sensitivities for the current financial year are more significant against prior year due to the changes in the terms and conditions of AVCS cover of insurance contracts, refer to note 23.*

43 Financial risk management continued

43.5 Insurance risk continued

43.5.2 Maturity analysis for insurance contract liabilities

The following table summarises the maturity profile of groups of insurance contracts issued that are liabilities of the group based on the estimates of the undiscounted future cash flows expected to be paid out in the periods presented:

2022	Up to 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	> 5 years Rm	Total Rm
Short-term motor comprehensive policy – financed portfolio	**114**	**7**	**1**	**<1**	**<1**	**–**	**122**
Credit life portfolio	**8**	**–**	**–**	**–**	**–**	**–**	**8**
Short-term motor comprehensive policy – non financed portfolio	**23**	**2**	**<1**	**<1**	**<1**	**–**	**25**
Total	**145**	**9**	**1**	**–**	**–**	**–**	**155**

The maturity analysis for insurance contract liabilities are presented excluding risk adjustments and the impact of discounting. The maturity profile of the short-term motor comprehensive policy – financed portfolio has been presented considering the measurement applicable under the new terms and conditions of the insurance contract (refer to note 23 for more detail).

2021	Up to 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	> 5 years Rm	Total Rm
Short-term motor comprehensive policy – financed portfolio	212	7	1	<1	<1	–	220
Credit life portfolio	29	–	–	–	–	–	29
Short-term motor comprehensive policy – non financed portfolio	15	2	<1	<1	<1	–	17
Total	256	9	1	<1	<1	–	266

Amounts less than R500 000 are reflected as "<1".

43.6 Currency risk

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

The foreign currencies to which the group has material exposure are Australian Dollars and US Dollars. Where the timing of future cash flows can be predicted with relative certainty, this risk is managed by entering into forward exchange contracts at the time the risk arises.

The following significant exchange rates were applied during the year:

	Average rate		Reporting date closing rate	
	2022	**2021**	**2022**	**2021**
US Dollar	**15.8**	14.9	**17.9**	15.1
Euro	**17.1**	17.7	**17.6**	17.6
British Pound	**20.2**	–	**20.1**	–
Pula	**1.3**	1.3	**1.4**	1.3
Australian Dollar	**11.3**	11.1	**11.7**	10.9
Fijian Dollar	**7.3**	7.0	**7.9**	7.1

43 Financial risk management continued

43.6 Currency risk continued

43.6.1 The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2022 Rm	**2021 Rm**	**2022 Rm**	**2021 Rm**
Foreign amounts included in the financial statements at the end of the financial year:				
US Dollar	**2 658**	1 835	**4**	–
Euro	**–**	2	**74**	7
British Pound	**–**	–	**69**	–
Pula	**–**	1	**2**	1
Australian Dollar	**62**	143	**44**	98
Fijian Dollar	**1**	2	**6**	6

Currency risk arising from exposure to US Dollars currencies has been effectively managed through cross-currency swaps that exactly hedge the contractual cash flows over the life of the foreign currency funding. Refer to note 43.8 for hedge accounting disclosure.

43.6.2 Foreign currency sensitivity analysis

The following table details the group's sensitivity to a 10% increase and decrease in the Rand against the relevant foreign currencies (excluding USD foreign currencies which are fully hedged). 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the group where the denomination of the loan is a currency other than the functional currency of the lender or the borrower. A negative number below indicates a decrease in profit or equity where the Rand strengthens 10% against the relevant currency. For a 10% weakening of the Rand against the relevant currency, there would be a equal and opposite impact on the profit or equity, and the balances below would be positive.

	2022 Rm	**2021 Rm**
Profit or loss	**9**	5
Equity	**4**	5

43 Financial risk management continued

43.7 Fair value disclosure

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit and loss. Specifically loans and advances for entry-level vehicles, the shortfall book and certain purchased book debts that are managed on a fair value basis.

The value of the purchased book debts managed on a fair value basis may change over time through the collection of underlying amounts that did not form part of the initial ring-fenced purchased book debt. The quantum of the return is also impacted by the quality of the collection services performed, rather than services associated with normal lending arrangements. On this basis, therefore, the cash flows collected on these books do not present solely payments of principal and interest on the principal amount outstanding.

The entry-level vehicle book and the shortfall book are managed differently to the premium book. Entry-level vehicles and the shortfall book do not meet the requirement to be measured at amortised cost as they are not held within a business model whose objective is to collect contractual cash flows but are held to either realise value from the underlying collateral of the vehicle itself for entry-level vehicle book or recovered through a sales transaction to a collection agent for the shortfall book.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date.

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

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

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

Level 2 Valuation techniques using market observable inputs, including:

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

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

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

43 **Financial risk management** continued

43.7 Fair value disclosure continued

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit and loss. Specifically loans and advances for entry-level vehicles, the shortfall book and certain purchased book debts that are managed on a fair value basis.

	2022					2021				
	Carrying value Rm	Total fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Carrying value Rm	Total fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Assets										
Loans and advances*	14 818	14 824	–	–	14 824	13 244	13 244	–	–	13 244
Purchased book debts	4 208	4 208	–	–	4 208	3 441	3 441	–	–	3 441
Financial assets at amortised cost	19 026	19 032	–	–	19 032	16 685	16 685	–	–	16 685
Liabilities										
Interest-bearing liabilities	21 862	22 139	–	–	22 139	16 139	16 220	–	–	16 220
Fixed rate liabilities	671	672	–	–	672	904	933	–	–	933
Floating rate liabilities	21 191	21 467	–	–	21 467	15 235	15 287	–	–	15 287
Put option liability	4 042	3 758	–	–	3 758	–	–	–	–	–
Financial liabilities at amortised cost	25 904	25 897	–	–	25 897	16 139	16 220	–	–	16 220

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities.*

43 Financial risk management continued

43.7 Fair value disclosure continued

Valuation methods and assumptions

Loans and advances for premium vehicles entered into at variable interest rates approximate fair value as the estimated future cash flows are already considered in the expected loss model. The fair value of loans and advances for premium vehicles at fixed interest rates, which is a small component of the loan book, is determined by adjusting the discount rate from the effective interest rate of the contract to a current effective lending rate. Loans and advances for entry-level vehicles and the shortfall book are carried at fair value, refer "level disclosure" on note 43.10 for additional information in this regard.

Purchased book debt is held at amortised cost. The balance at year end is calculated based on the expected future cash flows which are adjusted for risk as it takes historical cash flows into account to predict forecasted cash flows. The fair value of purchased book debt is determined by adjusting the discount rate from the credit-adjusted effective interest rate to a current market related discount rate and adjusting the expected cash flows for risk, therefore the carrying value approximates the fair value.

The fair value of interest-bearing liabilities is calculated based on future cash flows, discounted using a forward rate curve plus a valuation margin. The valuation margin is a consensus margin at which deals with similar remaining cash profiles could be secured in the market at the valuation date.

The put option liabilities over non-controlling interests are carried at amortised cost. The fair values of the liabilities are calculated by applying a price earnings multiple to the profits of Synergy and the adjusted profits of WBC for the 12 month period ending on the year in which the put option is exercised. The re-measured value is calculated by adjusting the discount rate to a current effective lending rate.

The carrying value of trade and other receivables, cash and cash equivalents, trade and other payables and bank overdrafts approximates fair value as they are short-term in nature and not subject to material changes in credit risk and fair value.

43.8 Hedge accounting

The group applies hedge accounting to represent the economic effects of its interest and currency risk management strategies.

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The group uses derivative financial instruments to manage its exposure to foreign exchange and interest rate risk. The group does not hold or issue derivative financial instruments for trading purposes. The group designates certain derivatives in respect of foreign currency risk as cash flow hedges and interest rate risk as fair value hedges in line with IFRS 9.

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

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

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

Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the group applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation, as appropriate to the risks being hedged.

43 Financial risk management continued

43.8 Hedge accounting continued

Cash flow hedges of foreign currency risk

The group uses cross-currency swaps to hedge the foreign currency risks arising from interest-bearing liabilities.

Hedge accounting is used for derivatives designated in this way, provided specific criteria are met. The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. Foreign exchange risk arises when the assets and liabilities are not denominated in the functional currency of the transacting entity. The group's policy is that such exposures should be hedged subject to a review of the specific circumstances of the exposure. The currency exposure under such funding has been hedged through a series of cross-currency swaps that match the timing and amount of each periodic cash flow obligation in terms of the currency funding.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Where the forecast transaction or a foreign currency firm commitment results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset. Hedge accounting is discontinued when the group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

The ineffective portion of fair value movements of hedging instruments for 2022 was nil (2021: nil).

Fair value hedges of interest rate risk

The group uses interest rate swaps exchanging fixed rate interest for floating rate liabilities.

Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Fair value gains and losses arising on the pre-measurement of both the hedging instrument and the hedged item are recognised in profit and loss, for so long as the hedging relationship is effective.

The group policy is to borrow funds at floating rates of interest as, over the longer term, this is considered by management to give a natural hedge as funds are lent to customers at floating rates. In certain circumstances, the group uses interest rate swap contracts to manage its exposure to interest rate movements on a portion of its existing debt.

Any hedge ineffectiveness is recognised in profit and loss in non-interest revenue. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair-value hedge accounting, or the designation is revoked, then hedge accounting is discontinued.

During the year, the fair value hedges were determined to be effective in hedging the fair value exposure to interest rate movements. As a result of the hedging relationship, the fair value hedge movement is adjusted to the underlying liabilities to the value of R19 million (2021: R15 million). The nominal value is equal to the capital amount of the hedged item.

	2022 Rm	2021 Rm
Derivative assets held for risk management		
Interest rate swaps	**2**	13
Cross-currency swaps	**422**	88
Total	**424**	101
Derivative liabilities held for risk management		
Interest rate swaps	**12**	4
Cross-currency swaps	**7**	53
Total	**19**	57

43 **Financial risk management** continued

43.8 Hedge accounting continued

Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

	2022 Rm	2021 Rm
Balance at the beginning of the year	**(4)**	(27)
(Loss)/gain (net of tax) arising on changes in fair value of hedging instruments entered into for cash flow hedges	**(288)**	234
Cross-currency swaps	**(288)**	234
Gain/(loss) (net of tax) arising on changes in fair value of hedging instruments reclassified to profit or loss	**273**	(211)
Cross-currency swaps	**273**	(211)
Balance at the end of the year	**(19)**	(4)

(Gains)/losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year are included in operating costs in the statement of comprehensive income.

The time periods in which the hedged cash flows are expected to occur and affect the consolidated statement of comprehensive income are as follows:

	< 1 Year Rm	1 – 5 years Rm	>5 years Rm	Total Rm
2022				
Cash outflows	**–**	**(2)**	**–**	**(2)**
Cash inflows	**122**	**321**	**–**	**443**
Total cash flows*	**122**	**319**	**–**	**441**

	< 1 Year Rm	1 – 5 years Rm	>5 years Rm	Total Rm
2021				
Cash outflows	(9)	(43)	–	(52)
Cash inflows	41	52	–	93
Total cash flows*	32	9	–	41

* *In line with IFRS 7 paragraph 23B(a), the disclosure reflects the timing of the nominal amount of the hedging instrument only.*

43 **Financial risk management** continued

43.8 Hedge accounting continued

Hedging instruments per risk category

2022	Notional amount**		Carrying amount of hedging instrument		
	Nominal amount (USD-millions)	Local currency (ZAR-millions)	Assets Rm	Liabilities Rm	Hedge ineffectiveness Rm
Cash flow hedges					
Foreign exchange risk					
Cross-currency swaps	156	2 658	422	(7)	–
Fair value hedges					
Interest rate risk					
Interest rate swaps	n/a	303	2	(12)	–

2021	Notional amount**		Carrying amount of hedging instrument		
	Nominal amount (USD-millions)	Local currency (ZAR-millions)	Assets Rm	Liabilities Rm	Hedge ineffectiveness Rm
Cash flow hedges					
Foreign exchange risk					
Cross-currency swaps	130	1 835	88	(53)	–
Fair value hedges					
Interest rate risk					
Interest rate swaps	n/a	352	13	(4)	–

** *This represents the gross notional amounts of all outstanding contracts at year end.*

Amounts less than R500 000 are reflected as “<1”.

Interest rate benchmarks and reference to interest rate reforms

The group is primarily exposed to JIBAR and USD LIBOR interest rate benchmarks in relation to its financial instruments (including derivatives and non derivative financial assets and liabilities). USD LIBOR is subject to the interest rate reform and JIBAR may transition at a later stage.

The group is exposed to the following hedging instruments and hedged items that are within the ambit of the interest rate benchmark reform:

- interest rate swaps exchanging fixed rate interest for floating rate liabilities and assets (in relation to JIBAR);
- as well as cross-currency interest rate swaps to hedge the foreign currency and interest rate risks arising from foreign denominated interest-bearing liabilities (in relation to USD LIBOR).

The group continues to monitor the industry and is engaging with the relevant market participants in this regard, which includes the related funders and hedge counterparties. The most efficient outcome will be sought that is aligned with market practice and requirements of the various counterparties. Based on feedback from market participants that have adopted the ISDA protocols, it is anticipated that the transition date to the new benchmark rate for legacy financial instruments will be the first payment date after 30 June 2023 (which will be effective for the group’s 2023 financial year). The group will continue to assess the impact of the IBOR reform in respect of benchmark rates for new financial instruments entered into prior to this date in light of market practice and counterparty requirements.

43 Financial risk management continued

43.8 Hedge accounting continued

Interest rate benchmarks and reference to interest rate reforms continued

The table below provides information on the hedge accounting relationships that are impacted by the interest rate benchmark reform:

	Notional amounts impacted by IBOR Reform as at 30 September 2022	
2022 **Hedging instruments**	**ZAR JIBAR**	**USD LIBOR**
Cash flow hedges		
Interest rate swaps	–	–
Cross-currency swaps	–	415
Fair value hedges		
Interest rate swaps	(7)	–
Cross-currency swaps	–	–
Hedged items		
Cash flow hedges		
Interest rate swaps	–	–
Cross-currency swaps	–	2 658
Fair value hedges		
Interest rate swaps	303	–
Cross-currency swaps	–	–

The Group is managing its exposure to business and financial risk as a result of the IBOR reform through consistent engagement and collaboration with the relevant counterparties as well as general alignment with market practice and industry experts. The key risks identified include liquidity risk (given fundamental differences in the IBORs and alternative benchmark rates and impact on liquidity management), accounting risk (if the transition is not within the ambit of the Phase 2 amendments resulting in discontinuation of hedging relationships, volatility in profit and loss and modification or derecognition of financial instruments), and interest rate basis risk (given the uncertainty around the alternative benchmark rate that will ultimately apply).

43 Financial risk management continued

43.8 Hedge accounting continued

Interest rate benchmarks and reference to interest rate reforms continued

The table below provides information on financial instruments that have yet to transition to an alternative benchmark rate as at the end of the reporting period:

	Financial instruments subject to IBOR reform as at 30 September 2022				
2022	ZAR JIBAR	USD LIBOR	Balances not subject to IBOR reform	Expected credit losses	Total
Cash and cash equivalents	–	–	1 478	–	1 478
Trade and other receivables*	–	–	1 190	(14)	1 176
Loans and advances**	–	–	15 380	(562)	14 818
Leased assets	–	–	11	–	11
Purchased book debts	–	–	4 208	–	4 208
Derivative assets	2	422	269	–	693
Other loans receivable	–	–	132	(6)	126
Financial assets	2	422	22 668	(582)	22 510
Bank overdrafts	–	–	818	–	818
Other short-term borrowings	–	–	23	–	23
Trade and other payables***	–	–	1 114	–	1 114
Put option liability	–	–	4 042	–	4 042
Derivative liabilities	12	7	–	–	19
Interest bearing liabilities****	12 294	2 658	6 910	–	21 862
Senior debt	11 194	2 658	6 910	–	20 762
Subordinated debt	1 100	–	–	–	1 100
Lease liabilities	–	–	715	–	715
Financial liabilities	12 306	2 665	13 622	–	28 593

* *Dealer incentive commission, prepayments, VAT receivables and property deposits are not financial assets and therefore have been excluded from trade and other receivables.*

** *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Refer to note 10 for more detail.*

*** *Revenue received in advance, VAT payables and bonus accruals are not financial liabilities and therefore have been excluded from trade and other payables.*

**** *The carrying value of foreign floating liabilities is reported at spot rate at the reporting date. All USD foreign liabilities are hedged with cross currency swaps.*

43 **Financial risk management** continued

43.9 Statement of financial position categories

	At fair value through profit and loss* Rm	At fair value through other comprehensive income Rm	Financial assets carried at amortised cost Rm	Financial liabilities carried at amortised cost Rm	Non financial liabilities or non financial assets Rm	Equity Rm	Total Rm
2022							
Assets							
Cash and cash equivalents	–	–	1 478	–	–	–	1 478
Tax receivables	–	–	–	–	28	–	28
Trade and other receivables	–	–	1 176	–	747	–	1 923
Inventories**	–	–	–	–	3 790	–	3 790
Assets classified as held for sale	–	–	–	–	371	–	371
Loans and advances**	43	–	14 775	–	144	–	14 962
Leased assets	–	–	11	–	–	–	11
Purchased book debts	423	–	3 785	–	–	–	4 208
Other loans receivable	–	–	126	–	–	–	126
Derivative assets	271	422	–	–	–	–	693
Other investments	1 426	–	–	–	–	–	1 426
Equity accounted investments	–	–	–	–	1 097	–	1 097
Intangible assets	–	–	–	–	3 336	–	3 336
Property and equipment	–	–	–	–	1 900	–	1 900
Goodwill	–	–	–	–	4 754	–	4 754
Deferred tax assets	–	–	–	–	272	–	272
Total assets	2 163	422	21 351	–	16 439	–	40 375
Liabilities							–
Bank overdrafts	–	–	–	818	–	–	818
Other short-term borrowings	–	–	–	23	–	–	23
Tax payables	–	–	–	–	58	–	58
Trade and other payables	272	–	–	920	314	–	1 506
Provisions	–	–	–	–	131	–	131
Insurance contract liabilities**	–	–	–	–	180	–	180
Put option liability	–	–	–	4 042	–	–	4 042
Derivative liabilities	12	7	–	–	–	–	19
Interest-bearing liabilities	–	–	–	21 862	–	–	21 862
Lease liabilities	–	–	–	715	–	–	715
Deferred tax liabilities	–	–	–	–	1 408	–	1 408
Liabilities directly associated with assets held for sale	–	–	–	–	21	–	21
Total liabilities	284	7	–	28 380	2 112	–	30 783
Equity							
Ordinary share capital	–	–	–	–	–	5 179	5 179
Put option reserve	–	–	–	–	–	(4 307)	(4 307)
Other reserves	–	–	–	–	–	327	327
Retained earnings	–	–	–	–	–	6 757	6 757
Equity attributable to ordinary equity holders of the parent	–	–	–	–	–	7 956	7 956
Non-controlling interest		–	–	–	–	1 636	1 636
Total equity	–	–	–	–	–	9 592	9 592
Total equity and liabilities	284	7	–	28 380	2 112	9 592	40 375

* *Loans and advances and purchased book debts at fair value through profit and loss have been designated as at fair value through profit and loss at initial recognition. Trade and other payables at fair value through profit and loss have been mandatorily designated as at fair value through profit and loss.*

** *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Refer to note 10 for more detail.*

43 **Financial risk management** continued

43.9 Statement of financial position categories continued

	At fair value through profit and loss* Rm	At fair value through other comprehensive income Rm	Financial assets carried at amortised cost Rm	Financial liabilities carried at amortised cost Rm	Non financial liabilities or non financial assets Rm	Equity Rm	Total Rm
2021							
Assets							
Cash and cash equivalents	–	–	2 236	–	–	–	2 236
Tax receivables	–	–	–	–	30	–	30
Trade and other receivables	–	–	838	–	538	–	1 376
Inventories**	–	–	–	–	2 477	–	2 477
Loans and advances**	42	–	13 201	–	62	–	13 305
Leased assets	–	–	17	–	–	–	17
Purchased book debts	296	–	3 145	–	–	–	3 441
Other loans receivable	–	–	65	–	–	–	65
Derivative assets	13	88	–	–	–	–	101
Equity accounted investments	–	–	–	–	301	–	301
Intangible assets	–	–	–	–	3 237	–	3 237
Property and equipment	–	–	–	–	1 075	–	1 075
Goodwill***	–	–	–	–	4 377	–	4 377
Deferred tax assets	–	–	–	–	319	–	319
Assets classified as held for sale	–	–	–	–	98	–	98
Total assets	351	88	19 502	–	12 514	–	32 455
Liabilities							–
Bank overdrafts	–	–	–	364	–	–	364
Other short-term borrowings	–	–	–	81	–	–	81
Tax payables	–	–	–	–	41	–	41
Trade and other payables***	166	–	–	2 030	230	–	2 426
Provisions	–	–	–	–	92	–	92
Insurance contract liabilities**	–	–	–	–	271	–	271
Derivative liabilities***	4	53	–	–	–	–	57
Interest-bearing liabilities	–	–	–	16 139	–	–	16 139
Lease liabilities	–	–	–	420	–	–	420
Deferred tax liabilities	–	–	–	–	1 405	–	1 405
Liabilities directly associated with assets held for sale	–	–	–	–	14	–	14
Total liabilities	170	53	–	19 034	2 053	–	21 310
Equity							
Ordinary share capital	–	–	–	–	–	3 464	3 464
Other reserves	–	–	–	–	–	688	688
Retained earnings	–	–	–	–	–	5 591	5 591
Equity attributable to ordinary equity holders of the parent	–	–	–	–	–	9 743	9 743
Non-controlling interest	–	–	–	–	–	1 402	1 402
Total equity	–	–	–	–	–	11 145	11 145
Total equity and liabilities	170	53	–	19 034	2 053	11 145	32 455

* *Loans and advances and purchased book debts at fair value through profit and loss have been designated as at fair value through profit and loss at initial recognition. Trade and other payables at fair value through profit and loss have been mandatorily designated as at fair value through profit and loss.*

** *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Refer to note 10 for mote detail.*

*** *Comparatives have been restated for the following adjustments:*
- *The finalisation of the provisional accounting for WBC, resulting in goodwill and payables increasing by R24 million;*
- *The reclassification of trade and other receivables, to disclose derivative assets separately; and*
- *The reclassification of trade and other payables, to disclose derivative liabilities separately.*
- *The disclosure of contingent liabilities as trade and other payables measured at fair value through profit and loss. These were erroneously shown as trade and other payables measured at amortised cost in the prior year.*

43 **Financial risk management** continued

43.10 Level disclosure

2022	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets at fair value through profit and loss				
Loans and advances: entry-level vehicles	–	–	18	18
Loans and advances: shortfall book*	–	–	25	25
Other financial assets	–	–	423	423
Other investments**	1 381	–	45	1 426
Derivatives***	–	2	269	271
Financial assets at fair value through other comprehensive income				
Derivatives***	–	422	–	422
Total financial assets	1 381	424	780	2 585
Financial liabilities at fair value through profit and loss				
Derivatives***	–	13	–	13
Contingent consideration****	–	–	272	272
Financial liabilities at fair value through other comprehensive income				
Derivatives***	–	7	–	7
Total financial liabilities	–	20	272	292

2021	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets at fair value through profit and loss				
Loans and advances: entry-level vehicles	–	–	17	17
Loans and advances: shortfall book	–	–	25	25
Other financial assets	–	–	296	296
Derivatives***	–	13	–	13
Financial assets at fair value through other comprehensive income				
Derivatives***	–	88	–	88
Total financial assets	–	101	338	439
Financial liabilities at fair value through profit and loss**				
Derivatives***	–	4	–	4
Contingent consideration****	–	–	166	166
Financial liabilities at fair value through other comprehensive income				
Derivatives***	–	53	–	53
Total financial liabilities	-	57	166	223

* The shortfall book is classified as a financial asset at fair value through profit or loss as its value will only be recovered through a sales transaction to collection agents by the group. The group continues to pursue a sales transaction.

** Other investments which have been categorised in level 1 comprise money market fund investments. The balance of other investments is categorised as level 3.

*** Derivatives consist of the following:
- The group enters into derivative financial instruments with respective counterparties. Interest rate swaps and cross-currency swaps are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves. These are categorised as level 2.
- The group, through WBC Holdings is party to a call option over the 25.1% shareholding in WBC Holdings. The call option is valued using a Black Scholes model taking into account the market value of WBC Holdings as well as the exercise price per the formula included in the WBC Holdings shareholders agreement. The call option derivative is categorised as level 3.

**** R118 million (2021: R156 million) of the contingent consideration relates to the investment into the WBC group, R3 million (2021: R10 million) relates to the investment in the Prushka group of entities and R151 million (2021: nil) relates to the investment in Synergy. In terms of IFRS 3: Business Combinations, the provisional accounting applied to the acquisition of WBC Holdings (Pty) Ltd was finalised during the current financial year. As a result, the contingent consideration from the WBC Holdings business combination was increased by R24 million, and goodwill increased by R24 million. Comparative information has been restated accordingly.

Amounts less than R500 000 are reflected as "<1"

43 Financial risk management continued

43.10 Level disclosure continued

Valuation methods and assumptions

Loans and advances for entry-level vehicles: The fair value was calculated using an income approach (estimating and discounting future cashflow) as well as the average collateral value. These represent the significant unobservable parameters applied in the fair value model. The expected cash flows were estimated using a lifetime expected loss model which is consistent with the IFRS 9 provision methodology. The expected cashflows were then discounted at the market related discount rate of 25% to yield a fair value of the total loans and advances for entry-level vehicles.

Loans and advances for the shortfall book: the fair value is based on the valuation reports received from potential debt collection agents as the value will only be recovered through a sales transaction.

Other Financial Assets: The valuation of Other Financial Assets is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. These represent the significant unobservable parameters applied in the fair value model. The group estimates the expected cash flows by considering all the contractual terms of the financial instrument. The discount rate applied to the expected future cash flows reflects specific risk premiums relating to the asset. This includes government risk, single project customer, no previous experience with client and small stock premium for valuations less than R250 million. The discount rate applied to the additional purchase price is based on the current South African prime interest rate.

Other investments: The following valuation methods are used for other investments:

- The value of money market investments is determined by fund managers on a net asset value basis, which is the total value of the all assets in the portfolio including any income accrual and less permissible deductions from portfolio divided by the number of participatory interests in issue. Unit prices as calculated by fund managers and published daily.
- The value of other investments excluding money market investments are determined using applicable valuation techniques (commonly used by market participants for a similar investment) which use relevant observable inputs to the extent these are available and where unavailable, unobservable inputs are used.

Interest rate and cross currency swaps: The group enters into derivative financial instruments with respective counterparties. Interest rate swaps and cross-currency swaps are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves.

Call option derivative: The call option derivative is initially recognised by the Group at fair value and subsequently measured at fair value through profit or loss. The call option derivative is a level 3 instrument in the fair value hierarchy. The call derivative is not traded in an active market and therefore the fair value is determined using a valuation technique. The valuation was performed using a Black Scholes model taking into account the spot price of WBC Holdings as well as the exercise price per the formula included in the WBC Holdings shareholders agreement. The spot price has been determined per independent valuation of WBC Holdings performed as at 30 September 2022. Other inputs into the valuation model include time to expiration, risk free rate, expected dividend yield for WBC Holdings as well as the expected volatility.

Contingent consideration: The group is party to acquisitions of subsidiaries which contain contingent payments arrangements. The valuation of the contingent considerations is based on the estimated future cash flows as determined in terms of the specific purchase agreement. The fair values of the contingent liabilities are remeasured at each reporting date.

43 Financial risk management continued

43.10 Level disclosure continued

Reconciliation of level 3 fair value measurements of financial assets and liabilities

2022	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
Financial assets			
Opening balance	338	–	338
Total gains or losses			
In profit or loss	312	–	312
Other movements*	130	–	130
Closing balance of fair value measurement for financial assets	780	–	780
Financial liabilities			
Opening balance	166	–	166
Initial recognition of additional liabilities			
Total gains or losses			
In profit or loss	(46)	–	(46)
Other movements*	152	–	152
Closing balance of fair value measurement for financial liabilities	272	–	272

2021	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
Financial assets			
Opening balance	187	–	187
Total gains or losses			
In profit or loss	46	–	46
Other movements*	105	–	105
Closing balance of fair value measurement	338	–	338
Financial liabilities**			
Total gains or losses			
Other movements*	166	–	166
Closing balance of fair value measurement for financial liabilities	166	–	166

* *Other movements include the following:*
- *charges on accounts less collections received and write-off's on loans for entry-level vehicles as well as movements in Other Financial Assets;*
- *the recognition of contingent liabilities resulting from business combinations in terms of IFRS 3: Business Combinations and the recognition of Other investments classified as level 3.*

** *The financial liabilities as disclosed in the previous financial year have been restated for the effects of the finalisation of the provisional accounting for the WBC Holdings acquisition.*

43 Financial risk management continued

43.10 Level disclosure continued

Sensitivity analysis of valuations using unobservable inputs

As part of the group's risk management processes, stress tests are applied on the significant unobservable parameters to generate a range of potentially possible alternative valuations. The financial instruments that are most impacted by this sensitivity analysis are those with the more illiquid and/or structured portfolios. The stresses are applied independently and do not take account of any cross correlation between separate asset classes that would reduce the overall effect on the valuations. A significant parameter has been deemed to be one which may result in a change in the fair value of the asset or liability of more than 10%. This is demonstrated by the following sensitivity analysis, which includes a reasonable range of possible outcomes.

Below is an assessment of the impact that a 10% increase or a 10% decrease in the significant inputs would have on the fair values of level 3 financial assets and liabilities:

	2022		2021	
Loans and advances: entry-level vehicles	**10% Increase Rm**	**10% Decrease Rm**	**10% Increase Rm**	**10% Decrease Rm**
Significant unobservable input and description of assumption				
Average collateral value	**1**	**(1)**	1	<1
Discount rate: the rate used to discount projected future cash flows to present value	**1**	**(<1)**	<1	<1
Total	**2**	**(1)**	1	–

Amounts less than R500 000 are reflected as "<1"

	2022		2021	
Loans and advances: shortfall book*	**10% Increase Rm**	**10% Decrease Rm**	**10% Increase Rm**	**10% Decrease Rm**
Significant unobservable input and description of assumption				
Cent in the Rand	**3**	**(3)**	3	(3)
Total	**3**	**(3)**	3	(3)

* *In the prior period, the shortfall portfolio was recognised at a fair value based on the valuation reports received from potential debt collection agents, as the value will only be recovered through a sales transaction. No further fair value adjustment has been recognised during the current year.*

	2022		2021	
Other financial assets	**10% Increase Rm**	**10% Decrease Rm**	**10% Increase Rm**	**10% Decrease Rm**
Significant unobservable input and description of assumption				
Cash flows: change in the expected revenue	**34**	**(34)**	8	(11)
Cash flows: change in expected costs	**3**	**(3)**	1	(1)
Discount rate: the rate used to discount projected future cash flows to present value	**15**	**(14)**	4	(4)
Total	**52**	**(51)**	13	(16)

43 Financial risk management continued

43.10 Level disclosure continued

Sensitivity analysis of valuations using unobservable inputs continued

Contingent consideration – WBC Holdings acquisition	2022 10% Increase Rm	2022 10% Decrease Rm	2021* 10% Increase Rm	2021* 10% Decrease Rm
Significant unobservable input and description of assumption				
Cash flows: change in the earnings growth on which the contingent consideration is based**	**n/a**	**n/a**	22	(22)
Total	**–**	**–**	22	(22)

* *Restated for the effect of the finalisation of the provisional accounting for the WBC Holdings acquisition.*

** *The contingent consideration is based on WBC Holdings earnings for the 2022 financial year. In the current year, the contingent consideration has been calculated based on the actual earnings, therefore the earnings input is not considered unobservable in the current year.*

Contingent consideration – Synergy Contact Centre	2022 10% Increase Rm	2022 10% Decrease Rm	2021 10% Increase Rm	2021 10% Decrease Rm
Significant unobservable input and description of assumption				
Cash flows: change in the EBIT on which the contingent consideration is based	**36**	**(4)**	n/a	n/a
Total	**36**	**(4)**	n/a	n/a

Call option derivative	2022 10% Increase Rm	2022 10% Decrease Rm	2021 10% Increase Rm	2021 10% Decrease Rm
Significant unobservable input and description of assumption				
Change in the spot price on which the valuation is based	**105**	**(89)**	n/a	n/a
Change in the risk free rate on which the valuation is based	**15**	**(14)**	n/a	n/a
Change in the dividend yield on which the valuation is based	**(9)**	**9**	n/a	n/a
Total	**111**	**(94)**	n/a	n/a

44 Related parties*

44.1 Transactions with key management

Blend Properties 17 (Pty) Ltd (Blend) owns properties occupied by certain group subsidiaries. Jonathan Jawno, Michael Mendelowitz and Roberto Rossi, who are directors of Transaction Capital Limited, are directors of Blend. Their family trusts each own 19.4% (2021: 19.4%) of the issued share capital of Blend (58.1% in aggregate).

	2022 Rm	2021 Rm
Transactions during the year		
Rent paid	**(4)**	(8)
Rent received from sublease arrangement	**–**	7
Tenant installation allowance received	**2**	–

44.2 Loans to key management

44.2.1 Terry Kier (CEO of SA Taxi) holds a direct investment in SA Taxi Holdings (Pty) Ltd of 0.57% as at 30 September 2022 (2021: 0.57%).

Terry owes a wholly-owned subsidiary of Transaction Capital an amount of R12 million as at 30 September 2022 (2021: R12 million). The loan was granted on an interest-free basis and will be repaid from dividends and proceeds from the shares or upon certain pre-determined events. Appropriate fringe benefits tax has been levied on the interest-free loan. The loan is secured by a cession over all of Terry Kier's rights, title and interest in and to the SA Taxi Holdings Proprietary Limited shares.

	2022 Rm	2021 Rm
Loan owed by key management at period end	**12**	12

44.2.2 Terry Kier (CEO of SA Taxi) holds a direct investment in TC Motor Holdco (Pty) Ltd of 1% as at 30 September 2022 (2021: 1%)

Terry owes a wholly-owned subsidiary of Transaction Capital an amount of R28 million in 2022 (2021: R28 million). The loan was granted on an interest-free basis and will be repaid from dividends and proceeds from the shares or upon certain pre-determined events. Appropriate fringe benefits tax has been levied on the interest-free loan. The loan is secured by a cession over all of Terry Kier's rights, title and interest in and to the TC Motor Holdco (Pty) Ltd shares.

	2022 Rm	2021 Rm
Loan owed by key management at period end	**28**	28

44.2.3 Craig Bayford (CEO of Nutun Transact) holds a direct investment in Nutun Transact (Pty) Ltd of 5% as at 30 September 2022 (2021: 5%)

Craig owes a wholly-owned subsidiary of Transaction Capital an amount of R21 million in 2022 (2021: R20 million). The loan was granted on an interest-free basis and will be repaid from dividends and proceeds from the shares or upon certain pre-determined events. Appropriate fringe benefits tax has been levied on the interest-free loan. The loan is secured by a cession over all of Craig Bayford's rights, title and interest in and to the Nutun Transact (Pty) Ltd shares.

	2022 Rm	2021 Rm
Loan owed by key management at period end	**21**	20

44.2.4 Derek Warner (CEO of Synergy), through his family trusts, holds investments in Synergy Contact Centre Proprietary Limited and Synergy Outsourcing Limited of 25% each as at 30 September 2022. Derek owes a wholly-owned subsidiary of Transaction Capital an amount of R16 million in 2022. The loan was granted on an interest-free basis and will be repaid upon the acquisition by the group of the shareholding held by Derek in terms of the options in place. Refer to note 26 for details relating to the options in place. The loan is secured by a cession over all of Derek's rights, title and interest in and to the Synergy Outsourcing Limited shares.

	2022 Rm	2021 Rm
Loan owed by key management at period end	**16**	–

44.2.5 Hayden Quin (MD of Synergy), through his family trusts, holds investments in Synergy Contact Centre Proprietary Limited and Synergy Outsourcing Limited of 10% each as at 30 September 2022. Hayden owes a wholly-owned subsidiary of Transaction Capital an amount of R6 million in 2022. The loan was granted on an interest-free basis and will be repaid upon the acquisition by the group of the shareholding held by Hayden in terms of the options in place. Refer to note 26 for details relating to the options in place. The loan is secured by a cession over all of Hayden's rights, title and interest in and to the Synergy Outsourcing Limited shares.

	2022 Rm	2021 Rm
Loan owed by key management at period end	**6**	–

		2022 Rm	2021 Rm
44	**Related parties* continued**		
44.3	**Remuneration of key management personnel**		
	Refer to note 34 where the remuneration of all key management is disclosed.		
44.4	**Investment in equity accounted investment**		
	During the 2019 financial year Transaction Capital, through its wholly-owned subsidiary, Nutun Holdings (Pty) Ltd, entered into an arrangement with Genki Group Limited, a company owned by the respective trusts of Transaction Capital directors, Jonathan Jawno, Michael Mendelowitz and Roberto Rossi, in order to invest in European non-performing loan portfolios and special credit situations (collectively referred to as distressed debt) through TC Global Finance Limited. Refer to note 14.	**343**	220
44.5	**Transactions with minority shareholders**		
44.5.1	SANTACO holds a 17.3% effective interest in SA Taxi. In the prior year a loan was advanced to SANTACO. Further loan advances were made in the current year, which were impaired and written off. In addition to this, payments were made for services related to the verification of operating licenses.		
	Transactions during the year		
	Loans advanced	**1**	7
	Loans impaired and written off (Refer to note 12)	**(1)**	(7)
	Consulting fees	**(5)**	–
	Fees paid for verification of operating licenses	**–**	(1)
44.5.2	I VDW Holdco (Pty) Ltd holds a 25.1% interest in the WBC Holdings (Pty) Ltd. During the current year I VDW Holdco through its wholly owned subsidiary We Prop (Pty) Ltd advanced a loan to WBC Holdings. The loan owing to I VDW Holdco bears interest at prime, and is repayable from excess funds accruing to WBC Holdings, on demand and prior to the payment of any dividends by WBC Holdings. The loan was fully repaid in the current year.		
	Transactions during the year		
	Loan received	**–**	(30)
44.5.3	The group, through its subsidiary WBC Holdings holds a call option over the remaining 25.1% shareholding in WBC Holdings. The call option arrangement entails the granting by non-controlling interests to WBC Holdings Pty Ltd of the option (“call option”) to require the non-controlling interests to dispose to WBC Holdings in tranches on dates specified in the agreement. Refer to 13 for further information.		
	Transactions during the year		
	Call option derivative raised	**269**	–

	2022 Rm	2021 Rm
44 Related parties* continued		
44.5 Transactions with minority shareholders continued		
44.5.4 On 5 October 2021, TCMH concluded a shareholders agreement with the minority shareholders of WBC Holdings, which includes put options in favour of the minority shareholders, which if exercised could result in TCMH acquiring, in various increments and at various intervals, additional shares in WBC Holdings up to a maximum of 25.1% (being all the shares in WBC Holdings currently held by the minority shareholders) and which, if implemented in full, will result in WBC Holdings becoming a wholly owned subsidiary of TCMH. Refer to 26 for further details.		
Transactions during the year		
Put option liability raised	**3 403**	–
44.5.5 On 28 April 2022, Nutun CV and Tyco concluded a shareholders agreement with the minority shareholders of SCC and SOL, which includes put options in favour of the minority shareholders, which if exercised could result in Nutun CV and Tyco acquiring additional shares in SCC and SOL up to a maximum of 35% (being all the shares in SCC and SOL currently held by the minority shareholders) and which, if implemented in full, will result in SCC and SOL becoming wholly owned subsidiaries of Nutun CV and Tyco respectively. Refer to note 26 for further details.		
Transactions during the year		
Put option liability raised	**639**	–

Refer to note 15 of the company financial statements for further detail on shareholding.

* *Intercompany transactions have been eliminated upon consolidation and are therefore not disclosed above.*

45 Business combinations

Business combinations are accounted for in accordance with the acquisition method of accounting. Subsidiaries are consolidated from the date on which the group acquires effective control of the entity. Consolidation ceases from the date control no longer exists. On acquisition the identifiable assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values. The cost of an acquisition is the fair value of the assets given, liabilities incurred or assumed and equity instruments issued. Any costs directly relating to the acquisition are expensed to profit and loss.

The consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of an acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised. Where a business combination is achieved in stages, previously held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 - Income Taxes and IAS 19 - Employee Benefits respectively;
- Assets (or disposal groups) of the acquiree that are classified as held for sale and discontinued operations in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

The non-controlling interest in the acquiree is measured at acquisition date either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets (applied on a transaction by transaction basis for all business combinations). The treatment is not an accounting policy choice but is selected for each business combination and disclosed in the note for business combinations.

Premiums or discounts arising on the acquisition of subsidiaries are treated in terms of the group's accounting policy for goodwill.

Subsidiaries acquired

Subsidiary	Acquirer	Principal activity	Date of acquisition	Proportion of voting equity interests held %	Consideration Rm
Synergy Contact Centre (Pty) Ltd (SCC) (Refer to note 45.1)	Nutun Corporate Ventures Pty Ltd (a subsidiary of Nutun Holdings (Pty) Ltd)	Business Process Outsourcing (BPO)	01/04/2022	**65**	**360**
Synergy Outsourcing Limited (SOL) (Refer to 45.2)	Tyco Holdings Ltd (a subsidiary of Nutun Holdings (Pty) Ltd	Business Process Outsourcing (BPO)	01/04/2022	**65**	**41**

45.1 Acquisition of Synergy Contact Centre (Pty) Ltd (SCC)

Nutun Corporate Ventures, a wholly-owned subsidiary of Nutun Holdings acquired 65% of the issued shares of Synergy contact Centre (Pty) Ltd (SCC) on 1 April 2022.

SCC is an owner managed contact centre business, operating in the international business process outsourcing ("BPO") sector. SCC operates from its customer service centre located in Umhlanga, KwaZulu-Natal and provides the following customer lifecycle management services to its clients:

- Customer retention;
- Debt collection; and
- Complaint resolution.

Prior to the acquisition of SCC, Nutun Holdings was diversified across the business services collection, transactional and value added services sectors. The acquisition of SCC establishes the Transaction Capital group's BPO service offering.

45 Business combinations continued

45.1 Acquisition of Synergy Contact Centre (Pty) Ltd (SCC) continued

45.1.1 Consideration for IFRS 3 purposes

	2022 Rm
Cash	207
Contingent consideration	153
Total consideration	**360**

The contingent consideration payable will be settled in several tranches during the 2023 to 2025 financial years. The contingent consideration bears interest at 3-month JIBAR.

45.1.2 Assets acquired and liabilities recognised at the date of acquisition

	2022 Rm
Current assets	
Cash and cash equivalents	5
Trade and other receivables	75
Non-current assets	
Other financial assets	1
Property, plant and equipment	43
Current liabilities	
Bank overdraft	(3)
Tax payables	(5)
Trade and other payables	(14)
Provisions	(4)
Lease liabilities	(36)
Other financial liabilities	(10)
Net assets acquired and liabilities recognised	**52**

The initial accounting for the acquisition of SCC has been provisionally determined at the end of the financial year.

The receivables acquired in this transaction have a fair value of R75 million. The receivables acquired comprise principally of trade receivables. Of the R75 million trade and other receivables at acquisition date, R69 million related to the gross contractual value of trade receivables, which were fully collected before year end.

45.1.3 Goodwill arising on acquisition

	2022 Rm
Consideration for IFRS 3	360
Less: intangible assets identified from business combinations	(22)
Plus: deferred tax on intangible assets identified from business combinations	6
Plus: Other payables raised in terms of IFRS 3	31
Less: fair value of identifiable net assets recognised	(52)
Plus: Non-controlling interests in 35% of SCC	13
Goodwill arising on acquisition	**336**

The consideration transferred for the business combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development and the assembled workforce of the SCC group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The non-controlling interest (35% ownership interest in SCC) recognised at the acquisition date was measured with reference to the proportionate share in the recognised amounts of SCC's identifiable net assets including intangible assets, deferred tax thereon and payables identified at acquisition, of R37 million and amounted to R13 million.

45 Business combinations continued

45.1 Acquisition of Synergy Contact Centre (Pty) Ltd (SCC) continued

45.1.4 Net cash outflow on acquisition of subsidiary

	2022 Rm
Consideration paid in cash	207
Less: cash and cash equivalents balance acquired	(5)
Add: overdraft balance acquired	3
Net cash outflow from the transaction	**205**
Analysis of cash flows on acquisition	
Transaction costs of the acquisition (included in cash flows from operating activities)	3
Net cash acquired with the business (included in cash flows from investing activities)	2

45.1.5 Impact of acquisition on the results of the group

Included in profit attributable to ordinary shareholders of the group for the year ended 30 September 2022 is R36 million attributable to SCC since acquisition date. Revenue for the period includes R255 million in respect of SCC.

Had the business combination been effected at 1 October 2021, SCC would have contributed additional revenue to the group of R191 million and additional profit attributable to ordinary equity holders of the group of R18 million. As a result, revenue for the group would have been R26 861 million and profit attributable to ordinary equity holders of the group from continuing operations would have been R1 694 million.

45.2 Acquisition of Synergy Outsourcing Limited (SOL)

Tyco Holdings (Pty) Ltd (Tyco), a wholly-owned subsidiary of Nutun Holdings acquired 65% of the issued shares of Synergy Outsource Limited (SOL) on 1 April 2022.

SOL and SCC entered into a joint venture agreement in 2018. In terms of the joint venture agreement, SCC will provide the call centre facilities and operatives and ensure its staff and contractors are suitably qualified and adequately trained and SOL will contract with clients for the supply of call centre services and supervise and manage SCC's supply of those services SOL will invoice clients and pay a set fee to SCC as per the Joint Venture Agreement. SOL is therefore a strategic acquisition for the Transcation Capital group.

45.2.1 Consideration for IFRS 3 purposes

	2022 Rm
Cash	41
Total consideration	**41**

45.2.2 Assets acquired and liabilities recognised at the date of acquisition

	2022 Rm
Current assets	
Cash and cash equivalents	16
Trade and other receivables	57
Current liabilities	
Tax payables	(6)
Trade and other payables	(52)
Net assets acquired and liabilities recognised	**15**

The initial accounting for the acquisition of SOL has been provisionally determined at the end of the financial year.

The receivables acquired in this transaction have a fair value of R57 million. The receivables acquired comprise principally of trade receivables with a gross contractual amount of R57 million at acquisition date, with the full amount collected before year end.

45 Business combinations continued

45.2 Acquisition of Synergy Outsourcing Limited (SOL) continued

45.2.3 Goodwill arising on acquisition

	2022 Rm
Consideration for IFRS 3	**41**
Less: intangible assets identified from business combinations	**(32)**
Plus: deferred tax on intangible assets identified from business combinations	**6**
Less: fair value of identifiable net assets recognised	**(15)**
Plus: Non-controlling interests in 35% of SO	**14**
Goodwill arising on acquisition	**14**

The consideration transferred for the business combination included amounts in relation to the benefit of expected cost and technology synergies, revenue growth, future market development and the complementary skills within the assembled workforce of the SOL. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The non-controlling interest (35% ownership interest in SOL) recognised at the acquisition date was measured with reference to the proportionate share in the recognised amounts of SOL's identifiable net assets including intangible assets, deferred tax thereon and payables identified at acquisition, of R41 million and amounted to R14 million.

45.2.4 Net cash outflow on acquisition of subsidiary

	2022 Rm
Consideration paid in cash	**41**
Less: cash and cash equivalents balance acquired	**(16)**
Net cashflow	**25**
Analysis of cash flows on acquisition	
Transaction costs of the acquisition (included in cash flows from operating activities)	**1**
Net cash acquired with the business (included in cash flows from investing activities)	**16**

45.2.5 Impact of acquisition on the results of the group

Included in profit attributable to ordinary shareholders of the group for the year ended 30 September 2022 is R10 million attributable to SOL since acquisition date. Revenue for the period includes R43 million in respect of SOL.

Had the business combination been effected at 1 October 2021, SOL would have contributed additional revenue to the group of R31 million and additional profit attributable to ordinary equity holders of the group of R16 million. As a result, revenue for the group would have been R26 701 million and profit attributable to ordinary equity holders of the group from continuing operations would have been R1 692 million.

46 Segment report

The group is organised on the basis of products and services and the segments have been identified on this basis as reported to the chief executive officer (considered the chief operating decision maker). The accrual basis of accounting is applied for transactions between reportable segments. The principal business units in the group are as follows:

SA Taxi

- A vertically integrated taxi platform incorporating a unique blend of vehicle procurement, retail, repossession and refurbishment capabilities with asset-backed developmental finance and insurance competencies for focused vehicle types.
- Revenue is mainly derived from interest earned on financing of vehicles and non-interest revenue streams, including revenue from the sale of vehicles, telematics services and insurance products.
- The SA Taxi segment includes Value-Added Services (Road Cover). Road Cover generates a stable source of subscription income, whilst providing access to greater market depth. SA Taxi has the potential to unlock further value through synergies with Road Cover to be realised from cost efficiencies and revenue uplift, gaining access to SA Taxi's client base.

Nutun

- Nutun (previously Transaction Capital Risk Services) delivers an augmented suite of digital customer services comprising capital-enabled services ("CE services") and capital-light customer experience management services ("CXM services").
- Through CE services, Nutun mainly acts as a principal in acquiring and then collecting on NPL portfolios.
- Earnings from CXM services primarily comprise revenue from contingency based collection services and fee-for-service income generated in South Africa, Australia and the UK.

Webuycars

- The WeBuyCars segment includes the WBC group and GoMo (Pty) Ltd (GoMo).
- Transaction Capital Motor HoldCo (Pty) Ltd (TCMH) holds a 74.9% controlling interest in the WBC group (WeBuyCars). TCMH previously held a 49.9% non-controlling interest in We Buy Cars (Pty) Ltd which was accounted for as an associate for the period from 1 October 2020 to 2 August 2021 prior to acquisition of the controlling interest in the prior financial year.
- Buyer, distributor and retailer of vehicles, which also offers financial and other allied products.
- Revenue comprises mainly gross margin on vehicle sales (vehicle margin), with additional gross margin earned on add-on products (product margin). The latter includes agency fees earned from finance, insurance related and allied products (F&I products) sold on behalf of major banks providing asset-backed and unsecured vehicle finance, leading insurance providers, as well as vehicle tracking businesses.
- GoMo is a newly established entity that will be entering into instalment sale agreements and rental agreements with individuals looking to finance the purchase of vehicles from WeBuyCars or pay for the right of use of vehicles sourced by GoMo from WeBuyCars.

Group executive office

- The group executive office provides an efficient capital management and treasury function for entities within the group, in addition to administrative and management services.
- Revenue comprises mainly of interest income and management fees from subsidiaries, the majority of which is eliminated on group consolidation.
- The numbers presented in the group executive office segment exclude group consolidation entries.

46 **Segment report** continued

	SA Taxi		Nutun		WeBuyCars**		Group Executive Office*		Intergroup Eliminations		Group	
	30 September 2022 Rm	30 September 2021 Rm	**30 September 2022 Rm**	30 September 2021 Rm	**30 September 2022 Rm**	30 September 2021 Rm	**30 September 2022 Rm**	30 September 2021 Rm	**30 September 2022 Rm**	30 September 2021 Rm	**30 September 2022 Rm**	30 September 2021 Rm
Summarised income statement												
Revenue from sale of goods and provision of services	**1 789**	1 268	**2 988**	2 365	**17 875**	2 205	**–**	–	**–**	–	**22 652**	5 838
Net interest income from the provision of financing to customers	**1 631**	1 587	**–**	–	**4**	–	**–**	–	**–**	–	**1 635**	1 587
Impairment of loans and advances	**(852)**	(563)	**–**	–	**(4)**	–	**–**	–	**–**	–	**(856)**	(563)
Net insurance result	**411**	400	**–**	–	**–**	–	**–**	–	**–**	–	**411**	400
Total operating expenses and cost of revenue	**(2 688)**	(2 128)	**(2 303)**	(1 788)	**(16 869)**	(2 049)	**(70)**	(71)	**75**	11	**(21 855)**	(6 025)
Net finance charge – not relating to provision of financing to customers	**(68)**	(15)	**(235)**	(172)	**(93)**	(24)	**12**	47	**–**	–	**(384)**	(164)
Finance income	**34**	27	**31**	36	**6**	1	**114**	78	**(107)**	(70)	**78**	72
Finance charge	**(102)**	(42)	**(266)**	(208)	**(99)**	(25)	**(102)**	(31)	**107**	70	**(462)**	(236)
Other income	**201**	11	**76**	26	**62**	(4)	**–**	22	**(75)**	(11)	**264**	44
Equity accounted income/(loss)	**–**	–	**6**	5	**–**	215	**41**	(7)	**–**	–	**47**	213
Fair value gain on previously held equity interest	**–**	–	**–**	–	**–**	1 417	**–**	–	**–**	–	**–**	1 417
Non-operating profit	**–**	–	**(39)**	–	**572**	(6)	**–**	2	**–**	–	**533**	(4)
Profit before tax	**424**	560	**493**	436	**1 547**	1 754	**(17)**	(7)	**–**	–	**2 447**	2 743
Income tax expense	**(59)**	(147)	**(124)**	(133)	**(238)**	(42)	**10**	(3)	**–**	–	**(411)**	(325)
Profit for the year from continuing operations	**365**	413	**369**	303	**1 309**	1 712	**(7)**	(10)	**–**	–	**2 036**	2 418
Discontinued operations												
(Loss)/profit for the period from discontinued operations	**–**	–	**(33)**	(12)	**–**	–	**–**	–	**–**	–	**(33)**	(12)
Profit for the year	**365**	413	**336**	291	**1 309**	1 712	**(7)**	(10)	**–**	–	**2 003**	2 406

* Group executive office numbers are presented net of recoveries and inter-group dividends.

46 **Segment report** continued

*** Profit after tax from WeBuyCars comprises:*

	2022 Audited Rm	2021 Audited Rm
Share of equity accounted earnings after tax	–	215
Consolidated operating profit for the WBC group	762	112
Consolidated operating loss for GoMo	(26)	–
Operating profit for TCMH (excluding vendor finance and transaction costs)	6	–
Mark-to-market of derivative liability	–	(6)
Fair value gain on previously held interest	–	1 417
Interest expense on preference share liability (vendor finance) and deferred consideration	–	(18)
Imputed interest charge - put option liability over NCI	(261)	–
Re-measurement of put option liability over NCI	569	–
Fair value gain on call option derivative from NCI	269	–
Transaction costs relating to the acquisition of the controlling interest in the WBC group	(5)	(6)
Amortisation of intangible assets acquired in business combination	(5)	(2)
Profit after tax	**1 309**	1 712

46 Segment report continued

	SA Taxi		Nutun		WeBuyCars*		Group Executive Office		Intergroup Eliminations		Group*	
	30 September 2022 Rm	30 September 2021 Rm	30 September 2022 Rm	30 September 2021 Rm	30 September 2022 Rm	30 September 2021 Rm	30 September 2022 Rm	30 September 2021 Rm	30 September 2022 Rm	30 September 2021 Rm	30 September 2022 Rm	30 September 2021 Rm
Summarised statement of financial position												
Assets												
Cash and cash equivalents	**1 126**	1 054	**126**	176	**130**	165	**96**	841	**–**	–	**1 478**	2 236
Other investments	**120**	–	**44**	–	**1**	–	**1 261**	–	**–**	–	**1 426**	–
Trade and other receivables	**1 213**	934	**520**	249	**202**	232	**53**	11	**(65)**	(50)	**1 923**	1 376
Inventories	**1 936**	1 577	**1**	2	**1 853**	898	**–**	–	**–**	–	**3 790**	2 477
Loans and advances	**14 725**	13 305	**–**	–	**237**		**–**	–	**–**	–	**14 962**	13 305
Purchased book debts	**–**	–	**4 208**	3 441	**–**		**–**	–	**–**	–	**4 208**	3 441
Equity accounted investments	**656**	–	**90**	81	**8**	–	**343**	220	**–**	–	**1 097**	301
Other assets	**1 477**	1 223	**2 509**	1 503	**7 419**	6 523	**7 473**	5 505	**(7 387)**	(5 435)	**11 491**	9 319
Total assets	**21 253**	18 093	**7 498**	5 452	**9 850**	7 818	**9 226**	6 577	**(7 452)**	(5 485)	**40 375**	32 455
Liabilities												
Short-term borrowings	**195**	183	**525**	131	**–**	–	**98**	50	**–**	–	**818**	364
Trade and other payables	**578**	463	**485**	304	**396**	2 025	**107**	912	**(60)**	(1 278)	**1 506**	2 426
Insurance contract liabilities	**180**	271	**–**	–	**–**	–	**–**	–	**–**	–	**180**	271
Floorplan facilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Interest-bearing liabilities	**16 725**	13 536	**3 145**	2 506	**2 104**	865	**1 891**	273	**(2 003)**	(1 041)	**21 862**	16 139
Senior debt	**14 326**	12 284	**2 832**	2 024	**1 713**	768	**1 891**	273	**–**	–	**20 762**	15 349
Subordinated debt	**950**	790	**150**	–	**–**	–	**–**	–	**–**	–	**1 100**	790
Group loans	**1 449**	462	**163**	482	**391**	97	**–**	–	**(2 003)**	(1 041)	**–**	–
Lease liabilities	**149**	171	**393**	199	**171**	44	**2**	6	**–**	–	**715**	420
Put option liability	**–**	–	**639**	–	**3 403**	–	**–**	–	**–**	–	**4 042**	–
Other liabilities	**130**	278	**702**	547	**824**	864	**11**	5	**(7)**	(4)	**1 660**	1 690
Total liabilities	**17 957**	14 902	**5 889**	3 687	**6 898**	3 798	**2 109**	1 246	**(2 070)**	(2 323)	**30 783**	21 310
Total equity	**3 296**	3 191	**1 609**	1 765	**2 952**	4 020	**7 117**	5 331	**(5 382)**	(3 162)	**9 592**	11 145

* *Restated for the finalisation of the provisional accounting for the WBC Holdings acquisition.*

46 **Segment report** continued

Geographical information

The group operated in three principal geographical areas, South Africa, Australia and Europe. The group's total revenue by location and non-current assets by location are detailed below:

	Total revenue*		Non-current assets	
	2022 Rm	**2021 Rm**	**2022 Rm**	**2021 Rm**
South Africa*	**26 039**	8 840	**30 080**	24 861
Australia	**607**	585	**895**	1 053
Europe	**24**	11	**384**	220
Total	**26 670**	9 436	**31 359**	26 134

* In the current year, the group reclassified the presentation of the income statement. This resulted in a reclassification of the revenue presented in the comparative period. Refer to note 29 for further information.

** Revenue comprises gross revenue as presented on the income statement, gross interest income from financing of customers and the gross insurance revenue.

*** The significant increase in revenue in South Africa from the prior year is due to the prior year including only 2 months of revenue from WBC as the group acquired the subsidiary on 3 August 2021. The current year includes WBC revenue for the full financial year.

47 Going concern

The annual financial statements were prepared on a going concern basis. Based on their assessment, the directors have no reason to believe that the company will not continue as a going concern in the foreseeable future. This assessment included an assessment of the relevance of its business models, the nature of the primary assets and the cash-flows generated from these assets as well as the company's balance sheet.

Balance sheet and liquidity

The group has sufficient liquidity and financial flexibility to support underlying business operations as at 30 September 2022.

Refer to the liquidity risk management in note 43.3.

48 Subsequent events

Transaction Capital, through its wholly-owned subsidiary Recoveries Corporation Holdings (Pty) Ltd ("RCH") acquired the receivable collections business of Milton Graham ("MG") from Illion with effect from 2 November 2022. MG is a leading collection services platform with complimentary operations in both Australia and New Zealand. Provisional accounting for the business acquisition had not been concluded prior to the issue of these consolidated financial statements.

No other events which would have a material impact on either the financial position or operating results of the company have taken place between 30 September 2022 and the date of release of this report.

Transaction Capital

Company statement of **financial position**

at 30 September 2022

	Notes	2022 Rm	2021 Rm
Assets			
Cash and cash equivalents	1	**41**	802
Other investments	2	**1 261**	–
Tax receivables		**2**	3
Trade and other receivables	3	**2**	2
Investments in subsidiaries	4	**5 400**	4 407
Group loans	18	**2 045**	1 244
Deferred tax assets	8	**3**	–
Total assets		**8 754**	6 458
Liabilities			
Bank overdrafts	1	**98**	50
Trade and other payables	5	**23**	852
Interest-bearing liabilities	6	**1 096**	272
Senior debt		**1 096**	272
Group loans	18	**456**	7
Total liabilities		**1 673**	1 181
Equity			
Ordinary share capital	7	**5 192**	3 477
Other reserves		**160**	146
Retained earnings		**1 729**	1 654
Equity attributable to ordinary equity holders of the parent		**7 081**	5 277
Total equity		**7 081**	5 277
Total equity and liabilities		**8 754**	6 458

Company statement of **comprehensive income**

for the year ended 30 September 2022

	Notes	2022 Rm	2021 *Rm
Revenue	11	**581**	316
Net finance income		**1**	22
Finance income	10	**102**	52
Finance charges	10	**(101)**	(30)
Operating costs	12	**(31)**	(32)
Operating profit		**551**	306
Profit before tax		**551**	306
Income tax expense	13	**–**	(8)
Profit for the year		**551**	298
Total comprehensive income for the year		**551**	298

* *In the current year, the company reclassified the presentation of the income statement. This resulted in a reclassification of the comparative period. Refer to note 9 for further information.*

Company statement of **changes in equity**

for the year ended 30 September 2022

	Number of ordinary shares million	Share capital Rm	Share based payment reserve Rm	Retained earnings Rm	Total equity Rm
Balance at 30 September 2020	661.5	2 028	99	1 485	3 612
Total comprehensive income	–	–	–	298	298
Profit for the year	–	–	–	298	298
Grant of conditional share plans	–	–	62	–	62
Settlement of conditional share plans	–	–	(15)	–	(15)
Dividends paid	–	–	–	(129)	(129)
Issue of shares	46.9	1 449	–	–	1 449
Balance at 30 September 2021	708.4	3 477	146	1 654	5 277
Total comprehensive income	**–**	**–**	**–**	**551**	**551**
Profit for the year	**–**	**–**	**–**	**551**	**551**
Grant of conditional share plans	**–**	**–**	**74**	**–**	**74**
Settlement of conditional share plans	**–**	**–**	**(60)**	**–**	**(60)**
Dividends paid	**–**	**–**	**–**	**(476)**	**(476)**
Issue of shares	**49.0**	**1 715**	**–**	**–**	**1 715**
Balance at 30 September 2022	**757.4**	**5 192**	**160**	**1 729**	**7 081**

Transaction Capital

Company statement of **cash flows**

for the year ended 30 September

	Notes	2022 Rm	2021 Rm
Cash flow from operating activities			
Cash generated by operations	14	**(22)**	(16)
Interest received		**102**	52
Interest paid		**(101)**	(22)
Income taxes paid	15	**(1)**	(8)
Dividends received*		**557**	165
Dividends paid	16	**(476)**	(129)
Cash flow from operating activities before changes in operating assets and working capital		**59**	42
Changes in working capital		**31**	(1)
Decrease in trade and other receivables		**–**	3
Increase/ (decrease) in trade and other payables**		**31**	(4)
Net cash generated by operating activities		**90**	41
Cash flow from investing activities			
Increase in group loans owing from subsidiaries		**(352)**	(746)
Additional interest acquired in subsidiary		**(1 480)**	–
Increase in other investments		**(1 261)**	–
Net cash utilised by investing activities		**(3 093)**	(746)
Cash flow from financing activities			
Proceeds from interest-bearing liabilities		**1 270**	339
Settlement of interest-bearing liabilities		**(452)**	(290)
Issue of shares***		**1 376**	1 407
Net cash generated by financing activities		**2 194**	1 456
Net increase in cash and cash equivalents		**(809)**	751
Cash and cash equivalents at the beginning of the year	1	**752**	1
Cash and cash equivalents at the end of year	1	**(57)**	752

* *Dividends received has been reduced to R557 million as R7 million of preference share dividends was only received on the 5th of October 2022.*

** *With respect to the 2021 financial year R843 million was payable to Transaction Capital Motor HoldCo (Pty) Limited, in respect to the WeBuyCars acquisition. In the current financial year this amount has been settled however, it has not been classified as trade and other payable but rather under additional interest acquired in subsidiary.*

*** *Issue of shares has been reduced by R356 million as these shares were issued in respect to an equity swap between Transaction Capital Motor HoldCo (Pty) Limited and Transaction Capital Limited.*

Notes to the company **financial statements**

for the year ended 30 September 2022

		2022 Rm	2021 Rm
1	**Cash and cash equivalents**		
	Bank balances	–	282
	Call deposits*	**41**	520
	Bank overdrafts	**(98)**	(50)
	Net cash and cash equivalents	**(57)**	752
	Total overdraft facilities	**100**	100

* *Ceded as part security for securitisation debentures and loans as shown in note 6, in favour of the guarantor.*
Refer to Note 2. Cash received in respect to the accelerated bookbuild in the 2022 financial year has been invested in money market accounts. Money market fund investments are funds which have been invested into: Stanlib, Ninety One and Nedbank Group funds. These investments are short term in nature and are readily available to meet cash flow requirements of the group as they fall due.

		2022 Rm	2021 Rm
2	**Other investments**		
	Money market fund investments*	**1 261**	–
	Net cash and cash equivalents	**1 261**	–

Other investments are measured at fair value at the end of each reporting period, with any fair value recognised in profit and loss. The net gain or loss recognised in profit or loss includes interest earned on the investment.

* *The company has classified its money market fund investments as other investments as the risk of future changes in value have been assessed to not be insignificant The money market fund investments are highly liquid. The company is able to convert the investments into cash within 24 hours of making such requests. The money market fund investments are mostly made up of funds that were raised in the accelerated book build which took place in September 2022. Refer to note 7 for details of the accelerated book build.*
Other investments in the money market have been ceded in favour of the guarantor per note 6 senior debt.

Money market fund investments

	2022			
	Stanlib	**Nedgroup**	**Ninety-One**	**Total**
Money market fund investments at 30 September 2022 comprise the following:				
Funds invested (Rm)	**421**	**420**	**420**	**1 261**
Average interest rate earned	**6.7%**	**6.5%**	**6.7%**	**6.6%**
Composition of underlying investments:	**100%**	**100%**	**100%**	**100%**
Local banks	**81.9%**	**86.0%**	**86.2%**	**84.7%**
Foreign banks	**16.5%**	**12.5%**	**12.6%**	**13.9%**
Government	**1.6%**	**1.5%**	**1.2%**	**1.4%**

		2022 Rm	2021 Rm
3	**Trade and other receivables**		
	Prepayments and other deferrals	**1**	1
	VAT receivable	**1**	1
	Total trade and other receivables	**2**	2

The carrying value of trade and other receivables approximates fair value as these are short-term in nature and not subject to material changes in credit risk and fair value.

		2022 Rm	2021 Rm
4	**Investment in subsidiaries**		
	Shares at carrying value	**5 400**	4 407
	Total investments in subsidiaries	**5 400**	4 407

Refer to note 18 for a schedule of subsidiaries, detailing movement in investments in subsidiaries from the prior year.

		2022 Rm	2021 Rm
5	**Trade and other payables**		
	Trade payables and accruals	**23**	9
	Cash payable on investment	**–**	843
	Trade and other payables	**23**	852

Trade payables and accruals principally comprise of amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

	Notes	2022 Rm	2021 Rm
6 Interest-bearing liabilities			
Type of loan			
Loans	6.1	**1 096**	272
Total interest-bearing liabilities		**1 096**	272
Classes of interest-bearing liabilities			
Senior debt		**1 096**	272
Total interest-bearing liabilities		**1 096**	272
Maturity profile			
Payable after 12 months		**1 096**	272
Total interest-bearing liabilities		**1 096**	272

Restrictive funding arrangements

During the current and prior year, the group was party to the following restrictive funding arrangements as defined by the JSE listing requirements.

Lender	Borrower	Maturity date	Rm	Restrictive conditions
2022				
ABSA Bank Limited	Transaction Capital Limited	2023/12/11	395	▷ Unrestrictive
Standard Bank of South Africa Limited	Transaction Capital Limited	2023/12/11	395	▷ Unrestrictive
Investec Bank Limited	Transaction Capital Limited	2023/12/11	306	▷ Unrestrictive
2021				
ABSA Bank Limited	Transaction Capital Limited	2021/12/31	99	▷ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender
Standard Bank of South Africa Limited	Transaction Capital Limited	2021/12/31	99	▷ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender.
Investec Bank Limited	Transaction Capital Limited	2023/12/11	75	▷ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender.

6 Interest-bearing liabilities continued

6.1

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value Rm
2022						
Loans						
Senior	Revolving	2020/12/10	Prime plus 1.2%	2023/12/11	ZAR	**395**
Senior	Revolving	2020/12/10	Prime plus 1.2%	2023/12/11	ZAR	**395**
Senior	Revolving	2020/12/10	Prime plus 1.2%	2023/12/11	ZAR	**306**
Total						**1 096**
2021						
Loans						
Senior	Revolving	2020/12/10	3 Month JIBAR plus 4.5%	2023/12/11	ZAR	99
Senior	Revolving	2020/12/10	3 Month JIBAR plus 4.5%	2023/12/11	ZAR	99
Senior	Revolving	2020/12/10	3 Month JIBAR plus 4.5%	2023/12/11	ZAR	75
Total						272

The company was not during the year or at year end in breach or default of any provisions of the terms or conditions of the agreements governing borrowings that will change the timing or amount of cash flows.

		2022 Rm	2021 Rm
7	**Ordinary share capital**		
	Authorised		
	1 000 000 000 ordinary shares		
	Issued		
	757 367 333 (30 September 2021: 708 431 319) ordinary shares		
	Ordinary share capital	**5 192**	3 477
	Ordinary share capital	**5 192**	3 477

		2022		2021	
		Number of shares million	Share capital Rm*	Number of shares million	Share capital Rm*
7.1	Reconciliation of ordinary share capital				
	Balance at the beginning of the year	**708.4**	**3 477**	661.5	2 028
	Shares issued in settlement of the Conditional Share Plan (Note 7.1.1)	**2.4**	**96**	0.9	22
	Equity raised through the open market	**–**	**–**	12.4	248
	Equity raised through accelerated bookbuild (Note 7.1.2)	**36.1**	**1 263**	33.1	1 159
	Shares issued to subsidiaries (Note 7.1.3)	**10.5**	**356**	0.5	20
	Balance at the end of the year	**757.4**	**5 192**	708.4	3 477

* *Net of share issue costs*

7.1.1 In terms of specific authority received from shareholders on the adoption of the Transaction Capital Conditional Share Plan, a total of 2 353 523 shares were issued to participants/employees as part of respective vestings at an average price of R40.85 per share.

7.1.2 On 9 September 2022 Transaction Capital raised equity in the form of 36 055 520 shares through the issue of new ordinary shares to qualifying investors through an accelerated bookbuild. The ordinary shares were priced at R35.50 per share (before share issue costs), a 3.9% and 7.5% discount to the pre-launch close price of R36.95 and the 30 business day volume weighted average price of R38.36 respectively, as at the market close on 8 September 2022. The equity raise was completed under the company's general authority to issue shares for cash approved by Transaction Capital shareholders at the annual general meeting of the company held on 10 March 2022.

7.1.3 On 5 October 2021 Transaction Capital issued 10 526 971 shares to Transaction Capital Motor Holdco Proprietary Limited (TCMH) at an average price of R33.83 per share (before share issue costs) in respect of the acquisition of the additional 25% interest in the WBC group. The 10 526 971 shares were in turn transferred to WBC Holdings (Pty) Ltd (WBC Holdings) and certain of the previous shareholders in WBC Holdings as part of the settlement by TCMH of the purchase price. WBC Holdings distributed the shares paid to it to previous shareholders through a dividend declared which was declared prior to TCMH's acquisition of the investment.

Preference share capital

Authorised

10 000 000 cumulative, non-participating, non-convertible preference shares of no par value

Issued

Nil (2021: nil) preference shares

8 Deferred tax

	2022 Rm	2021 Rm
Deferred tax is presented in the statement of financial position as follows:		
Deferred tax assets	3	–
Deferred tax liabilities	–	–
Net deferred tax asset	3	–
The movements during the year are analysed as follows:		
Recognised in the income statement for the year	3	–
Net deferred tax asset at the end of the year	3	–

Deferred tax assets have only been recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The assessments are performed on a continuous basis and if required the deferred tax asset is not recognized.

	Opening balance Rm	Charged to income statement Rm	Closing balance Rm
2022			
Temporary difference			
Assessed loss unutilised	–	3	3
Total	–	3	3

* *There are no deferred tax movements to be disclosed in respect of the 2021 financial year.*

9 Reclassifications

During the current financial year, the group reassessed the classification principles on the income statement to ensure that the information presented on the face of the income statement remained reliable and relevant for the Transaction Capital group. This resulted in a reclassification of the comparative income statement and related notes for the year ending 30 September 2021.

	30 September 2021 Reclassifications			
	As previously presented Rm	Re-allocation of Interest income and expenses (note 2.1) Rm	Re-allocation of non-interest revenue and operating expenditure (note 2.2) Rm	Reclassified Rm
Revenue	–	–	316	316
Operating Costs	–	–	(32)	(32)
Interest income	52	(52)	–	–
Interest expense	(30)	30	–	–
Risk-adjusted net interest income	22	(22)	–	–
Other non-interest revenue	316	–	(316)	–
Operating costs	(32)	–	32	–
Net finance charge	–	22	–	22
Finance income	–	52	–	52
Finance charges	–	(30)	–	(30)
Profit before tax	306	–	–	306
Income tax expense	(8)	–	–	(8)
Profit for the year from continuing operations	298	–	–	298

2.1 **Re-allocation of interest income and expenses:** The company previously reflected all interest income and interest expenses in a single section on the income statement. Management is of the view that users of the financial statements will benefit from a view that separates the net interest income from provision of financing to customers from the net finance income/expense not relating to provision of financing to customers.

2.2 **Categorization of net interest income:** The company previously presented non-interest revenue as a single line item on the income statement. Given recent changes in the group's structure this has resulted in the company disaggregating the non-interest revenue line into various line items.

	2022 Rm	2021 Rm
10 Net finance income		
Finance income is earned from:		
Cash and cash equivalents	**5**	8
Group loans	**97**	44
Total finance income	**102**	52
Finance charges are paid on:		
Bank overdrafts	**(69)**	(22)
Senior debt	**(32)**	(8)
Total finance charges	**(101)**	(30)
Finance income	**102**	52
Finance charges	**(101)**	(30)
Net finance income	**1**	22
11 Revenue		
Revenue comprises:		
Preference shares dividends received	**14**	9
Dividends received – subsidiaries	**550**	285
Management fees	**17**	–
Fair value gain on financial liabilities	**–**	22
Total revenue	**581**	316
12 Operating costs		
Operating costs comprise:		
Audit fees	**(2)**	(2)
Consulting fees	**(2)**	(1)
Intergroup management fees*	**(16)**	(11)
Non-executive directors' fees	**(10)**	(9)
Professional fees – legal	**(1)**	(2)
Impairment of investment	**–**	(6)
Other operating costs	**–**	(1)
Total operating costs	**(31)**	**(32)**

** Management fees paid to group companies are based on certain costs and services incurred by subsidiary companies on behalf of the company.*

13 Income tax expense

	2022 Rm	2021 Rm
South African normal taxation:		
Current taxation	**3**	(8)
Current year	**–**	(8)
Prior years	**3**	–
Deferred taxation	**(3)**	–
Current year	**(3)**	–
Total income tax expense	**–**	(8)
Tax rate reconciliation		
South African tax rate	**28.0%**	28.0%
Tax effects of:		
Income not subject to tax*	**(29.0)%**	(28.0)%
Expenses not deductible for tax purposes**	**0.2%**	3.0%
Prior year taxes	**0.5%**	–
Capital gains	**0.3%**	–
Effective tax rate	**0.0%**	3.0%

* *Income not subject to tax consists of dividends received & fair valuation of financial liabilities.*

** *Expenses not deductible for tax purposes consists of funding costs, expenses not incurred in the production of taxable income, interest and penalties.*

		2022 Rm	2021 Rm
14	**Cash generated by operations**		
	Profit before taxation from continuing operations:	**551**	306
	Adjusted for:		
	Fair value adjustment of financial liabilities	**–**	(22)
	Interest received	**(102)**	(52)
	Interest paid	**101**	30
	Impairment of loans	**(7)**	–
	Impairment of investment	**–**	6
	Other non-cash flow movements	**(1)**	1
	Dividends received	**(564)**	(285)
	Cash generated by operations	**(22)**	(16)
15	**Income taxes paid**		
	Amounts receivable at the beginning of the year	**3**	3
	Charged in statement of comprehensive income	**<1**	(8)
	Deferred taxation charge in the income statement	**(3)**	–
	Amounts receivable at the end of the year	**(2)**	(3)
	Income taxes paid	**(1)**	(8)
16	**Dividends Paid**		
	Dividends paid to ordinary equity holders of the parent	**(476)**	(129)
	Total dividends paid	**(476)**	(129)

A final dividend of 37 cents per share was declared on 15 November 2022 for payment on 5 December 2022 relating to the 2022 financial year.

		2022 Rm	2021 Rm
17	**Related parties**		
17.1	Subsidiaries		
	Details of share ownership and loan balance are disclosed in note 18, dividends paid in note 16. and dividends received in note 11.		
	The loans bear interest at rates agreed from time to time and are repayable on demand.		
	Loans from subsidiary		
	Transcapital Investment Limited*	**456**	–
	The following income was received from subsidiaries:		
	Interest		
	SA Taxi Holdings	**66**	–
	TC Treasury Proprietary Limited	**30**	44
	Transcapital Investment Limited	**(23)**	–
	Fees		
	TC Corporate Support Proprietary Limited	**14**	9
	The following fees were paid to subsidiaries:		
	TC Corporate Support Proprietary Limited	**(16)**	(11)

* *Transcapital Investment Limited has issued debenture notes in the current financial year. These notes sponsored by Rand Merchant bank have been guaranteed by Transaction Capital Limited. The debentures were issued to Transaction Capital Limited by Transcapital Investment Limited which has been disclosed within this note. The terms of the debentures are 3 month JIBAR plus rate over 3 and 5 years respectively.*

18 Subsidiaries and associates

	Nature of business and status	Effective percentage held**		Investment at cost		Net loans at carrying value	
		2022 %	2021 %	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm
Transaction Capital Limited	H/T						
SA Taxi							
SA Taxi Holdings Proprietary Limited	*/H/T	**74.5**	74.5	**856**	848	**1 449**	–
Taximart Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Gobid Proprietary Limited[1]	T	**40**	–	**–**	–	**–**	–
Black Elite Benefits Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Taxi Wifi Proprietary Limited	D	**40**	40	**–**	–	**–**	–
SA Taxi Securitisation (RF) Proprietary Limited	#/T	**100**	100	**–**	–	**–**	–
SA Taxi Finance Solutions (RF) Proprietary Limited	#/T	**100**	100	**–**	–	**–**	–
SA Taxi Development Finance Proprietary Limited	T	**100**	100	**–**	–	**–**	–
SA Taxi Protect Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Bompas Collections Proprietary Limited	D	**100**	100	**–**	–	**–**	–
SA Taxi Finance Insurance Brokers Proprietary Limited	D	**100**	100	**–**	–	**–**	–
SA Forklifts Proprietary Limited	D	**100**	100	**–**	–	**–**	–
Potpale Investments (RF) Proprietary Limited	#/T	**100**	100	**–**	–	**–**	–
SA Taxi Impact Fund (RF) Proprietary Limited	#/T	**100**	100	**–**	–	**–**	–
SA Taxi Rewards Proprietary Limited	#/T	**100**	100	**–**	–	**–**	–
Transsec 2 (RF) Proprietary Limited	#/T	**100**	100	**–**	–	**–**	–
Transsec 3 (RF) Limited	#/T	**100**	100	**–**	–	**–**	–
Transsec 4 (RF) Limited	#/T	**100**	100	**–**	–	**–**	–
Keywood 2 (RF) Proprietary Limited	#/T	**100**	100	**–**	–	**–**	–
Zebra Cabs Proprietary Limited	^	**100**	100	**–**	–	**–**	–
Transflow (RF) Proprietary Limited	#/T	**100**	100	**–**	–	**–**	–
Transsec 5 (RF) Proprietary Limited	T	**100**	100	**–**	–	**–**	–
SA Taxi Rentals Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Keywood (RF) Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Nutun							
Nutun Holdings Proprietary Limited[2]	*/H	**100**	100	**1 275**	1 023	**13**	7
Nutun Proprietary Limited[3]	H	**100**	100	**–**	–	**–**	–
Nutun Corporate Ventures Proprietary Limited[4]	T	**100**	–	**–**	–	**–**	–
Synergy Contact Centre Proprietary Limited[5]	T	**65**	–	**–**	–	**–**	–
Nutun Business Services South Africa Proprietary Limited	T	**83**	83	**–**	–	**–**	–
Nutun Transact Proprietary Limited (Namibia)[6]	T	**100**	–	**–**	–	**–**	–
Nutun Transact Proprietary Limited[7]	T	**100**	100	**–**	–	**–**	–
Net1 Fihrst Holdings Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Transact Technologies Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Accsys Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Transaction Capital Business Solutions Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Dubrovnik Properties Proprietary Limited:	D	**100**	100	**–**	–	**–**	–
Rand Trust Securitisation Proprietary Limited	D/^	**–**	100	**–**	–	**–**	–
MBD Legal Collections Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Levitic Investments Proprietary Limited	T	**–**	100	**–**	–	**–**	–
Origin Eight Financial Services Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Nutun Business Services Proprietary Limited (Botswana)[8]	T	**100**	100	**–**	–	**–**	–

18 Subsidiaries and associates continued

	Nature of business and status	Effective percentage held** 2022 %	2021 %	Investment at cost 2022 Rm	2021 Rm	Net loans at carrying value 2022 Rm	2021 Rm
Transaction Capital Limited	H/T						
Nutun							
Exovic Investments Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Collection and Financial Services Proprietary Limited	D	**100**	100	**–**	–	**–**	–
Generow Investments Proprietary Limited	H	**100**	100	**–**	–	**–**	–
Nutun Credit Health Proprietary Limited[9]	T	**100**	100	**–**	–	**–**	–
Nutun International Proprietary Limited[10]	H/T	**100**	100	**–**	–	**–**	–
Nutun Wellness Proprietary Limited[11]	T	**100**	100	**–**	–	**–**	–
Nutun Cover Proprietary Limited[12]	T	**100**	–	**–**	–	**–**	–
Tyco Holdings Limited (Malta)	H	**100**	100	**–**	–	**–**	–
Tyco Investments Limited (Malta)	T	**100**	100	**–**	–	**–**	–
Synergy Outsourcing Limited (UK)[13]	T	**65**	–	**–**	–	**–**	–
Transaction Capital Risk Services Mauritius	H	**100**	100	**–**	–	**–**	–
Transaction Capital Risk Services Australia Holdings Proprietary Limited	H	**100**	100	**–**	–	**–**	–
Transaction Capital Australia Services Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Revive Financial Group Proprietary Limited (Australia)	T	**25**	25	**–**	–	**–**	–
Recoveries Corporation Holdings Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Transaction Capital Finance Australia Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Zurich Capital & Finance Proprietary Limited[14]	T	**100**	–	**–**	–	**–**	–
Mason Black Lawyers Proprietary Limited (Australia)	T	**100**	100	**–**	–	**–**	–
RCL Law Proprietary Limited (Australia)	T	**100**	100	**–**	–	**–**	–
Recoveries Corporation Proprietary Limited (Australia)	T	**100**	100	**–**	–	**–**	–
RCL Services PTE Limited (Fiji)	T	**100**	100	**–**	–	**–**	–
Advanced Collections Systems Proprietary Limited (Australia)	T	**100**	100	**–**	–	**–**	–
Prushka Fast Debt Recovery Pty Ltd[15]	T	**100**	–	**–**	–	**–**	–
Recoveries Corporation New Zealand Limited[16]	T	**100**	–	**–**	–	**–**	–
Transaction Capital Risk Services Australia Holdings Proprietary Limited (Australia)	H	**100**	100	**–**	–	**–**	–
TC Global Finance Limited (Guernsey)	T	**50**	50	**–**	–	**–**	–
TC Global Finance UK Limited	T	**100**	100	**–**	–	**–**	–
Arnika Universal Limited (Guersney)	T	**100**	100	**–**	–	**–**	–
TC Global Finance JV Holdings Limited (Guernsey)	T	**100**	100	**–**	–	**–**	–
TC Global Finance Originations Limited (Guernsey)	T	**100**	100	**–**	–	**–**	–
TC Global Finance Equities Limited (Guernsey)	T	**100**	100	**–**	–	**–**	–
Nutun Management Services Proprietary Limited[17]	T	**100**	–	**–**	–	**–**	–

18 Subsidiaries and associates continued

	Nature of business and status	Effective percentage held** 2022 %	2021 %	Investment at cost 2022 Rm	2021 Rm	Net loans at carrying value 2022 Rm	2021 Rm
Transaction Capital Motor HoldCo							
Transaction Capital Motor HoldCo Proprietary Limited	*/T	**99**	99	**3 075**	2 356	**6**	96
Gomo Vehicle Solutions Holdings Proprietary Limited[18]	T	**100**	–	**–**	–	**34**	–
Gomo Vehicle Solutions Proprietary Limited[19]	T	**100**	–	**–**	–	**–**	–
Gomo Vehicle Telematics Solutions Proprietary Limited[20]	T	**100**	–	**–**	–	**–**	–
Gomo Collections Proprietary Limited[21]	T	**100**	–	**–**	–	**–**	–
WBC Holdings Proprietary Limited	*/H	**74.9**	74.9	**10**	–	**–**	–
We Buy Cars (Namibia) Proprietary Limited[22]	T	**100**	–	**–**	–	**–**	–
We Buy Cars AME Holdings DMCC[23]	T	**95**	–	**–**	–	**–**	–
We Buy Cars Morocco[24]	T	**100**	–	**–**	–	**–**	–
We Buy Cars Proprietary Limited	T	**100**	100	**–**	–	**–**	–
WBC Investments Proprietary Limited	T	**100**	100	**–**	–	**–**	–
WBC Properties Proprietary Limited	T	**100**	100	**–**	–	**–**	–
Agile Bridge Proprietary Limited[25]	T	**20**	–	**–**	–	**–**	–
Group Executive Office							
TC Corporate Support Proprietary Limited	*/T	**100**	100	**24**	20	**–**	–
TC Treasury Proprietary Limited	*/T	**100**	100	**<1**	<1	**525**	1 136
Bayport Financial Services Proprietary Limited[26]	^/*/D	**–**	100	**–**	–	**–**	–
TC Executive Holdings Proprietary Limited[27]	^/*/D	**–**	100	**–**	<1	**–**	–
Transaction Capital Business Partners Proprietary Limited[28]	^/*/D	**–**	100	**–**	<1	**–**	–
Transcapital Investments Limited	*/T	**100**	100	**<1**	<1	**(451)**	5
Red Sky Finance Proprietary Limited[29]	*/D	**100**	100	**<1**	<1	**–**	–
Ellehove Investments Proprietary Limited[30]	D	**100**	100	**–**	–	**–**	(7)
RC VAS Holdings Proprietary Limited	*/H	**100**	100	**160**	160	**–**	–
RC Value Added Services Proprietary Limited	T	**81**	–	**–**	–	**–**	–
RC VAS Direct Proprietary Limited	T	**100**	100	**–**	–	**–**	–
TC Corporate Ventures Proprietary Limited	*/T	**100**	100	**–**	–	**–**	–
TC Corporate Ventures GP Proprietary Limited	*/H	**100**	100	**–**	–	**–**	–
Zephyr Finance Proprietary Limited[31]	T	**100**	–	**–**	–	**13**	–
Total				**5 400**	4 407	**1 589**	1 237

Notes to the company financial statements continued
for the year ended 30 September 2022

* *Directly held.*
\# *Consolidated special purpose entity.*
H *Holding company.*
T *Trading company.*
D *Dormant company.*
^ *Deregistered/in the process of being registered.*

1. *Taximart Proprietary Limited has a 40% shareholding Gobid Proprietary Limited.*
2. *Transaction Capital Risk Services Holdings Proprietary Limited changed its name to Nutun Holdings Proprietary Limited with effect from 17 June 2022.*
3. *Transaction Capital Risk Services Proprietary Limited changed its name to Nutun Proprietary Limited with effect from 10 September 2022.*
4. *Nutun Corporate Ventures Proprietary Limited was incorporated on 16 March 2022.*
5. *Synergy Contact Centre Proprietary Limited was acquired by Nutun Corporate Ventures Proprietary Limited with effect from 5 May 2022.*
6. *Transaction Capital Solutions Proprietary Limited (Namibia) changed it name to Nutun Transact Proprietary Limited (Namibia) with effect from 30 June 2022.*
7. *Transaction Capital Transactional Services Proprietary Limited changed it name to Nutun Transact Proprietary Limited with effect from 10 June 2022.*
8. *Transaction Capital Recoveries Proprietary Limited (Botswana) changed its name to Nutun Business Services Proprietary Limited (Botswana) with effect from 13 September 2022.*
9. *Transaction Capital Credit Health Proprietary Limited changed its name to Nutun Credit Health Proprietary Limited with effect from 1 September 2022.*
10. *Transaction Capital Risk Services International Proprietary Limited changed its name to Nutun International Proprietary Limited with effect from 18 August 2022 .*
11. *TC Debtor Wellness Proprietary Limited changed its name to Nutun Wellness Proprietary Limited with effect from 14 July 2022.*
12. *Nutun Cover Proprietary Limited was incorporated on 16 March 2022.*
13. *Synergy Outsourcing Limited (UK) was acquired by Tyco Holdings Limited with effect from 5 May 2022.*
14. *Zurich Capital & Finance Proprietary Limited was incorporated on 12 October 2021.*
15. *Prushka Fast Debt Recovery Proprietary Limited was incorporated on 12 October 2021.*
16. *Recoveries Corporation New Zealand Limited was incorporated on 18 July 2022.*
17. *Nutun Management Services Proprietary Limited was incorporated on 3 May 2022.*
18. *Gomo Vehicle Solutions Holdings Proprietary Limited was incorporated on 28 October 2021.*
19. *Gomo Vehicle Solutions Proprietary Limited was incorporated on 2 December 2021.*
20. *Gomo Vehicle Telematics Solutions Proprietary Limited was incorporated on 19 January 2022.*
21. *Gomo Collections Proprietary Limited was incorporated on 8 March 2022.*
22. *We Buy Cars (Namibia) Proprietary Limited was incorporated on 6 May 2022.*
23. *We Buy Cars AME Holdings DMCC was incorporated on 19 May 2022.*
24. *We Buy Cars Morocco was incorporated in June 2022*
25. *We Buy Cars Proprietary Limited has a 20% shareholding in Agile Bridge Proprietary Limited with effect from 1 June 2022.*
26. *Bayport Financial Services Proprietary Limited was deregistered with effect from the 22 June 2022.*
27. *TC Executive Holdings Proprietary Limited was deregistered with effect from 20 June 2022.*
28. *Transaction Capital Business Partners Proprietary Limited was deregistered with effect from 14 June 2022.*
29. *An application to deregister Red Sky Finance Proprietary Limited was submitted to the Companies and Intellectual Property Commission (CIPC) in April 2022*
30. *An application to deregister Ellehove Investments Proprietary Limited was submitted to the Companies and Intellectual Property Commission (CIPC) in April 2022.*
31. *Zephyr Finance Proprietary Limited was incorporated in 18 May 2022.*

Amounts less than R500 000 are reflected as a "<1".
** *Effective percentage held by immediate parent.*

Group loans have been ceded to the guarantor of the Senior Debt.

19 Financial risk management

The board is responsible for risk management and the setting of the risk management framework. Oversight of risk management is the responsibility of two board sub-committees; the asset and liability committee (ALCO) and the audit committee. ALCO monitors risks associated with liquidity and funding, interest rates, counterparties, currency exposures and capital adequacy. The audit committee monitors risks associated with financial reporting, accounting policies, internal control and IT governance. The audit committee is responsible for risk management including setting the risk management framework, setting risk appetite and monitoring the group's management of risk including credit and compliance.

19.1 Credit risk

19.1.1 Financial assets subject to risk

	Group loans* Rm	Trade and other receivables** Rm	Total Rm
2022			
Neither past due nor impaired	**2 045**	**–**	**2 045**
Carrying value of financial assets	**2 045**	**–**	**2 045**
2021			
Neither past due nor impaired	1 244	–	1 244
Carrying value of financial assets	1 244	–	1 244

* *Group loans are all considered to be high quality and on demand.*

** *Prepayments and VAT receivables are not financial assets and therefore have been excluded from trade and other receivables.*

19.2 Interest rate risk

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

The group is exposed to interest rate risk associated with the effects of fluctuations in the prevailing levels of market rates on future cash flows of a financial instrument and the fair value of the financial instrument based on changes in market interest rates.

19.2.1 Risk profile of financial assets and liabilities

The table below summarises the net exposure of the group to interest rate risk through grouping assets and liabilities that are affected by floating rates.

	Floating rate liabilities Rm	Floating rate assets Rm	Net floating rate assets Rm
2022	**1 673**	**3 323**	**1 650**
Total	**1 673**	**3 323**	**1 650**
2021	1 181	2 028	847
Total	1 181	2 028	847

19.2.2 Weighted average interest rates

The table below summarises the weighted interest rate of bank balances and borrowings.

	2022		2021	
	Bank balances %	Borrowings %	Bank balances %	Borrowings %
Total	**1.0**	**11.4**	3.8	8.2

19 **Financial risk management** continued

19.2 Interest rate risk continued

19.2.3 **Interest rate sensitivity analysis**

The group's exposure to interest rate risks is set out below:

	Effect on profit before tax of 1% change in rates Rm	Total carrying value of assets and liabilities Rm
30 September 2022		
Assets		
Other investments	**13**	**1 261**
Cash and cash equivalents	**<1**	**41**
Group loans*	**20**	**2 021**
Total	**33**	**3 323**
Liabilities		
Interest-bearing liabilities	**11**	**1 096**
Floating rate liabilities	**11**	**1 096**
Group loans	**5**	**456**
Trade and other payables	**<1**	**23**
Bank overdrafts	**1**	**98**
Total	**17**	**1 673**
Net exposure	**16**	**1 650**
30 September 2021		
Assets		
Cash and cash equivalents	8	802
Group loans	12	1 226
Total	20	2 028
Liabilities		
Interest-bearing liabilities	3	272
Floating rate liabilities	3	272
Group loans	–	7
Trade and other payables	9	852
Bank overdrafts	–	50
Total	12	1 181
Net exposure	8	847

The company uses a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous change in market interest rates. The sensitivity analysis is prepared based on financial instruments that are recognised at the end of the reporting period. This is the case even where those exposures did not exist for the entire period or where the exposure changed materially during the period. The company is mainly exposed to fluctuations in the following market interest rates: prime and JIBAR rates. The sensitivity that is applied is the amount that could reasonably be expected to occur, and has been determined as 1% (100 basis points) up or down. The effect of a 1% change in interest rates is shown above. As the group has no control over rate movements, it cannot predict the effect of future rate movements, if any.

* *Interest free loans have been excluded from group loans balance.*

Amounts less than R500 000 are reflected as a "<1".

19 **Financial risk management** continued

19.3 Liquidity risk management

Liquidity risk is the risk that the group is unable to meet payment obligations when they fall due or that insufficient funds are available to meet loan demands in the ordinary course of business. The group's objectives in relation to liquidity risk are to manage the contractual mismatch between cash inflows from assets and cash outflows to settle liabilities, to fund the expected balance sheet growth, to honour all cash outflow commitments, to avoid raising funds at market premiums or through the forced sale of assets as a result of liquidity pressure and to take advantage of attractive but unanticipated borrowing opportunities.

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

The group's capital markets (CM) team is responsible for executing on fund raising mandates given to it by subsidiaries in support of the respective business models. This includes the ongoing assessment and evaluation of various funding sources designed to grow and diversify the group's funding base to achieve an optimal funding profile and sound liquidity. The CM team is also responsible for the ongoing monitoring of asset portfolio performance and its obligations to funders, including covenants.

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

	On demand Rm	Within 1 year Rm	From 1 – 5 years Rm	More than 5 years Rm	Total Rm
2022					
Liabilities					
Bank overdrafts	**98**	**–**	**–**	**–**	**98**
Trade and other payables	**23**	**–**	**–**	**–**	**23**
Group loans	**–**	**–**	**617**	**–**	**617**
Interest-bearing liabilities	**–**	**–**	**1 110**	**–**	**1 110**
Financial liabilities	**121**	**–**	**1 727**	**–**	**1 848**
Total liabilities	**121**	**–**	**1 727**	**–**	**1 848**
2021					
Liabilities					
Bank overdrafts	50	–	–	–	–
Trade and other payables	852	–	–	–	852
Group loans	7	–	–	–	7
Interest-bearing liabilities	–	–	272	–	272
Financial liabilities	909	–	272	–	1 181
Total liabilities	909	–	272	–	1 181

	2022 Rm	2021 Rm
Unsecured bank overdraft facility, reviewed annually and payable on demand:		
Amount used	**98**	50
Amount unused	**2**	50
Total	**100**	100
Senior Debt		
Amount used*	**1 110**	290
Amount unused	**–**	820
Total	**1 110**	1 110

* *The amount used is gross of commitment fees on these facilities.*

19 **Financial risk management** continued

19.4 Fair value disclosure

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or a reasonable approximation of the fair value.

	Carrying value 2022 Rm	Total fair value 2022 Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Carrying value 2021 Rm	Total fair value 2021 Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Liabilities										
Interest-bearing liabilities	**1 096**	**1 096**	**–**	**–**	**1 096**	272	272	–	–	272
Floating rate liabilities	**1 096**	**1 096**	**–**	**–**	**1 096**	272	272	–	–	272
Total	**1 096**	**1 096**	**–**	**–**	**1 096**	272	272	–	–	272

Valuation methods and assumptions:

The fair value of interest-bearing liabilities is calculated based on future cash flows, discounted using a forward rate curve plus a valuation margin. The valuation margin is a consensus margin at which deals with similar remaining cash profiles could be secured in the market at the valuation date.

The carrying value of trade and other receivables, cash and cash equivalents, trade and other payables and bank overdrafts and group loans asset and liabilities approximates fair value as they are short-term in nature and not subject to material changes in credit risk and fair value.

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2022				
Financial assets at fair value through profit and loss				
Other investments	**1 261**	**–**	**–**	**1 261**
Total financial assets	**1 261**	**–**	**–**	**1 261**

Other investments only arose in the current financial year thus there are no prior year movements to be disclosed.

19 Financial risk management continued

19.5 Statement of financial position categories

	At fair through profit and loss* Rm	At fair value through other compre-hensive income Rm	Financial assets carried at amortised cost Rm	Financial liabilities carried at amortised cost Rm	Non-financial liabilities or non-financial assets Rm	Equity Rm	Total Rm
2022							
Assets							
Cash and cash equivalents	–	–	41	–	–	–	41
Other Investments	1 261	–	–	–	–	–	1 261
Tax receivables	–	–	–	–	2	–	2
Trade and other receivables	–	–	–	–	2	–	2
Investment in subsidiaries	–	–	–	–	5 400	–	5 400
Deferred tax assets	–	–	–	–	3	–	3
Group loans	–	–	2 045	–	–	–	2 045
Total assets	1 261	–	2 086	–	5 407	–	8 754
Equity and liabilities							
Liabilities							
Group loans	–	–	–	456	–	–	456
Other short-term borrowings	–	–	–	98	–	–	98
Trade and other payables	–	–	–	23	–	–	23
Interest-bearing liabilities	–	–	–	1 096	–	–	1 096
Total liabilities	–	–	–	1 673	–	–	1 673
Equity							
Ordinary share capital	–	–	–	–	–	5 192	5 192
Other reserves	–	–	–	–	–	160	160
Retained earnings	–	–	–	–	–	1 729	1 729
Equity attributable to ordinary equity holders of the parent	–	–	–	–	–	7 081	7 081
Total equity	–	–	–	–	–	7 081	7 081
Total equity and liabilities	–	–	–	1 673	–	7 081	8 754

19 Financial risk management continued

19.5 Statement of financial position categories continued

	At fair value through profit and loss* Rm	At fair value through other compre-hensive income Rm	Financial assets carried at amortised cost Rm	Financial liabilities carried at amortised cost Rm	Non-financial liabilities or financial assets Rm	Equity Rm	Total Rm
2021							
Assets							
Cash and cash equivalents	–	–	802	–	–	–	802
Tax receivables	–	–	–	–	3	–	3
Trade and other receivables	–	–	–	–	2	–	2
Investment in subsidiaries	–	–	–	–	4 407	–	4 407
Group loans	–	–	1 244	–	–	–	1 244
Total assets	–	–	2 046	–	4 412	–	6 458
Equity and liabilities							
Liabilities							
Bank overdrafts	–	–	–	50	–	–	50
Trade and other payables	–	–	–	852	–	–	852
Interest-bearing liabilities	–	–	–	272	–	–	272
Group loans	–	–	–	7	–	–	7
Total liabilities	–	–	–	1 181	–	–	1 181
Equity							
Ordinary share capital	–	–	–	–	–	3 477	3 477
Other reserves	–	–	–	–	–	146	146
Retained earnings	–	–	–	–	–	1 654	1 654
Equity attributable to ordinary equity holders of the parent	–	–	–	–	–	5 277	5 277
Total equity	–	–	–	–	–	5 277	5 277
Total equity and liabilities	–	–	–	1 181	–	5 277	6 458

20 Going concern

The annual financial statements were prepared on a going concern basis. Based on their assessment, the directors have no reason to believe that the company will not continue as a going concern in the foreseeable future. This assessment included an assessment of the relevance of its business models, the nature of the primary assets, the cash-flows generated from these assets as well as the company's balance sheet.

21 Subsequent events

Transaction Capital, through its wholly-owned subsidiary Recoveries Corporation Holdings (Pty) Ltd ("RHC") acquired the receivable collections business of Milton Graham ("MG") from Illion with effect from 2nd November 2022. MG is a leading collection services platform with complimentary operations in both Australia and New Zealand. Provisional accounting for the business acquisition had not been concluded prior to the issue of these consolidated financial statements.

No other events which would have a material impact on either the financial position or operating results of the company have taken place between the 30th of September 2022 and the date of the release of this report.

Transaction Capital

Administration

Registration number

2002/031730/06
(Incorporated in the Republic of South Africa)
("Transaction Capital" or "the group")

JSE share code: TCP
ISIN code: ZAE000167391
Tax reference number: 9466/298/15/6

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Roberto Rossi,
Suresh Kana (Lead independent director)*,
Buhle Hanise*,
Albertinah Kekana*,
Ian Kirk*,
Kuben Pillay*,
Diane Radley*,
Sharon Wapnick* (*Independent non-executive)

Company secretary

Lisa Lill

Auditors

Deloitte & Touche

JSE sponsor and equity markets broker

Investec Bank Limited

JSE Debt sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)

Transfer secretaries

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