FINANCIAL STATEMENTS

Transaction Capital

FOR THE YEAR ENDED 30 SEPTEMBER

2013

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DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 30 September 2013

The directors of Transaction Capital are responsible for the preparation and fair presentation of the annual financial statements of the group and the company in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listing Requirements, the going concern principle and the requirements of the Companies Act, 71 of 2008, of South Africa (Companies Act).

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

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

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

APPROVAL OF GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

The annual financial statements on pages 11 to 83 were approved by the board of directors on 26 November 2013, and are signed on their behalf.

MARK J LAMBERTI
Chief executive officer

DAVID M HURWITZ
Chief financial officer

COMPANY SECRETARY'S CERTIFICATE

for the year ended 30 September 2013

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

PETER KATZENELLENBOGEN
Company secretary

26 November 2013

These financial statements have been prepared under the supervision of DM Hurwitz, chief financial officer.

DIRECTORS' REPORT

for the year ended 30 September 2013

NATURE OF BUSINESS

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

The company's issued ordinary shares are listed on the JSE Limited. Full details are included in the chief executive officer's report commencing on page 44 of the integrated annual report.

The group operates in two principal areas, lending and services. The nature of the business of the main operating subsidiaries and a review of each is set out in the group profile commencing on page 18 of the integrated annual report. There were no acquisitions in the year under review.

On 7 August 2013 the company announced that it had sold its investment in Paycorp Holdings Proprietary Limited (Paycorp) for a net consideration of R937 million. All conditions were fulfilled on 31 October 2013 and the company received payment in full on 1 November 2013. The proceeds were placed on deposit pending a decision on the application of the funds.

On 23 October 2013 the company announced that it had entered into agreements the effect of which would be the disposals of its investment in Bayport Financial Services 2010 Proprietary Limited (Bayport) and Zenthyme Investments Proprietary Limited for a net consideration of R1 330 million. In addition, loans totalling R215 million made by two subsidiaries of the company to Bayport, are repayable two years after the effective date.

FINANCIAL RESULTS AND INTEGRATED ANNUAL REPORT

The results of the company and the group are set out in the annual financial statements. The results of each division are discussed in the segment review section commencing on page 60 of the integrated annual report. A copy of the integrated annual report can be obtained from the registered office of the company and can be downloaded from the company website (www.transactioncapital.co.za).

DIRECTORATE AND COMPANY SECRETARY

The names and a brief curriculum vitae of the directors and company secretary in office at the date of this report are set out in the directorate section of the integrated annual report on page 34.

Brenda Madumise resigned with effect from 28 April 2013.

INTEREST OF DIRECTORS IN THE COMPANY'S SHARES

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

	2013		2012	
	Number of shares '000	% Shareholding	Number of shares '000	% Shareholding
Executive directors				
Non-beneficial holdings				
DM Hurwitz	**6 605**	**1**	6 605	1
TN Jacobs#	**–**	**–**	–	–
JM Jawno	**82 207**	**14**	82 207	14
S Kark	**29 182**	**5**	29 182	5
MJ Lamberti	**40 000**	**7**	40 000	7
MP Mendelowitz	**82 207**	**14**	82 207	14
R Rossi	**82 207**	**14**	82 207	14
Non-executive directors				
Non-beneficial holdings				
D Konar#	**–**	**–**	–	–
P Langeni	**88**	**<1**	103	<1
B Madumise@	**–**	**–**	–	–
K Ntumba	**–**	**–**	–	–
C Seabrooke	**1 200**	**<1**	1 200	<1
R Shuter#	**–**	**–**	–	–
D Tabata	**–**	**–**	–	–
S Zagnoev*	**52 443**	**9**	52 443	9
Beneficial holdings				
DF Woollam	**1 150**	**<1**	1 000	<1
	377 289		377 154	
Percentage of issued shares	**64.8%**		64.5%	

 # Resigned during 2012.
@ Resigned during the year.
** The fees for Mr Zagnoev are paid directly to Ethos Technology Fund I and Ethos Private Equity Fund V comprising various private equity investors who are represented by Mr Zagnoev.*

DIRECTORS' REPORT continued

There have been no changes in the above holdings between the end of the financial year and the date of issue of the annual report.

DIVIDENDS

A final dividend of 12 cents (2012: 9 cents) per share for the year ended 30 September 2013 has been declared payable on or about 23 December 2013 to shareholders registered at 20 December 2013 (2012: 21 December 2012).

An interim dividend of 9 cents (2012: Nil) per share was paid on 10 June 2013 to shareholders registered on 31 May 2013.

SHARE CAPITAL AND PREMIUM

The following changes took place during the year under review:

	2013		2012	
	Number of shares '000	R'000	Number of shares '000	R'000
Beginning of year	**584 304**	**1 791 753**	471 176	908 289
Issues for cash				
Futuregrowth Asset Management Proprietary Limited	–	–	42 944	340 000
Ethos Capital V GP (Jersey) Limited	–	–	12 048	95 180
Issued in terms of IPO on listing	–	–	50 000	400 000
Directors and associates	–	–	1 103	9 120
Other	–	–	27	200
Conversion of loans on listing	–	–	4 861	38 889
Issued to employees under the Transaction Capital General Share Scheme	–	–	3 708	29 527
Repurchased and cancelled in terms of the Transaction Capital General Share Scheme*	**(1 723)**	**(12 258)**	(1 563)	(11 573)
Share issue expenses	–	–	–	(17 879)
	582 581	**1 779 495**	584 304	1 791 753

* *The average price per share of shares repurchased is R7.11.*

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 16 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 17 of the company financial statements.

SUBSEQUENT EVENTS

The sale of Paycorp became effective on 1 November 2013. Refer to note 24 in the consolidated financial statements.

The group announced on 23 October 2013, its intention to dispose of its interest in Bayport subject to the following remaining material conditions precedent: approval from the competition commission; and approval from the shareholders of Transaction Capital.

No other events which would have a material impact on either the financial position or operating results of the group have taken place between 30 September 2013 and the date of the release of this report.

DIRECTORS' REPORT continued

EMPLOYEE INCENTIVE SCHEMES

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

TRANSACTION CAPITAL GENERAL SHARE SCHEME

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

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

	Number of shares '000	R'000
Balances at 30 September 2011	**17 583**	**124 488**
Offers accepted at 729 to 827 cents per share	3 708	29 527
Payments made	–	(10 055)
Interest charged	–	7 633
Withdrawals and sales	(1 563)	(11 573)
Balances at 30 September 2012	**19 728**	**140 020**
Payments made including dividends	–	(3 319)
Interest charged	–	7 109
Withdrawals	(3 678)	(24 765)
Balances at 30 September 2013	**16 050**	**119 045**
Shares held by directors under the scheme at the end of the year included above:		
30 September 2013	**4 758**	**37 596**
30 September 2012	**5 753**	**38 699**
Shares held by prescribed officers under the scheme at the end of the year included above:		
30 September 2013	**1 448**	**11 789**
30 September 2012	**1 606**	**12 230**

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

DIRECTORS' REPORT continued

ASSISTED OFFERS

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

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

	Number of shares '000	R'000
Balances at 30 September 2011	**9 773**	**45 495**
Payments made	(331)	(677)
Interest charged	–	2 549
Balances at 30 September 2012	**9 442**	**47 367**
Payments made including dividends	–	(1 368)
Interest charged	–	1 288
Withdrawals	(4 256)	(22 986)
Balances at 30 September 2013	**5 186**	**24 301**
Shares held by directors under the scheme at the end of the year included above:		
30 September 2013	**2 828**	**18 043**
30 September 2012	3 578	20 161

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

TRANSACTION CAPITAL SHARE TRUST

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

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

	Number of shares '000	R'000
Balances at 30 September 2011	**14 564**	**50 196**
Payments made	(12 196)	(33 318)
Interest charged	–	2 668
Balances at 30 September 2012	**2 368**	**19 546**
Interest charged	–	8
Withdrawals and transfers	(2 368)	(19 554)
Balances at 30 September 2013	**–**	**–**

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARIES

None of the company's subsidiaries passed special resolutions relating to their capital structure, borrowing powers or objects clauses contained in their memorandum of association or any other material matter other than the increases in authorised share capital by Bayport Financial Services 2010 Proprietary Limited, Paycorp Holdings Proprietary Limited and Zenthyme Investments Proprietary Limited.

AUDIT COMMITTEE REPORT

for the year ended 30 September 2013

The legal responsibilities of the audit committee are set out in the Companies Act, 71 of 2008 Companies Act. These responsibilities, and compliance with appropriate governance and international best practice, are incorporated in the committee's charter, which is reviewed annually and approved by the board. A copy of the charter is also available on the group's website.

COMPOSITION

The committee comprises four independent non-executive directors, all of whom are financially literate, with two members forming a quorum. The chairperson was elected by the board.

The committee comprised the following members during the year and to the date of this report:

> D Woollam (chairperson)
> C Seabrooke (appointed during the year under review)
> P Langeni
> C Ntumba

Members are elected annually by the group's shareholders on recommendation from the nominations and remuneration committee. The board may remove members of the committee and must fill vacancies within 40 days. Access to training is provided on an ongoing basis to assist members in discharging their duties.

The chairperson of the board is a member of the audit committee. Permanent invitees include: chief executive officer Mark Lamberti, deputy chief executive officer Jonathan Jawno, chief financial officer (CFO) David Hurwitz, non-executive director Shaun Zagnoev, external and internal audit representatives. The group assurance executive has a functional reporting line to the committee chairperson and an operational reporting line to the CFO.

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

Representatives from internal audit attend all committee meetings and are similarly afforded the opportunity of separate meetings.

ROLE AND RESPONSIBILITIES

The key functions and responsibilities of the committee as outlined in the charter are to oversee:

The preparation of the integrated report:

> Comment on the annual financial statements, accounting practices and internal financial controls;
> Review the annual financial statements and other financial reports; and
> Ensure the integrity of the integrated report including assisting the board in approving disclosure of sustainability issues.

Combined assurance:

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

Internal audit:

> Review the independence, performance and effectiveness of the internal audit process and ensure that it has the necessary resources, budget, standing and authority to discharge its functions; and
> Ensure that the internal audit function is periodically, but at least every five years, subjected to an independent quality review to ensure that it remains effective.

Risk management:

> The committee is integral to the risk management process regardless of the existence of a separate risk and compliance committee. In particular, the committee oversees the management of:
  - Financial reporting risks;
  - Internal financial controls;
  - Fraud risks relating to financial reporting;
  - Tax risk; and
  - IT risks.

AUDIT COMMITTEE REPORT continued

External audit:

> Recommend the appointment of the external auditor;
> Nominate the external auditor for appointment by the shareholders;
> Approve the external auditor engagement terms including remuneration;
> Report on the independence of the external auditor in the annual financial statements;
> Define a policy for non-audit services provided by the external auditor and pre-approve contracts for non-audit services outside this policy; and
> Review the performance and effectiveness of the external audit process.

Reporting line – whistleblowing:

> Review the arrangements by which stakeholders may in confidence and with total anonymity raise concerns about possible improprieties;
> Ensure that arrangements are in place to independently investigate such matters and that adequate controls are implemented to prevent recurrence; and
> Consider significant findings of investigations and management's response thereto.

Governance:

> In liaison with external and internal audit, review the developments in corporate governance and surrounding best practices and consider their impact and implication for the businesses' processes and structures;
> Review the disclosure of the role of the committee as included in the integrated annual report;
> Be available at all times to advise the chairperson of the board on queries relating to the financial affairs and internal controls; and
> Receive and deal with concerns or complaints relating to accounting practices, internal control, content or auditing of the financial statements, internal financial controls and any related matters.

Accounting:

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

Requirements of the Companies Act:

> Responsibility for all subsidiary companies that do not have their own audit committees, which responsibilities include:
  – Reviewing the formalised process used for performing functions on behalf of subsidiaries; and
  – Ratifying annually the list of subsidiaries for which responsibility is assumed.

The committee reports that it has adopted appropriate formal terms of reference to discharge its responsibilities, has regulated its affairs in compliance with its charter and has discharged all of its responsibilities as contained therein.

CONCLUSIONS

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

> The internal controls of the group have been effective in all material aspects throughout the year under review;
> These controls have ensured that the group's assets have been safeguarded;
> Proper accounting records have been maintained;
> Resources have been utilised efficiently; and
> The skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and it recommends their re-appointment in 2014.

CHIEF FINANCIAL OFFICER

In terms of the JSE Limited Listings Requirements the audit committee had, at its meeting on 21 November 2013, satisfied itself as to the appropriateness of the expertise and experience of the CFO.

INTEGRATED REPORT

The committee has overseen the integrated reporting process, reviewed the integrated report and recommended the approval thereof to the board. The board has subsequently approved the integrated report.

EXTERNAL AUDIT

The committee has satisfied itself through enquiry that the auditors of the group are independent as defined by the Companies Act.

The committee, in consultation with executive management, agreed to an audit fee for the year under review. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 22 to the annual financial statements.

AUDIT COMMITTEE REPORT continued

INTERNAL AUDIT

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

ANNUAL FINANCIAL STATEMENTS

The committee has:

> Reviewed and discussed the audited annual financial statements with the external auditors, the internal auditors, the CEO and the CFO;
> Reviewed the external auditors' management letter and management's response thereto;
> Reviewed significant adjustments resulting from external audit queries and accepted any unadjusted audit differences; and
> Received and considered reports from the internal auditors.

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

DAVID F. WOOLLAM
Audit committee chairperson

26 November 2013

SOCIAL AND ETHICS COMMITTEE REPORT

for the year ended 30 September 2013

The social and ethics committee (the committee) comprised the following members during the year and to the date of this report:

> Phumzile Langeni (chairperson)
> Cedric Ntumba (appointed during the year under review)
> Mark Lamberti

Brenda Madumise resigned from the board of directors and the committee on 28 April 2013.

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

The committee was established to assist the board of directors in ensuring that Transaction Capital is and remains a good and responsible corporate citizen, and to perform the statutory functions required of a social and ethics committee in terms of the Companies Act.

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

The committee is satisfied that the group's performance for the main categories set out above is satisfactory and will continue to review, assess and report on these areas in the future.

PHUMZILE LANGENI
Social and ethics committee chairperson

26 November 2013

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRANSACTION CAPITAL LIMITED

We have audited the consolidated and separate financial statements of Transaction Capital Limited set out on pages 11 to 83, which comprise the statements of financial position as at 30 September 2013, and the income statements, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Transaction Capital Limited as at 30 September 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 September 2013, we have read the Directors' Report, the Audit Committee Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

DELOITTE & TOUCHE
Registered Auditors
Per JL Nunes
Partner

26 November 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September

	Note	2013 Rm	2012 Rm	2011 Rm
ASSETS				
Cash and cash equivalents	1	**673**	1 101	653
Tax receivables		**64**	28	64
Trade and other receivables	2	**505**	410	502
Inventories	3	**85**	203	156
Loans and advances	4	**10 232**	8 780	6 720
Purchased book debts	5	**420**	347	308
Other loans receivable	6	**280**	228	230
Other investments	7	**481**	316	167
Equity accounted investments	8	**4**	–	–
Intangible assets	9	**21**	36	40
Property and equipment	10	**96**	308	279
Goodwill	11	**594**	927	930
Deferred tax assets	12	**107**	130	131
Non-current assets classified as held for sale	13	**769**	–	–
Total assets		**14 331**	12 814	10 180
LIABILITIES				
Bank overdrafts	1	**71**	158	183
Tax payables		**2**	13	14
Trade and other payables	14	**386**	827	502
Provisions	15	**2**	3	2
Interest-bearing liabilities	16	**9 601**	8 353	7 469
Senior debt		**7 470**	6 876	5 867
Subordinated debt		**2 131**	1 477	1 602
Deferred tax liabilities	12	**194**	156	134
Liabilities directly associated with non-current assets classified as held for sale	13	**180**	–	–
Total liabilities		**10 436**	9 510	8 304
EQUITY				
Ordinary share capital	17	**1 779**	1 792	908
Other reserves		**385**	268	146
Retained earnings		**1 551**	1 112	731
Equity attributable to ordinary equity holders of the parent		**3 715**	3 172	1 785
Non-controlling interests	18	**180**	132	91
Total equity		**3 895**	3 304	1 876
Total equity and liabilities		**14 331**	12 814	10 180

CONSOLIDATED INCOME STATEMENT

for the year ended 30 September

	Note	2013 Rm	2012 Rm
Interest and other similar income	19	2 683	2 222
Interest and other similar expense	19	(948)	(874)
Net interest income	19	1 735	1 348
Impairment of loans and advances	20	(1 038)	(740)
Risk adjusted net interest income		697	608
Non-interest revenue	21	1 910	1 660
Total operating costs	22	(1 990)	(1 784)
Equity accounted income		4	–
Profit before tax		621	484
Income tax expense	23	(100)	(96)
Profit from continuing operations		521	388
Profit from discontinued operations	24	65	46
Profit for the year		586	434
Profit for the year from continuing operations attributable to:			
Ordinary equity holders of the parent		479	354
Non-controlling interests		42	34
		521	388
Profit for the year from discontinued operations attributable to:			
Ordinary equity holders of the parent		65	47
Non-controlling interests		–	(1)
		65	46
Earnings per share			
Basic (cents per share)	25	93.2	77.3
Diluted basic (cents per share)	25	93.2	77.3
Headline (cents per share)	25	93.4	78.0
Headline – continuing (cents per share)	25	82.3	69.1
Headline – discontinued (cents per share)	25	11.1	8.9
Weighted average number of shares in issue (million)	25	583.6	519.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September

	2013 Rm	2012 Rm
Profit for the year	586	434
Other comprehensive income		
Movement in cash flow hedging reserve	7	–
Fair value gains/(losses) arising during the year	10	(6)
Amount removed from other comprehensive income and recognised in the profit and loss	–	4
Deferred tax	(3)	2
Fair value gains arising on valuation of available-for-sale investment	115	149
Total comprehensive income for the year	708	583
Total comprehensive income attributable to:		
Ordinary equity holders of the parent	659	523
Non-controlling interests	49	60
	708	583

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September

	Number of ordinary shares million	Share capital and share premium Rm	Cash flow hedging reserve Rm	Available-for-sale reserve Rm	Share based payment reserve Rm	Retained earnings Rm	Ordinary equity holders of the parent Rm	Non-controlling interests Rm	Total equity Rm
Balance at 30 September 2011	471	908	(3)	149	–	731	1 785	91	1 876
Total comprehensive income	–	–	–	122	–	401	523	60	583
Profit for the year	–	–	–	–	–	401	401	33	434
Other comprehensive income	–	–	–	122	–	–	122	27	149
Dividends paid	–	–	–	–	–	–	–	(4)	(4)
Transactions with non-controlling equity holders	–	–	–	–	–	(20)	(20)	(15)	(35)
Issue of shares	115	913	–	–	–	–	913	–	913
Repurchase of shares	(2)	(11)	–	–	–	–	(11)	–	(11)
Share issue costs		(18)	–	–	–	–	(18)	–	(18)
Balance at 30 September 2012	**584**	**1 792**	**(3)**	**271**	**–**	**1 112**	**3 172**	**132**	**3 304**
Total comprehensive income	–	–	7	108	–	544	659	49	708
Profit for the year	–	–	–	–	–	544	544	42	586
Other comprehensive income	–	–	7	108	–	–	115	7	122
Recognition of share appreciation rights	–	–	–	–	2		2	–	2
Dividends paid	–	–	–	–	–	(105)	(105)	–	(105)
Transactions with non-controlling equity holders	–	–	–	–	–	–	–	(1)	(1)
Repurchase of shares	(1)	(13)	–	–	–		(13)	–	(13)
Balance at 30 September 2013	**583**	**1 779**	**4**	**379**	**2**	**1 551**	**3 715**	**180**	**3 895**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September

	Note	2013 Rm	2012 Rm
Cash flow from operating activities			
Cash generated by operations	27	1 535	1 190
Income taxes paid	28	(95)	(33)
Dividends received from discontinued operation	24	44	22
Dividends received from insurance activities		246	169
Dividends paid	29	(105)	(4)
Cash flow from operating activities before changes in operating assets and liabilities		1 625	1 344
Net increase in operating assets and liabilities		(1 331)	(2 008)
Loans and advances		(2 528)	(2 820)
Purchased book debts		(119)	(95)
Net proceeds from interest-bearing liabilities		1 316	907
(Increase)/decrease in working capital		(325)	292
Inventories		89	(43)
Trade and other receivables		(120)	89
Trade and other payables		(294)	246
Net cash utilised by operating activities		(31)	(372)
Cash flow from investing activities			
Business combinations		–	40
Acquisition of property and equipment		(57)	(48)
Acquisition of intangible assets		(8)	(12)
Disposal of property and equipment		2	2
Disposal of intangible assets		–	1
Increase in unlisted investments		(50)	–
(Increase)/decrease in other loans receivable		(52)	2
Net cash utilised by investing activities		(165)	(15)
Cash flow from financing activities			
Issue of shares for cash		–	913
Repurchase and repricing of shares		(13)	(11)
Share issue costs		–	(18)
Acquisition of non-controlling interests in subsidiaries		–	(35)
Net cash (utilised)/raised by financing activities		(13)	849
Net (decrease)/increase in cash and cash equivalents		(209)	462
Cash and cash equivalents at the beginning of the year		811	349
Net cash and cash equivalents at the end of the year		602	811
Cash flows from discontinued operations:			
Net (decrease)/increase in cash and cash equivalents	24	(63)	11
Cash and cash equivalents at the beginning of the year		132	121
Net cash and cash equivalents at the end of the year		69	132
Total net cash and cash equivalents at the end of the year		671	943

The amounts in the 2013 and 2012 statement of cash flows relating to Paycorp Holdings Proprietary Limited and its subsidiaries were reclassified from continuing to discontinued operations.

GROUP ACCOUNTING POLICIES

for the year ended 30 September 2013

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), and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements, the going concern principle and the requirements of the Companies Act.

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

The company and group 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 statement of financial position notes and in the analysis of financial assets and liabilities. The accounting policies are consistent with the previous year, except where otherwise specifically stated.

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

- property and equipment are accounted for using the cost model (accounting policy 5);
- intangible assets are accounted for using the cost model (accounting policy 7);
- regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting (accounting policy 9); 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 (accounting policy 9.6).

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

The principal accounting policies are set out below:

1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

During the year the group elected to early adopt IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IAS 27 (as revised in 2011), Separate Financial Statements, IAS 28 (as revised in 2011), Investments in Associates and Joint Ventures and IFRS 12, Disclosure of Interests in Other Entities. The group believes that adoption of these standards will improve the disclosure of the nature and risks associated with interests in other entities. The major change as a result of the early adoption is the recognition of insurance cell captives as available-for-sale assets at fair value through equity. These standards have been applied retrospectively. There is no impact on the statement of comprehensive income or the statement of cash flows.

In addition to the above early adoption, cash and cash equivalents and corresponding trade and other payables were offset in line with IFRS. This relates to cash receipts from customers and payments made on their behalf.

The following balance sheets illustrate the impact of the above-mentioned adjustments.

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2012

	2012			2011		
	As previously stated	Adjustment	Restated	As previously stated	Adjustment	Restated
Assets						
Cash and cash equivalents	1 132	(31)	1 101	696	(43)	653
Tax receivables	28	–	28	64	–	64
Trade and other receivables	410	–	410	502	–	502
Inventories	203	–	203	156	–	156
Loans and advances	8 780	–	8 780	6 720	–	6 720
Purchased book debts	347	–	347	308	–	308
Other loans receivable	228	–	228	230	–	230
Other investments	–	316	316	–	167	167
Intangible assets	36	–	36	40	–	40
Property and equipment	308	–	308	279	–	279
Goodwill	927	–	927	930	–	930
Deferred tax assets	130	–	130	131	–	131
Total assets	12 529	285	12 814	10 056	124	10 180
Liabilities						
Bank overdrafts	158	–	158	183	–	183
Tax payables	13	–	13	14	–	14
Trade and other payables	858	(31)	827	545	(43)	502
Provisions	3	–	3	2	–	2
Interest-bearing liabilities	8 353	–	8 353	7 469	–	7 469
Senior debt	6 876	–	6 876	5 867	–	5 867
Subordinated debt	1 477	–	1 477	1 602	–	1 602
Deferred tax liabilities	156	–	156	134	–	134
Total liabilities	9 541	(31)	9 510	8 347	(43)	8 304
Equity						
Ordinary share capital	1 792	–	1 792	908	–	908
Other reserves	(3)	271	268	(3)	149	146
Retained earnings	1 112	–	1 112	731	–	731
Equity attributable to ordinary equity holders of the parent	2 901	271	3 172	1 636	149	1 785
Non-controlling interests	87	45	132	73	18	91
Total equity	2 988	316	3 304	1 709	167	1 876
Total equity and liabilities	12 529	285	12 814	10 056	124	10 180

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

2. BASIS OF CONSOLIDATION

2.1 SUBSIDIARY COMPANIES AND OTHER CONTROLLED ENTITIES

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company.

Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, potential voting rights which presently are exercisable or convertible are taken into account.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intra-group transactions, balances and unrealised gains or losses are eliminated on consolidation.

2.2 SPECIAL PURPOSE ENTITIES

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

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

2.3 FUNDS MANAGEMENT

The group processes funds such as automated-teller-machine (ATM) encashments on behalf of third party merchants which it does not control and derives fee income for these services.

2.4 BUSINESS COMBINATIONS

Business combinations are accounted for in accordance with the acquisition method of accounting. Subsidiaries are consolidated from the date on which the group acquires effective control of the entity. Consolidation ceases from the date control no longer exists.

On acquisition the identifiable assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values. The cost of an acquisition is the fair value of the assets given, liabilities incurred or assumed and equity instruments issued. Any costs directly relating to the acquisition are expensed to profit and loss.

The consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised. Where a business combination is achieved in stages, previously held interests in the acquired entity are 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 that:

> deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes (IAS 12) and IAS 19 Employee Benefits (IAS 19) respectively;

> assets (or disposal groups) of the acquiree that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (ÍFRS 5) are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

2. BASIS OF CONSOLIDATION continued

The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

The non-controlling interest in the acquiree is measured at acquisition date at either 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.

3. INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

3.1 ASSOCIATES

Investments in operations, which are not subsidiaries, but over which the group has the ability to exercise significant influence, are classified as associates and initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of the results for the year of the associates is included in the consolidated statement of comprehensive income according to the equity method. In the absence of a legal or constructive obligation to make payments on behalf of an associate, losses are recognised only to the extent they reduce the carrying value to zero. Equity accounted results represents the group's proportionate share of the profits or losses of these entities.

Attributable income or losses and movements on reserves since acquisition, less dividends received, are included in the carrying value of these investments. The requirements of IAS 39: Financial Instruments: Recognition and Measurement (IAS 39) are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment by comparing its recoverable amount with its carrying amount. Any impairment loss forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of part of an associate that result in the group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are not eliminated if the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the group.

3.2 FINANCIAL STATEMENTS OF THE COMPANY

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

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

4. 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 that are expected to benefit from the synergies of the combination.

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

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

5. PROPERTY AND EQUIPMENT

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are recognised to the extent that it is probable that the future economic benefits that are associated with them will flow to the entity, and the cost can be measured reliably. If a replacement part is recognised in the carrying amount of equipment, the carrying amount of the replaced part is derecognised. Repairs and maintenance are expensed as and when incurred.

Items of property and equipment are depreciated on a component basis to their residual values, on the straight-line basis over their estimated economic lives. Depreciation commences from the date that they are available for use over the following periods:

Buildings	30 years
Automated teller machines' components	3 – 14 years
Vehicles	5 years
Office and computer equipment	2 – 6 years

The residual values and estimated useful lives of the assets are reviewed at each financial year end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if that asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

The profit or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

6. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and when management is committed to the sale which is expected to qualify for recognition as a completed sale within one year from date of classification. Non-current assets and liabilities (including disposal groups) classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

7. INTANGIBLE ASSETS

Intangible assets are initially recognised at cost if acquired separately or at fair value at the date of acquisition in a business combination. Subsequently, intangible assets are carried at cost less accumulated amortisation and impairment.

Development costs which relate to the design and testing of new improved products, systems or processes are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

Intangible assets are amortised to their residual values, on the straight line basis over the estimated economic lives over the following periods:

Computer and telephony software	2 – 3 years
Distribution channel	3 years

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

8. INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Costs include landed cost, freight and clearing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. The write down of inventory to net realisable value and the reversal thereof is recognised in profit and loss. The reversals of the write downs are limited to the cost of inventory.

9. 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.

9.1 INITIAL RECOGNITION

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

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

The group generally does not reclassify financial instruments between different categories subsequent to initial recognition.

9.2 CLASSIFICATION

Financial assets are classified into the following categories:

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

Financial liabilities are classified into the following categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost.

Financial instruments at fair value through profit or loss are held for trading or designated as at fair value through profit or loss.

A financial asset or a financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling (assets) or repurchasing (liabilities) it in the short term; or
- is a part of an identified portfolio of financial assets or financial liabilities in which there is recent evidence of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

Financial assets and financial liabilities other than those held for trading may be designated as at fair value through profit or loss upon initial recognition to the extent it produces more relevant information because it either:

> forms part of a group of financial assets and/or financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally to management on that basis; or

> eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or

> it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

9.3 FINANCIAL ASSETS

9.3.1 Financial assets at fair value through profit or loss

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

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

9.3.2 Loans and receivables

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

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

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

The majority of the group's advances are included in the loans and receivables category. Also included in the loans and receivables category are the purchased book debts.

Purchased book debts are portfolios of written-off consumer debts purchased at prices below the nominal receivable amounts.

Purchased book debts are reflected at amortised cost on a portfolio basis. Cost includes amounts payable to the vendor and other direct acquisition costs.

The effective interest rate is calculated at initial recognition of the purchased book by determining the rate that exactly discounts the estimated future cash flows to the fair value at inception. Changes in the estimated future cash flows are discounted by using the original effective interest rate and any difference between the carrying value of the purchased book debt and the recalculated value is recognised in profit or loss.

The effect of the basis of calculating the carrying value of purchased book debt is to recognise the present value of the estimated net collections at an amount not exceeding the initial cost of each portfolio.

9.3.3 Held-to-maturity investments

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

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

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

> loans and receivables;

> held-to-maturity investments; or

> financial assets at fair value through profit or loss.

Listed redeemable notes held by the group that are traded in an active market are classified as AFS financial assets and are stated at fair value at the end of each reporting period.

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

9. FINANCIAL INSTRUMENTS continued

9.3.5 Impairment

The group reviews the carrying amounts of financial assets, other than those at fair value through profit or loss, on an annual basis, to determine whether there is any indication that those financial instruments have become impaired using objective evidence. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event(s) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

> significant financial difficulty of the borrower;

> a breach of contract, such as a default or delinquency in the payment of interest or principal;

> the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

> it becomes probable that the borrower is over-indebted; or

> indication that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including;

  – adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or

  > national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers or adverse changes in industry conditions that affect the borrowers in the group).

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

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

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

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

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

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

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

9.4. FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS ISSUED BY THE GROUP

9.4.1 Classification as debt or equity

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

9.4.2 Equity instruments

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

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

The group's share incentive schemes are operated through trusts. These trusts are considered to be special purpose entities of the group and therefore consolidated.

9.4.3 Compound instruments

The component parts of compound instruments issued by the group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

9.4.4 Financial liabilities at fair value through profit or loss

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

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

9.4.5 Financial liabilities at amortised cost

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

9.5 DERIVATIVE INSTRUMENTS

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

Derivative financial instruments are initially recognised in the statement of financial position at fair value. Derivatives are subsequently 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.

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

9. FINANCIAL INSTRUMENTS continued

9.6 FAIR VALUE

Certain of the group's financial instruments are carried at fair value through profit or loss such as derivative financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties, other than in a forced or liquidation sale.

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

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

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

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

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

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

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

9.7 HEDGE ACCOUNTING

The group designates certain derivatives in respect of foreign currency risk and interest rate risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Hedge accounting is used for derivatives designated in this way, provided specific criteria are met. The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an 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.

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.

9.8 OFFSETTING

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, when there is a legally enforceable right to set off the recognised amounts and there is an intention to realise the asset and settle the liability simultaneously.

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

9.9 DERECOGNITION

Financial assets (or a portion thereof) are derecognised when the group realises the rights to the benefits specified in the contract, the rights expire or the group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in profit or loss.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it are included in the statement of comprehensive income.

10. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

11. IMPAIRMENT OF ASSETS OTHER THAN FINANCIAL INSTRUMENTS

The group reviews the carrying amounts of tangible and intangible assets at each financial year-end to determine whether there is any indication of impairment. The recoverable amount of these assets is estimated in order to determine the extent of the any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. Goodwill is assessed at each financial year-end for impairment.

Recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment losses are allocated to assets within a CGU (i.e. first to goodwill and then to the other assets on a pro rata basis).

Where an impairment loss (other than an impairment of goodwill) subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount limited to an amount which does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

12. REVENUE RECOGNITION

12.1 GENERAL POLICY

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

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

Revenue excludes non-operating income and value added taxation.

12.2 INTEREST INCOME

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

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate. The group defers any related operating costs which are directly attributable to individual transactions.

12.3 PURCHASED BOOK DEBTS

Revenue from purchased book debts comprises payments received from the debtors, including amounts in respect of interest and cost recoveries.

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

12. REVENUE RECOGNITION continued

12.4 DEBT COLLECTION ACTIVITIES

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

12.5 SALES OF GOODS

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

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

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

12.6 RENDERING OF SERVICES

Fees and commission income are recognised on a percentage of completion basis when costs can be reliably measured and receipt of the future economic benefits is probable.

12.7 ROYALTIES

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

12.8 NON-OPERATING INCOME

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

12.9 GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

13. INTEREST EXPENSE

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

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

14. TAXATION

14.1 CURRENT

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

14.2 DEFERRED TAX

Deferred tax is calculated using the liability method.

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

> the initial recognition of goodwill; or

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

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

> the company is able to control the timing of the reversal of the temporary difference; and

> it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated using taxation rates that have been enacted or substantially enacted at financial year-end. The effect on deferred tax of any changes in taxation rates is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity in which case the deferred tax is charged to equity.

Deferred tax assets are recognised to the extent that it is probable that future profits will be available against which the associated tax deductible temporary differences can be utilised.

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

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

14.3 INDIRECT TAXATION

Indirect taxation in the form of non-claimable value-added tax (VAT) on expenses is disclosed as indirect taxation in profit or loss. The non-claimable VAT on the cost of acquisition of fixed assets is amortised over the useful lives of the fixed assets and is included in depreciation in the statement of comprehensive income. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position.

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

15. LEASE ACCOUNTING

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

All other leases are classified as operating leases.

15.1 FINANCE LEASES

15.1.1 Lessors

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

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

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

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

15.2 OPERATING LEASES

15.2.1 Lessees

Lease payments under operating leases are recognised in profit or loss on a straight line basis over the expected lease term.

16. EMPLOYEE BENEFITS

16.1 MEDICAL AID OBLIGATION

Medical aid costs are recognised as an expense in the period in which the employees render services to the group. Differences between contributions payable and contributions actually paid are shown as either prepayments or accruals in the statement of financial position. There are no post-retirement benefit obligations for former employees.

16.2 RETIREMENT FUNDS

The group's contributions to defined contribution plans are recognised as an expense in the period in which the related services are rendered. There are no defined benefit plans for employees.

16.3 EMPLOYEES' LEAVE ENTITLEMENT

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the annual leave liability at the financial year-end. Unutilised sick leave does not accrue to employees.

16.4 TERMINATION BENEFITS

The group recognises termination benefits as a liability in the statement of financial position and as an expense in profit or loss when it has a present obligation relating to termination. The group has a present obligation when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan, without possibility of withdrawal or providing termination benefits as a result of an offer to encourage voluntary redundancy.

16.5 BONUSES

Management and staff bonuses are recognised as an expense in staff costs as incurred when it is probable that the economic benefits will be paid and the amount can be reliably measured.

17. SHARE-BASED TRANSACTIONS

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of the equity-settled share-based transactions are set out in note 26.

The fair value determined at the grant date of the equity settled share-based transactions is expensed on a straight line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share-based payments reserve.

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

18. OPERATING SEGMENTS

An operating segment is a component of the group:

> that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the group);
> whose operating results are regularly reviewed by the group's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance; and
> for which discrete financial information is available.

The group is managed in terms of five primary segments:

> Asset-backed lending;
> Unsecured lending;
> Credit services;
> Payment services; and
> Corporate support.

19. FOREIGN CURRENCIES

19.1 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are converted to South African Rand at the rates of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the financial year-end are translated to South African Rand at the rates ruling at that date. Gains or losses on translation are recognised in the statement of comprehensive income.

19.2 FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to South African Rand at foreign exchange rates ruling at the financial year-end. The revenues and expenses of foreign operations are translated to South African Rand at rates approximating the foreign exchange rates ruling at the date of the transactions.

Foreign exchange differences arising on translation are recognised directly in other comprehensive income.

20. DIVIDENDS PAID

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

21. DISPOSAL GROUPS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets or disposal groups are available for immediate sale.

Immediately before classification as held for sale, the measurement of assets and liabilities in relation to a disposal group is recognised based upon the appropriate IFRS standards. On initial recognition as held for sale, the non-current assets and liabilities are recognised at the lower of carrying amount and fair value less costs to sell.

Any impairment losses on initial classification to held for sale are recognised in profit or loss.

The non-current assets and disposal groups held for sale will be reclassified immediately when there is a change in intention to sell. Subsequent measurement of the asset or disposal group at that date, will be the lower of:

> its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale; and
> its recoverable amount at the date of the subsequent decision not to sell.

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

22. DISCONTINUED OPERATIONS

The group classifies a component as a discontinued operation when that component has been disposed of, or is classified as held for sale, and:

> it represents a separate major line of business or geographical area of operations;

> is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or

> is a subsidiary acquired exclusively with a view to resale.

A component of a group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes from the rest of the group.

23. MANAGEMENT ESTIMATES

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

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

23.1 ASSET LIVES AND RESIDUAL VALUES

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed at each financial year-end and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

23.2 DEFERRED TAX ASSETS

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

23.3 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

Property and equipment and intangible assets are considered for impairment if there is any reason to believe that an impairment may be necessary. Factors taken into consideration include the economic viability of the asset itself and, where it is a component of a larger economic unit, the viability of the unit.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current asset value and, if lower, the assets are impaired to the present value.

GROUP ACCOUNTING POLICIES continued

for the year ended 30 September 2013

23.4 IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

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

NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

for the year ended 30 September

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

IFRS/IFRIC and title	Details of change
IFRS 10 – *Consolidated financial statements*	Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 *Consolidation – Special Purpose Entities*.
IFRS 11 – *Joint arrangements*	Replaces IAS 31 *Interests in Joint Ventures*. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.
IFRS 12 – *Disclosure of interests in other entities*	Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
IFRS 13 – *Fair value measurement*	Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.
IAS 12 – *Income taxes*	The standard is amended to provide a presumption that the recovery of the carrying amount of an asset measured using the fair value model in IAS 40 *Investment Property* will, normally, be through sale.
IAS 19 – *Employee benefits*	Revises requirements for pensions and other post-retirement benefits, termination benefits and other changes.
IAS 27 – *Separate financial statements*	Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unchanged from IAS 27 *Consolidated and Separate Financial Statements*.
IAS 28 – *Investments in associates and joint ventures*	This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
Improvements to IFRSs (2011)	Amends five pronouncements (plus consequential amendments to various others) as a result of the IASB's 2009 – 2011 cycle of annual improvements. Key amendments include: > IFRS 1 – Permits the repeated application of IFRS 1, borrowing costs on certain qualifying assets > IAS 1 – Provides clarification of the requirements for comparative information > IAS 16 – Classification of servicing equipment > IAS 32 – Clarifies that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 *Income Taxes* > IAS 34 – Clarifies interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 *Operating Segments*

The adoption of IFRS 10, IFRS 11 and IFRS 12 has resulted in the recognition of an available-for-sale investment with any increase in the value of the investment being recognised through the available-for-sale equity reserve. Refer to the accounting policies for the details of the adjustment.

The remainder of the standards adopted have not had a material impact on the group's consolidated financial statements.

New standards issued but not yet effective

IFRS 1 – *First-time adoption of International Financial Reporting Standards*
The IFRS include amendments for government loans with a below-market rate of interest when transitioning to IFRS.

The amendment is effective for the financial year ending 30 September 2014. The amendment is not expected to have a material impact on the group's consolidated financial statements.

NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS continued

for the year ended 30 September

IFRS 7 – *Financial instruments: Disclosures*
The amendments to this IFRS include enhancing disclosures about offsetting of financial assets and financial liabilities and the deferral of the mandatory effective date of IFRS 9 – *Financial instruments.*

The amendment is effective for the financial year ending 30 September 2014. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IFRS 9 – *Financial instruments*
IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

> Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances);

> Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss;

> All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss; and

> The concept of 'embedded derivatives' does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

The standard is effective for the financial year ending 30 September 2016. The standard is not expected to have a material impact on the group's consolidated financial statements.

IAS 1 – *Presentation of financial statements*
The amendment revises the way other comprehensive income is presented by:

> preserving the amendments made to IAS 1 in 2007 to require profit or loss and other comprehensive income to be presented together or as a separate 'statement of profit or loss' and 'statement of comprehensive income' requiring entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss or not; and

> requiring the tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items, without changing the option to present items of other comprehensive income either before tax or net of tax.

The amendment is effective for the financial year ending 30 September 2014. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IAS 32 – *Financial instruments presentation*
Amends IAS 32 – *Financial Instruments:* Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

> the meaning of 'currently has a legally enforceable right of set-off';

> the application of simultaneous realisation and settlement;

> the offsetting of collateral amounts; and

> the unit of account for applying the offsetting requirements.

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

IAS 36 – *Impairment of Assets*
The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

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

NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS continued

for the year ended 30 September

IAS 39 – *Financial Instruments: Recognition and Measurement*
The amendments make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

The amendment is effective for the financial year ending 30 September 2016. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IFRIC 20 – *Stripping costs in the production phase of a surface mine*
The interpretation deals with the accounting treatment of stripping cost at mines. The interpretation is not expected to have a material impact on the group's consolidated financial statements.

IFRIC 21 – *Levies*
Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September

		2013 Rm	2012 Rm
1.	**CASH AND CASH EQUIVALENTS**		
	Bank balances	**216**	350
	Call deposits	**39**	150
	Securitisation special purpose entities*	**417**	466
	Customer clearance accounts	**1**	135
	Total cash and cash equivalents	**673**	1 101
	Bank overdrafts	**(71)**	(158)
	Net cash and cash equivalents	**602**	943
	Total overdraft facilities	**333**	391
	* *Ceded as part security for securitisation notes, debentures and loans as shown in note 16.*		
2.	**TRADE AND OTHER RECEIVABLES**		
	Prepayments	**113**	102
	Trade receivables	**144**	186
	Derivative assets (refer to note 2.1)	**60**	5
	Other	**207**	129
	Impairment provision	**(19)**	(12)
	Total trade and other receivables*	**505**	410
	The carrying value of trade and other receivables approximates fair value	**27**	18
	* *Ceded as security for bank facilities as shown in note 1.*		
	Allowance for impairment		
	Balance at the beginning of the year	**(12)**	(10)
	Impairments recognised in profit or loss	**(8)**	(4)
	Utilisation of impairments	**–**	2
	Reclassified to non-current assets held for sale	**1**	–
	Total allowance for impairment	**(19)**	(12)
	Trade and other receivables are tested for impairment by reference to the currency of the receivable as denominated in trade terms, payment history, subsequent receipts and arrangements with the debtors.		
	Trade and other receivables past due but not impaired		
	Amounts 30 days overdue	**11**	19
	Amounts 30 to 60 days overdue	**9**	15
	Amounts 60 to 90 days overdue	**3**	2
	Amounts 90 to 120 days overdue	**1**	3
	Amounts in excess of 120 days overdue	**4**	5
	Total trade and other receivables past due but not impaired	**28**	44
	Maximum exposure to credit losses of trade receivables	**125**	174
	Carrying value of trade receivables less provision	**125**	174
	Assets held as collateral	**(23)**	–
	Residual exposure	**102**	174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

		2013 Rm	2012 Rm
2.	**TRADE AND OTHER RECEIVABLES** continued		
2.1	DERIVATIVE ASSETS		
	Derivatives held for risk management		
	Cross-currency swaps	**60**	5
		60	5

Cash flow hedges of interest rate risk

The group uses interest rate swaps to hedge the interest rate risks arising from floating rate liabilities.

Cash flow hedges of foreign currency risk

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

Refer to note 32.9 for disclosure on movements in the cash flow hedging reserve.

		2013 Rm	2012 Rm
3.	**INVENTORIES**		
	Net properties in possession	**2**	2
	Properties	**3**	3
	Impairment provision for properties	**(1)**	(1)
	Net components and spares	**–**	26
	Components and spares	**–**	27
	Impairment provision for components and spares	**–**	(1)
	Net prepaid vouchers	**63**	160
	Prepaid vouchers	**64**	164
	Impairment provision for prepaid vouchers	**(1)**	(4)
	Net merchandise for sale	**20**	15
	Merchandise for sale	**20**	16
	Impairment provision for merchandise for sale	**–**	(1)
	Total inventories	**85**	203
	Inventories carried at net realisable value included above	**2**	2
	Write-down of inventories during the year*	**3**	3

* *The write-down of inventories was processed directly against the impairment provision.*

Properties are assessed for impairment by reference to independent valuations. These valuations take into account the location of the property, comparable sales values achieved within the geographical area and general market conditions.

Components and spares are assessed for impairment by considering obsolescence (technology) and the number of times the component has been reconditioned.

Merchandise for sale is assessed for impairment by considering the age, condition and net realisable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

	2013 Rm	2012 Rm
4. LOANS AND ADVANCES		
Gross loans and advances	11 697	9 758
Impairment provision	(1 630)	(1 021)
Carrying value of written off book	165	43
Loans and advances*	10 232	8 780
* *Ceded as part security for amortising securitisation notes, debentures and loans as shown in note 16.*		
Gross loans and advances by asset type		
Finance leases	5 529	4 800
Mortgage loans	55	65
Discounted invoices	339	217
Unsecured loans	5 774	4 676
Gross loans and advances	11 697	9 758
Finance leases		
Gross finance leases including unearned finance charges	7 886	6 866
Unearned finance charges	(2 357)	(2 066)
Gross finance leases	5 529	4 800
Carrying value of written off book	30	22
Impairment provision	(315)	(235)
Net finance leases	5 244	4 587
Maturity analysis of gross finance leases		
Amounts up to one year	1 920	1 734
Amounts between one and five years	3 442	2 942
Amounts in excess of five years	167	124
Total gross finance leases	5 529	4 800
Average term of leases contracted	45	44
Actual term of lease	65	63
Impairment provision		
Balance at the beginning of the year	(1 021)	(569)
Impairments recognised in the income statement	(1 076)	(760)
Utilisation of impairment provision	467	308
Total impairment provision	(1 630)	(1 021)
Related credit risk exposure and enhancements		
Maximum exposure to credit losses of loans and advances	10 232	8 780
Credit risk exposure mitigated through unguaranteed residual asset values held as collateral		
1) Vehicles	6 203	5 777
2) Properties	90	52
3) Discounted invoices	601	396
Fair value of collateral held for impaired financial assets	2 087	1 780
Fair value of collateral held for financial assets past due but not specifically impaired	1 296	1 168
Collateral attached comprises vehicles, properties and discounted invoices.		
Loans and advances past due but not specifically impaired		
Amounts up to 90 days overdue	1 193	1 191
Amounts in excess of 90 days overdue	1 179	517
Total loans and advances past due but not specifically impaired	2 372	1 708

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

		2013 Rm	2012 Rm
5.	**PURCHASED BOOK DEBTS**		
	Cost	699	580
	Accumulated amortisation	(279)	(233)
	Total purchased book debts	420	347
	Reconciliation of movements in the year		
	Balance at the beginning of the year	347	308
	Additions	119	95
	Amortisation	(46)	(56)
	Balance at the end of the year	420	347
	Fair value of purchased book debts	437	353
	Ceded as security for amortising securitisation debentures and loans in the prior year as shown to in note 16	–	347
6.	**OTHER LOANS RECEIVABLE**		
	Gross loans receivable	280	228
	Impairment provision	–	–
	Net other loans receivable	280	228
	Gross loans receivable by asset type		
	Loans to executives under the group share schemes*	143	207
	Short-term loans to employees	12	9
	Other loans receivable	125	12
	Gross other loans receivable	280	228
	Reconciliation of movements in the year		
	Balance at the beginning of the year	228	230
	Loans advanced	126	41
	Interest	10	13
	Repaid	(84)	(56)
	Total other loans receivable	280	228
	Maturity analysis		
	Within one year	93	16
	Greater than one year	187	212
		280	228

The carrying value of other loans receivable approximates fair value.

* *Interest-bearing loans to group executives are at rates ranging from 3.5% to 6.0% granted with a maximum term not exceeding 6 years.*

These loans are secured by a cession over 21 205 901 shares, valued at R148 million at 30 September 2013.

		2013 Rm	2012 Rm
7.	**OTHER INVESTMENTS**		
	Total other investments		
	At cost	50	<1
	Fair value adjustment	431	316
	Fair value	481	316
	Hollard Business Associates (Proprietary) Limited – 50 AB ordinary shares		
	At cost	<1	<1
	Fair value adjustment	306	259
	Fair value	306	259
	Guardrisk Insurance Company Limited – 10 ordinary shares		
	At cost	50	–
	Fair value adjustment	125	57
	Fair value	175	57

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

	2013 Rm	2012 Rm
8. EQUITY ACCOUNTED INVESTMENTS		
ANALYSIS OF CARRYING VALUE		
Unlisted investments		
The group holds a 50% interest in Qarar Consultancy FZ-LLC. The joint venture is incorporated in the United Arab Emirates, Dubai and carries out the principal activity of providing credit consulting services.		
Shares at cost less impairment	<1	–
Retained equity accounted earnings	4	
Total	4	–
Summarised financial information of equity accounted investment		
Total assets	19	–
Total liabilities	(12)	–
Net assets	7	–
Group's share of net assets	4	–
Net interest income	–	–
Non-interest revenue	9	–
Profit for the year	7	–
Equity accounted earnings	4	–

	Computer and telephony software Rm	Distribution channel Rm	Total Rm
9. INTANGIBLE ASSETS			
COST			
At 30 September 2011	90	24	114
Additions	20	–	20
Disposals	(4)	–	(4)
At 30 September 2012	106	24	130
Additions	15	–	15
Reclassifications to non-current assets held for sale	(36)	–	(36)
Disposals	–	–	–
Reclassifications from property and equipment	1	–	1
At 30 September 2013	86	24	110
Accumulated amortisation and impairment			
At 30 September 2011	(59)	(15)	(74)
Disposals	3	–	3
Amortisation expense	(15)	(8)	(23)
At 30 September 2012	(71)	(23)	(94)
Reclassifications to non-current assets held for sale	21	–	21
Amortisation expense	(12)	(3)	(15)
Amortisation expense – discontinued operations	(7)	–	(7)
Non-current assets held for sale amortisation reversal	2	–	2
Reclassifications from property and equipment	–	–	–
Other movements	–	4	4
At 30 September 2013	(67)	(22)	(89)
Cost	86	24	110
Accumulated amortisation	(67)	(22)	(89)
Net carrying value at 30 September 2013	19	2	21
Cost	106	24	130
Accumulated amortisation	(71)	(23)	(94)
Net carrying value at 30 September 2012	35	1	36

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

	Automated teller machines Rm	Vehicles Rm	Office and computer equipment Rm	Total Rm
10. PROPERTY AND EQUIPMENT				
Cost				
At 30 September 2011	314	23	179	516
Additions	59	5	54	118
Disposals	(7)	(3)	(13)	(23)
At 30 September 2012	**366**	**25**	**220**	**611**
Additions	**94**	**9**	**66**	**169**
Reclassifications to non-current assets held for sale	**(389)**	**(11)**	**(47)**	**(447)**
Disposals	**(71)**	**(4)**	**(8)**	**(83)**
Reclassifications and transfers to intangible assets	**–**	**–**	**(1)**	**(1)**
At 30 September 2013	**–**	**19**	**230**	**249**
Accumulated depreciation and impairment				
At 30 September 2011	(113)	(10)	(113)	(236)
Depreciation expense	(45)	(4)	(37)	(86)
Disposals	5	2	12	19
At 30 September 2012	**(153)**	**(12)**	**(138)**	**(303)**
Depreciation expense	**–**	**(2)**	**(33)**	**(35)**
Depreciation expense relating to discontinued operations	**(52)**	**(3)**	**(7)**	**(62)**
Non-current assets held for sale depreciation reversal	**14**	**1**	**2**	**17**
Reclassifications to non-current assets held for sale	**158**	**5**	**25**	**188**
Disposals	**33**	**3**	**6**	**42**
At 30 September 2013	**–**	**(8)**	**(145)**	**(153)**
Cost	**–**	**19**	**230**	**249**
Accumulated depreciation and impairment	**–**	**(8)**	**(145)**	**(153)**
Net carrying value at 30 September 2013	**–**	**11**	**85**	**96**
Cost	366	25	220	611
Accumulated depreciation and impairment	(153)	(12)	(138)	(303)
Net carrying value at 30 September 2012	213	13	82	308

	2013 Rm	2012 Rm
11. GOODWILL		
Carrying value at the beginning of the year	**927**	930
Reclassified to non-current assets held for sale	**(332)**	–
Impairment loss	**(1)**	(3)
Carrying value at the end of the year	**594**	927
Composition of goodwill per cash-generating unit		
SA Taxi Holdings	**63**	63
Rand Trust Financiers	**32**	32
Bayport Financial Services 2010	**403**	404
Paycorp	**–**	332
MBD Credit Solutions	**73**	73
Principa Decisions	**23**	23
Total goodwill	**594**	927

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

11. GOODWILL continued

Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill might be impaired.

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

The group prepares cash flow forecasts based on CGU results for the next five years. A terminal value is calculated based on a growth rate of 3% (2012: 3%, 2011: 3%). This rate does not exceed the average long term growth rate for the relevant markets. The value in use of the CGU's which are lending businesses is determined based as free cash flows to cost of equity and the value in use of CGU's which operate service businesses is determined based on free cash flow to weighted average cost of capital. The valuation method applied is consistent with that of the prior period.

Goodwill of R0.5 million (2012: R1 million) was impaired during the year relating to M-Stores Proprietary Limited, a subsidiary of Bayport Financial Services 2010 Proprietary Limited and nil (2012: R2 million) was impaired during the year relating to Origin Eight Financial Services Proprietary Limited, a subsidiary of MBD Credit Solutions Proprietary Limited.

12. DEFERRED TAX

	2013 Rm	2012 Rm
Deferred tax is presented on the statement of financial position as follows:		
Deferred tax assets	107	130
Deferred tax liabilities	(194)	(156)
Net deferred tax liabilities	(87)	(26)
The movements during the year are analysed as follows:		
Net deferred tax liabilities at the beginning of the year	(26)	(3)
Recognised in the income statement for the year – continuing operations	(58)	(23)
Recognised in the income statement for the year – discontinued operations	4	–
Charge to equity	(3)	–
Prior year adjustment	6	–
Reclassification to non-current assets held for sale	(10)	–
Net deferred tax liabilities at the end of the year	(87)	(26)

* *The deferred tax asset balance is considered to be fully recoverable*

	Opening balance Rm	Charged to income Rm	Charged to equity Rm	Reclassification to assets held for sale Rm	Prior year adjustments Rm	Closing balance Rm
2013						
Temporary difference						
Assessed loss unutilised	87	53	(2)	(7)	(4)	127
Debtor provisions	12	7	–	(0)	3	22
Prepayments	(1)	(4)	–	1	–	(4)
Creditor provisions	6	1	–	(4)	6	9
Property and equipment	(2)	1	–	1	(1)	(1)
Deferred income	14	(3)	–	–	–	11
Operating lease adjustment	1	1	–	–	–	2
Timing difference of expenditure	20	(8)	–	(1)	–	11
Purchased book debts	(97)	(20)	–	–	–	(117)
Loans and advances	(48)	(36)	–	–	2	(82)
Other	(18)	(46)	(1)	–	–	(65)
	(26)	(54)	(3)	(10)	6	(87)

* *The table above includes the deferred tax movements relating to discontinued operations.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

12. DEFERRED TAX continued

	Opening balance Rm	Charged to income Rm	Charged to equity Rm	Reclassification to non-current assets held for sale Rm	Prior year adjustments Rm	Closing balance Rm
2012						
Temporary difference						
Assessed loss unutilised	74	13	–	–	–	87
Debtor provisions	10	2	–	–	–	12
Prepayments	(1)	–	–	–	–	(1)
Creditor provisions	6	–	–	–	–	6
Property and equipment	(2)	–	–	–	–	(2)
Deferred income	12	2	–	–	–	14
Operating lease adjustment	1	–	–	–	–	1
Timing difference of expenditure	14	6	–	–	–	20
Purchased book debts	(86)	(11)	–	–	–	(97)
Loans and advances	(23)	(25)	–	–	–	(48)
Other	(8)	(10)	–	–	–	(18)
	(3)	(23)	–	–	–	(26)

13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 6 August 2013 Transaction Capital entered into an agreement to dispose of 100% of Paycorp to a company owned by funds of emerging market private equity firm Actis, with minority ownership obtained by the Paycorp management team. All conditions precedent were fulfilled on 31 October 2013 with the effective date of the transaction being 1 November 2013, when the net sale proceeds of R937 million were received by Transaction Capital. The fair value less costs to sell of the business are higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised on reclassification of the assets and liabilities as held for sale nor as at 30 September 2013. The major classes of assets and liabilities of Paycorp at the end of the reporting period are as follows:

	2013 Rm	2012 Rm
Cash and cash equivalents	99	–
Trade and other receivables	24	–
Inventories	29	–
Intangible assets	15	–
Property and equipment	259	–
Goodwill	332	–
Deferred tax assets	11	–
Assets of Paycorp classified as held for sale	769	–
Bank overdrafts	29	–
Tax payables	2	–
Trade and other payables	149	–
Deferred tax liabilities	<1	–
Liabilities of Paycorp associated with assets classified as held for sale	180	–
Net assets of Paycorp classified as held for sale	589	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

	2013 Rm	2012 Rm
14. TRADE AND OTHER PAYABLES		
Trade payables and accruals	198	418
Customer clearance accounts	–	130
Revenue received in advance	50	55
Leave pay accrual	25	28
Bonus accrual	74	144
Deferred lease liability	4	4
Derivative liabilities	–	9
Other	35	39
Trade and other payables	386	827

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

14.1 DERIVATIVE LIABILITIES

	2013 Rm	2012 Rm
Derivatives held for risk management		
Interest rate swaps	–	2
Cross-currency swaps	–	7
	–	9

Cash flow hedges of interest rate risk

The group uses interest rate swaps to hedge the interest rate risks arising from floating rate liabilities.

Cash flow hedges of foreign currency risk

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

Refer to note 32.9 for disclosure on movements in the cash flow hedging reserve.

	2013 Rm	2012 Rm
15. PROVISIONS		
Provision for long-term incentives		
Balance at the beginning of the year	3	2
Amounts provided	–	1
Amounts utilised	(1)	–
Balance at the end of the year	2	3
16. INTEREST-BEARING LIABILITIES		
Securitisation notes, debentures and loans	6 526	6 072
Loans	3 075	2 281
	9 601	8 353
Classes of interest-bearing liabilities		
Senior debt	7 470	6 876
Subordinated debt	2 131	1 477
Total interest-bearing liabilities	9 601	8 353
Payable within 12 months	2 216	2 611
Payable thereafter	7 385	5 742
Total interest-bearing liabilities	9 601	8 353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

16. INTEREST-BEARING LIABILITIES continued

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value	Other comments
Securitisation notes, debentures and loans							
Senior	Amortising	2011/06/06	11.36% to 12.55%	2015/30/09 to 2016/31/03	ZAR	258	Secured by a cession of loans and advances – refer to note 4
Senior	Bullet	2011/06/06	12%	2018/01/02	ZAR	50	Secured by a cession of loans and advances – refer to note 4
Senior	Amortising	2011/06/06 to 2011/12/10	10.38% to 12.07%	2015/30/09 to 2016/30/09	ZAR	132	Secured by a cession of loans and advances – refer to note 4
Senior	Bullet	2012/02/07 to 2012/27/09	10.23% to 11.09%	2017/30/06 to 2017/02/10	ZAR	280	Secured by a cession of loans and advances – refer to note 4
Senior	Amortising	2012/02/07 to 2013/28/02	9.28% to 10.51%	2015/31/12 to 2018/03/04	ZAR	430	Secured by a cession of loans and advances – refer to note 4
Senior	Amortising	2011/06/06 to 2012/09/10	3 Month JIBAR plus 3.50% to 5.00%	2014/30/09 to 2017/30/06	ZAR	954	Secured by a cession of loans and advances – refer to note 4
Senior	Bullet	2012/14/12 to 2013/02/04	3 Month JIBAR plus 3.88% to 4.30%	2016/31/03 to 2018/31/12	ZAR	325	Secured by a cession of loans and advances – refer to note 4
Senior	Amortising	2013/04/02	3 Month JIBAR plus 3.88%	2018/04/03	ZAR	46	Secured by a cession of loans and advances – refer to note 4
Senior	Bullet	2013/02/04 to 2013/30/09	3 Month JIBAR plus 0.80% to 4.25%	2014/31/03 to 2018/01/10	ZAR	720	Secured by a cession of loans and advances – refer to note 4
Senior	Amortising	2013/09/30	3 Month JIBAR plus 3.90%	2018/10/01	ZAR	50	Secured by a cession of loans and advances – refer to note 4
Senior	Bullet	2013/09/30	3 Month JIBAR plus 4.25%	2018/10/01	ZAR	126	Secured by a cession of loans and advances – refer to note 4
Mezzanine	Amortising	2011/06/06	16%	2016/03/31	ZAR	16	Secured by a cession of loans and advances – refer to note 4
Mezzanine	Bullet	2011/11/30	15%	2017/01/03	ZAR	55	Secured by a cession of loans and advances – refer to note 4
Mezzanine	Amortising	2012/04/02	14%	2017/03/31	ZAR	69	Secured by a cession of loans and advances – refer to note 4
Mezzanine	Bullet	2012/15/08 to 2013/25/03	3 Month JIBAR plus 7.50% to 8.00%	2019/01/07 to 2020/30/09	ZAR	150	Secured by a cession of loans and advances – refer to note 4
Junior Mezzanine	Bullet	2011/06/06	Profit share	2017/01/03	ZAR	87	Interest based on profit participation
Senior	Bullet	2013/09/03	3 Month JIBAR plus 3.80%	2017/09/04	ZAR	83	Secured by a cession of loans and advances – refer to note 4
Junior	Bullet	2010/04/21	Profit share	2019/07/30	ZAR	65	Interest based on profit participation
Senior	Amortising	2012/09/01 to 2012/29/02	10.24% to 10.27%	2017/09/01 to 2017/01/03	ZAR	36	Secured by a cession of loans and advances – refer to note 4
Senior	Amortising	2010/21/05 to 2012/29/02	3 Month JIBAR plus 3.15% to 6.07%	2015/09/01 to 2017/01/03	ZAR	369	Secured by a cession of loans and advances – refer to note 4
Senior	Bullet	2012/03/07	12%	2017/03/07	ZAR	60	Secured by a cession of loans and advances – refer to note 4
Senior	Amortising	2012/07/03 to 2012/31/10	3 Month JIBAR plus 3.50% to 4.00%	2017/07/03 to 2017/02/10	ZAR	425	Secured by a cession of loans and advances – refer to note 4
Senior	Bullet	2012/08/17	11%	2017/08/17	ZAR	190	Secured by a cession of loans and advances – refer to note 4
Senior	Amortising	2012/01/10 to 2013/09/05	3 Month JIBAR plus 3.50% to 4.00%	2017/29/09 to 2018/02/07	ZAR	932	Secured by a cession of loans and advances – refer to note 4
Senior	Amortising	2007/01/10 to 2009/31/03	9.32% to 12.60%	2013/01/10 to 2014/30/06	ZAR	146	Secured by a cession of loans and advances – refer to note 4
Senior	Amortising	2008/30/06 to 2011/28/02	3 Month JIBAR plus 1.00% to 3.90%	2014/30/06 to 2016/01/02	ZAR	400	Secured by a cession of loans and advances – refer to note 4
Mezzanine	Amortising	2007/31/10 to 2010/01/04	11.07% to 16.13%	2013/31/10 to 2015/31/03	ZAR	20	Secured by a cession of loans and advances – refer to note 4
Mezzanine	Amortising	2010/28/01 to 2010/01/04	3 Month JIBAR plus 8.00% to 8.30%	2015/31/03 to 2018/29/01	ZAR	52	Secured by a cession of loans and advances – refer to note 4
						6 526	
Loans							
Structurally subordinated	Amortising	2013/07/01	Prime plus 4.00%	2016/08/01	ZAR	131	
Structurally subordinated	Bullet	2008/31/10 to 2012/15/08	3 Month JIBAR plus 6.50% to 8.00%	2015/02/11 to 2019/15/08	ZAR	250	
Senior	Amortising	2012/26/03 to 2012/31/12	3 Month JIBAR plus 3.75%	2018/14/02 to 2018/14/02	ZAR	14	Cash and cash equivalents, shareholder's loans, purchased book debts and trade receivables are ceded as securities for the loans
Senior	Amortising	2012/28/09 to 2013/22/04	9.11% to 9.54%	2017/14/02 to 2018/12/04	ZAR	137	Cash and cash equivalents, shareholder's loans, purchased book debts and trade receivables are ceded as securities for the loans
Senior	Bullet	2013/03/05 to 2013/30/09	Prime and prime plus 0.32%	2013/31/10 to 2015/29/05	ZAR	359	
Senior	Bullet	2012/31/05 to 2013/29/05	9.21% to 10.82%	2015/30/05 to 2015/29/05	ZAR	109	
Senior	Bullet	2012/06/03 to 2012/31/07	Variable	2015/31/08 to 2015/31/08	ZAR	3	Interest rate determined by company WACC
Mezzanine	Amortising	2011/01/03 to 2011/19/04	22%	2018/01/06 to 2018/01/06	ZAR	82	
Senior	Amortising	2011/10/06 to 2011/26/09	11.03% to 12.48%	2017/15/06 to 2017/15/06	EUR	166	
Senior	Amortising	2011/10/06 to 2013/12/06	3 Month JIBAR plus 4.75% to 6.75%	2017/15/06 to 2019/27/09	ZAR	801	
Subordinated	Bullet	2008/29/09 to 2008/31/10	3 Month JIBAR plus 6.75% to 6.75%	2016/29/09 to 2016/29/09	ZAR	100	
Structurally subordinated	Bullet	2011/01/07 to 2013/05/07	11.62% to 13.13%	2016/01/07 to 2018/05/07	ZAR	200	
Structurally subordinated	Bullet	2008/29/05 to 2013/14/08	3 Month JIBAR plus 3.00% to 5.50%	2015/29/05 to 2018/14/08	ZAR	723	
						3 075	
						9 601	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

16. INTEREST-BEARING LIABILITIES continued

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value	Other comments
2012							
Securitisation notes, debentures and loans							
Senior	Amortising	2006/11/30 to 2012/07/02	9.32% – 12.59%	2015/09/30 to 2017/06/30	ZAR	1 846	Secured by a cession of loans and advances – refer to note 4
Senior	Amortising	2010/09/30	11.92%*	2016/09/30	ZAR	472	Secured by a cession of loans and advances – refer to note 4
Senior	Amortising	2008/06/30 to 2012/08/15	3-month JIBAR plus 1.00% – 6.07%	2014/06/30 to 2017/07/31	ZAR	2 387	Secured by a cession of loans and advances – refer to note 4
Senior	Bullet	2010/11/15 to 2012/03/07	11.78%	2017/03/07 to 2017/12/31	ZAR	300	Secured by a cession of loans and advances – refer to note 4
Senior	Bullet	2012/07/02 to 2012/09/27	10.23% – 11.09%	2017/06/30 to 2017/10/02	ZAR	280	Secured by a cession of loans and advances – refer to note 4
Senior	Bullet	2010/03/31 to 2012/04/30	3-month JIBAR plus 1.75% – 4.75%	2013/03/30 to 2013/06/30	ZAR	175	Secured by a cession of loans and advances – refer to note 4
Senior warehousing	Bullet	2011/09/22	Prime plus 0.32%	2012/12/31	ZAR	50	Secured by a cession of loans and advances – refer to note 4
Senior debenture	Amortising	2009/03/31 to 2010/11/17	6.38% – 9.33%	2014/03/31 to 2015/11/17	ZAR	67	Secured over ATM machines as disclosed in note 10
Mezzanine	Amortising	2007/09/27 to 2012/04/02	11.07% – 15.55%	2013/09/26 to 2017/03/31	ZAR	153	Secured by a cession of loans and advances – refer to note 4
Mezzanine	Amortising	2010/01/28 to 2010/04/01	3-month JIBAR plus 8.00% – 8.30%	2015/03/31 to 2018/01/29	ZAR	70	Secured by a cession of loans and advances – refer to note 4
Mezzanine	Bullet	2011/11/30	15.36%	2016/12/31	ZAR	55	Secured by a cession of loans and advances – refer to note 4
Mezzanine	Bullet	2012/08/15	3-month JIBAR plus 7.50%	2019/06/30	ZAR	50	Secured by a cession of loans and advances – refer to note 4
Junior Mezzanine	Bullet	2012/08/15	3-month JIBAR plus 7.50%	2019/06/30	ZAR	102	Secured by a cession of loans and advances – refer to note 4
Junior	Bullet	2010/04/21		2019/07/01	ZAR	65	Interest based on profit participation
						6 072	

* *To 30 September 2012, the greater of (1) 11.92% and (2) 3-month JIBAR plus 4.75% and from 1 October 2012, 3-month JIBAR plus 4.75%. Current rate 11.92%.*

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value	Other comments
Loans							
Subordinated	Amortising	2011/09/30 to 2012/04/30	Prime plus 0.00% – 4.10%	2015/04/30 to 2018/09/30	ZAR	96	
Senior	Amortising	2012/03/12 to 2012/09/12	9.11% – 9.32%	2017/02/14 to 2018/02/14	ZAR	89	Cash and cash equivalents, shareholders' loans, purchased book debts and trade receivables are ceded as security for the loans.
Senior	Amortising	2011/06/10 to 2011/09/26	11.380%	2017/06/15	EUR	149	
Senior	Amortising	2011/06/10 to 2012/09/26		2017/06/15 to 2019/09/27	ZAR	565	
Senior		2006/10/01 to 2012/04/12	3-month JIBAR plus 1.75% – 3.75%	2013/10/17 to 2018/02/14	ZAR	50	Cash and cash equivalents, shareholders' loans, purchased book debts and trade receivables are ceded as security for the loans.
Senior	Amortising	2011/11/22 to 2011/12/22	3-month JIBAR plus 4.81% – 5.19%	2017/06/15	ZAR	94	
Senior Loan	Bullet	2012/05/30 to 2012/09/12	8.18% – 14%	2015/05/29 to 2016/05/29	ZAR	158	
Senior	Bullet	2008/10/30 to 2012/08/15	3-month JIBAR plus 2.95% – 7.75%	2012/10/31 to 2019/08/15	ZAR	200	
Structurally subordinated	Bullet	2008/10/30 to 2012/08/15	3-month JIBAR plus 2.95% – 7.75%	2012/10/31 to 2019/08/15	ZAR	250	
Mezzanine	Amortising	2011/03/01 to 2011/04/19	15.00%	2018/06/01	ZAR	82	Interest rate is fixed at 15% to 1 March 2013, interest will then be determined per formula per the agreement (max 29%)
Structurally subordinated	Amortising	2008/05/29 to 2010/10/15	3-month JIBAR + 3.00% – 5.00%	2015/05/01 to 2017/11/30	ZAR	300	
Structurally subordinated	Bullet	2011/07/01	12.30% – 13.10%	2016/07/01	ZAR	149	
Subordinated	Bullet	2008/09/29 to 2008/10/31	3-month JIBAR plus 6.75%	2016/09/29	ZAR	100	
Subordinated	Other					4	
Senior	Other					(5)	
						2 281	
						8 353	

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

Restrictive funding arrangements

The group has entered into the following restrictive funding arrangement as defined in the JSE Listings Requirements:

Lender	Borrower	Rm	Restrictive conditions
Futuregrowth Lenders represented by Futuregrowth Asset Management Proprietary Limited	SA Taxi Finance Holdings Proprietary Limited	160	> Consent of the lenders is required for a change of control in relation to the borrower; > No operating subsidiary of the borrower is entitled to raise additional term funding (excluding existing working capital facilities) without the prior written consent of the lenders; > The borrorwer will not incur any additional third party subordinated funding or equity participation without the prior written approval of the lenders; and > Early settlement of the loan is not permissible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

	2013 Rm	2012 Rm
17. ORDINARY SHARE CAPITAL		
Authorised		
1 000 000 000 ordinary shares		
Issued		
582 581 177 (2012: 584 304 184) ordinary shares		
Ordinary share capital	1 779	1 792
Ordinary share capital	1 779	1 792
Preference share capital		
Authorised		
10 000 000 cumulative, non-participating, non-convertible preference shares of no par value*		
Issued		
Nil (2012: Nil) preference shares		
* *Created by a special resolution passed on 14 January 2013.*		
18. NON-CONTROLLING INTERESTS		
Share of equity of subsidiaries	179	131
Loans payable	1	1
Non-controlling interests	180	132
19. INTEREST		
Interest and other similar income is earned from:		
Cash and cash equivalents	46	32
Loans and advances	2 624	2 175
Finance leases	1 088	965
Mortgage loans	5	7
Discounted invoices	80	60
Unsecured loans	1 450	1 143
Other loans and advances	1	–
Other loans receivable	9	13
Other	4	2
Total interest and other similar income	2 683	2 222
Interest and other similar expenses are paid on:		
Bank overdrafts	(10)	(10)
Interest-bearing liabilities	(937)	(863)
Other	(1)	(1)
Total interest and other similar expense	(948)	(874)
Interest and other similar income	2 683	2 222
Interest and other similar expense	(948)	(874)
Net interest income	1 735	1 348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

	2013 Rm	2012 Rm
20. IMPAIRMENT OF LOANS AND ADVANCES		
Impairment comprise:		
Impairments of loans and advances	**(868)**	(577)
Bad debts written off	**(208)**	(183)
Bad debts recovered	**38**	20
Total impairment	**(1 038)**	(740)
21. NON-INTEREST REVENUE		
Non-interest revenue comprise:		
Brokerage income	**183**	135
Commission income	**331**	355
Fee income	**457**	372
Income from insurance activities	**246**	169
Revenue from purchased book debts	**256**	275
Revenue from sale of goods	**380**	334
Other income	**57**	20
Total non-interest revenue	**1 910**	1 660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

	2013 Rm	2012 Rm
22. TOTAL OPERATING COSTS		
Total operating costs comprise:		
Advertising, marketing and public relations	(12)	(12)
Amortisation of intangibles	(15)	(11)
Amortisation of purchased book debts	(46)	(56)
Bank charges	(37)	(39)
Commissions paid	(104)	(105)
Communication costs	(111)	(114)
Consulting fees	(32)	(25)
Cost of sale of goods	(287)	(151)
Data purchases	(24)	(44)
Depreciation	(35)	(39)
Employee expenses	(834)	(786)
Fees paid	(26)	(19)
Impairments	(9)	(8)
Trade and other receivables	(8)	(4)
Goodwill	(1)	(3)
Inventory	–	(1)
IT costs	(37)	(29)
Loss on disposal of property and equipment	–	(2)
Maintenance	(10)	(15)
Motor vehicle expenses	(6)	(5)
Printing and stationery	(11)	(15)
Audit fees	(13)	(12)
Audit fees – current year	(11)	(10)
Audit fees – prior periods	(1)	(1)
Other fees	(1)	(1)
Legal fees	(117)	(73)
Listing costs	–	(19)
Professional fees	(2)	(2)
Operating lease rentals – premises	(61)	(52)
Risk management	(13)	(13)
Staff welfare	(12)	(13)
Subscriptions	(4)	(5)
Training and seminars	(11)	(11)
Travel	(15)	(14)
Input VAT disallowed	(60)	(57)
Other operating costs	(46)	(38)
Total operating costs	(1 990)	(1 784)
Number of employees	5 386	4 697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

22. TOTAL OPERATING COSTS continued

EXECUTIVE COMPENSATION

Executive directors' remuneration

The following table shows a breakdown of the annual remuneration (excluding share awards) of directors for the year ended 30 September 2013:

Executive director	Total gross package 2013 R	Annual incentive bonus 2013 R	Total 2013 R	Total gross package 2012 R	Annual incentive bonus 2012 R	Total 2012 R
Mark Lamberti	2 989 712	3 760 288	6 750 000	4 560 030	6 375 000	10 935 030
David Hurwitz	3 067 972	1 500 000	4 567 972	1 245 458	3 470 833	4 716 291
Jonathan Jawno	2 586 284	400 000	2 986 284	2 361 713	1 600 000	3 961 713
Steven Kark[1]	2 643 592	1 000 000	3 643 592	2 517 707	–	2 517 707
Michael Mendelowitz	1 220 040	1 800 000	3 020 040	1 686 150	666 667	2 352 817
Roberto Rossi[2]	1 686 150	800 000	2 486 150	1 333 333	–	1 333 333
Tim Jacobs[3]	–	–	–	1 025 086	–	1 025 086
	14 193 750	9 260 288	23 454 038	14 729 477	12 112 500	26 841 977

1 Re-classified as non-executive from 1 November 2013.
2 Appointed as executive director in February 2012.
3 Resigned as a director in January 2012.

Prescribed officers' remuneration

Prescribed officer	Total gross package 2013 R	Annual incentive bonus 2013 R	Total 2013 R	Total gross package 2012 R	Annual incentive bonus 2012 R	Total 2012 R
Prescribed officer A	3 519 035	–	3 519 035	3 425 000	2 801 050	6 226 050
Prescribed officer B	2 600 000	1 841 667	4 441 667	2 275 000	2 820 790	5 095 790
Prescribed officer C	2 700 000	450 000	3 150 000	2 315 000	2 430 750	4 745 750
	8 819 035	2 291 667	11 110 702	8 015 000	8 052 590	16 067 590

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

22. TOTAL OPERATING COSTS continued

EXECUTIVE COMPENSATION continued

Non-executive directors' fees

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

Board members 2013	C Seabrooke R	D Woollam R	P Langeni R	D Tabata R	S Zagnoev[1] R	C Ntumba R	B Madumise[2] R	Total R
Director	–	250 000	250 000	250 000	250 000	250 000	145 833	1 395 833
Chairperson	893 000	–	–	–	–	–	–	893 000
Audit committee (chairperson)	–	473 000	–	–	–	–	–	473 000
Audit committee (member)	170 000	–	170 000	–	–	170 000	–	510 000
Assets and liabilities committee (member)	130 000	130 000	–	–	–	–	–	260 000
Nominations and remuneration committee (chairperson)	–	–	–	300 000	–	–	–	300 000
Nominations and remuneration committee (member)	130 000	–	130 000	–	130 000	–	–	390 000
Risk and compliance committee (chairperson)	–	300 000	–	–	–	–	–	300 000
Risk and compliance committee (member)	130 000	–	–	–	–	–	–	130 000
Social and ethics committee (chairperson)	–	–	83 333	–	–	–	116 667	200 000
Social and ethics committee (member)	–	–	75 833	–	–	54 167	–	130 000
Total annual fees	1 453 000	1 153 000	709 167	550 000	380 000	474 167	262 500	4 981 833

1 The fees for Mr Zagnoev are paid directly to Ethos Technology Fund I and Ethos Private Equity Fund V comprising various private equity investors on whose behalf he is a partner.
2 Resigned as non-executive director, effective 29 April 2013.

Board members 2012	C Seabrooke R	D Woollam[1] R	P Langeni R	D Tabata R	S Zagnoev[2] R	C Ntumba[3] R	B Madumise R	M Mendelowitz[4] R	R Rossi[5] R	D Konar[6] R	R Shuter[7] R	Total R
Director	–	166 667	250 000	250 000	250 000	83 333	250 000	62 500	62 500	83 333	125 000	1 583 333
Chairperson	850 000	–	–	–	–	–	–	–	–	–	–	850 000
Audit committee (chairperson)	–	200 000	–	–	–	–	–	–	–	150 000	–	350 000
Audit committee (member)	–	–	170 000	–	–	56 667	–	–	–	–	42 500	269 167
Assets and liabilities committee (member)	130 000	86 667	–	–	–	–	–	–	–	–	32 500	249 167
Nominations and remuneration committee (chairperson)	–	–	–	300 000	–	–	–	–	–	–	–	300 000
Nominations and remuneration committee (member)	130 000	–	130 000	–	130 000	–	–	–	–	–	–	390 000
Risk and compliance committee (chairperson)	–	200 000	–	–	–	–	–	–	–	–	112 500	312 500
Risk and compliance committee (member)	85 000	–	–	–	–	–	–	–	42 500	–	42 500	170 000
Social and ethics committee (chairperson)	–	–	–	–	–	–	100 000	–	–	–	–	100 000
Social and ethics committee (member)	–	–	65 000	–	–	–	–	–	–	–	–	65 000
Initial public offering committee fees	100 000	100 000	–	–	–	–	–	–	–	–	–	200 000
Subsidiary directorships and fees	–	140 500	–	–	–	–	–	–	–	–	–	140 500
Total annual fees	1 295 000	893 834	615 000	550 000	380 000	140 000	350 000	62 500	105 000	233 333	355 000	4 979 667

1 Appointed chairperson of the risk and compliance committee and chairperson of the audit committee, effective February 2012.
2 The fees for Mr Zagnoev are paid directly to Ethos Technology Fund I and Ethos Private Equity Fund V comprising various private equity investors of which he is a partner.
3 Appointed as independent non-executive director and member of the audit committee, effective June 2012.
4 Resigned as non-executive director and appointed group chief investment officer, effective December 2011.
5 Resigned as non-executive and appointed executive director, effective February 2012.
6 Resigned as chairman of the audit and compliance committee, effective February 2012.
7 Resigned as non-executive director, effective February 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

	2013 Rm	2012 Rm
23. INCOME TAX EXPENSE		
South African normal taxation:	(100)	(98)
Current taxation	(48)	(70)
Current year	(43)	(66)
Prior years	(5)	(4)
Deferred taxation	(52)	(28)
Current year	(58)	(29)
Prior years	6	1
Capital gains tax	–	2
Deferred taxation	–	2
	(100)	(96)
Tax rate reconciliation		
South African tax rate	28.0%	28.0%
Tax effects of:		
Income not subject to tax – dividends	(11.1%)	(9.8%)
Expenses not deductible for tax purposes	0.1%	2.3%
Tax losses not recognised	0.1%	(0.1%)
Prior year taxes	(0.3%)	(0.2%)
Permanent differences	(0.8%)	(0.4%)
Effective tax rate	16.1%	19.8%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

24. DISCONTINUED OPERATIONS

24.1 PLAN TO DISPOSE OF PAYCORP

On 6 August 2013 Transaction Capital entered into an agreement to dispose of 100% of Paycorp to a company owned by funds of emerging market private equity firm Actis, with minority ownership obtained by the Paycorp management team. All conditions precedent were fulfilled on 31 October 2013 with the effective date of the transaction being 1 November 2013, when the net sale proceeds of R937 million were received by Transaction Capital. The group has not recognised any impairment losses in respect of Paycorp, neither when the assets and liabilities of the operations were reclassified as held for sale nor at the end of the reporting period (see note 13).

24.2 ANALYSIS OF PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS

The results of Paycorp included in the profit for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2013 Rm	2012 Rm
Profit for the year from discontinued operations		
Interest and other similar income	**2**	2
Interest and other similar expense	**(9)**	(9)
Non-interest revenue	**523**	467
Total operating costs	**(447)**	(397)
Income tax expense	**(19)**	(17)
Impact of classification to held for sale	**15**	–
Profit from discontinued operations	**65**	46
Cash flows attributable to discontinued operations:		
Cash flow from operating activities		
Cash generated by operations	**139**	118
Income taxes paid	**(21)**	(18)
Dividends paid	**(44)**	(22)
Cash flow from operating activities before changes in operating assets and liabilities	**74**	78
Increase in operating assets and liabilities	**(1)**	(24)
Net proceeds from interest-bearing liabilities	**(1)**	(24)
Net (increase)/decrease in working capital	**(55)**	72
Inventories	**(1)**	(5)
Trade and other receivables	**(6)**	(3)
Trade and other payables	**(48)**	80
Net cash generated by operating activities	**18**	126
Cash flow from investing activities		
Business combinations	**–**	(36)
Acquisition of property and equipment	**(112)**	(74)
Acquisition of intangible assets	**(7)**	(8)
Disposal of property and equipment	**38**	3
Net cash utilised by investing activities	**(81)**	(115)
Net (decrease)/increase in cash and cash equivalents	**(63)**	11
Cash and cash equivalents at the beginning of the year	**132**	121
Cash and cash equivalents at the end of the year	**69**	132

The amounts in the 2013 and 2012 statement of comprehensive income relating to Paycorp Holdings Proprietary Limited and its subsidiaries were reclassified from continuing to discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

	Units	2013	2012
25. EARNINGS PER SHARE			
Basic earnings per share			
From continuing operations	cents	**82.1**	68.4
From discontinued operations	cents	**11.1**	8.9
Total basic earnings per share	cents	**93.2**	77.3
The earnings used in the calculation of basic earnings per share are as follows:			
Profit for the year attributable to ordinary equity holders	Rm	**543.9**	401.4
Profit for the year from discontinued operations	Rm	**64.5**	46.5
Earnings used in the calculation of basic earnings per share from continuing operations	Rm	**479.4**	354.9
Weighted average number of ordinary shares for the purposes of basic earnings per share			
Issued shares at the beginning of the year	million	**584.3**	471.2
Effect of shares issued during the year and to be issued	million	**–**	49.2
Effect of shares repurchased during the year	million	**(0.7)**	(1.0)
Weighted average number of ordinary shares for the purposes of basic earnings per share	million	**583.6**	519.4
Diluted earnings per share			
From continuing operations	cents	**82.1**	68.4
From discontinued operations	cents	**11.1**	8.9
Total basic earnings per share	cents	**93.2**	77.3
The earnings used in the calculation of diluted earnings per share are as follows:			
Earnings used in the calculation of basic earnings per share	Rm	**543.9**	401.4
Earnings used in the calculation of diluted earnings per share	Rm	**543.9**	401.4
Profit for the year from discontinued operations	Rm	**64.5**	46.5
Earnings used in the calculation of diluted earnings per share from continuing operations	Rm	**479.4**	354.9
Reconciliation of weighted average number of ordinary shares for diluted earnings per share:			
Weighted average number of ordinary shares used in the calculation of basic earnings per share	million	**583.6**	519.4
Shares deemed to be issued for no consideration in respect of share appreciation rights	million	**–**	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	million	**583.6**	519.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

	2013		2012	
	Rm Gross	Rm Net	Rm Gross	Rm Net
25. EARNINGS PER SHARE continued				
Headline earnings				
Headline earnings are determined as follows:				
Profit attributable to ordinary equity holders		543.9		401.4
Adjustments for:				
Loss on disposal of tangible assets	1	–	2	0.8
Impairment of assets	–	–	3	3.1
Impairment of goodwill	1	0.5	–	–
Headline earnings		544.4		405.3
Headline earnings per share (cents)		93.4		78.0
Headline earnings from continuing operations are determined as follows:				
Headline earnings		544.4		405.3
Adjustments for:				
Trading profits on discontinued operations	–	64.5	–	46.4
Headline earnings from continuing operations		479.9		358.9
Headline earnings per share from continuing operations (cents)		82.3		69.1
Normalised headline earnings is determined as follows:				
Headline earnings from continuing operations		479.9		358.9
Adjustments for:				
Listing costs	–	–	19	18.6
Normalised headline earnings		479.9		377.5
Normalised headline earnings per share (cents)		82.3		72.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

26. SHARE-BASED PAYMENTS

26.1 DETAILS OF THE SHARE APPRECIATION RIGHTS PLAN

During the current year the group implemented a share appreciation rights 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 share appreciation rights (SARs) will be made on an annual or on an ad hoc basis. The number of SARs granted to an employee will take cognisance of the employees grade, performance, term of employment, retention requirements and market benchmarks. A SAR is a conditional right to acquire shares in the company for no consideration, the number being determined by the appreciation in value of a share over a fixed period, and the number of SARs granted.

The following share appreciation rights were in existence during the current year:

	Number	Grant date	Expiry date	Exercise price (cents)	Fair value at grant date (cents)
Granted on 11 July 2013	14 767 464	11 July 2013	11 Julu 2017	671	160

26.2 FAIR VALUE OF SHARE APPRECIATION RIGHTS GRANTED IN THE YEAR

The fair value of the share appreciation rights has been calculated using the binomial tree model, with the following inputs:

Grant date closing share price (cents)	700
Exercise price (cents)	671
Expected volatility	28.38%
Option life	4 years
Dividend yield	2.57%
Risk free rate	6.69%
Staff turnover rate	Nil

26.3 MOVEMENT IN SHARE APPRECIATION RIGHTS DURING THE YEAR

	2013		2012	
	Number of SARs	Weighted average exercise price (cents)	Number of SARs	Weighted average exercise price
Balance at beginning of year	–	–	–	–
Granted during the year	14 767 464	671	–	–
Exercised during the year	–	–	–	–
Expired during the year	–	–	–	–
Balance at end of year	**14 767 464**	**671**	–	–

26.4 SHARE APPRECIATION RIGHTS EXPENSE RECOGNISED

	2013 Rm	2012 Rm
The expense has been recognised in the statement of comprehensive income under employee costs.	2	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

	2013 Rm	2012 Rm
27. CASH GENERATED BY OPERATIONS		
Profit before taxation	621	484
Adjusted for:		
Amortisation of intangible assets	15	18
Amortisation of purchased book debts	46	56
Bad debts written off	208	183
Depreciation	35	30
Depreciation on non-current assets held for sale	(19)	–
Dividends received from insurance activities	(246)	(169)
Impairment of goodwill	1	3
Impairment of inventory	1	1
Impairment of loans and advances	868	577
Impairment of trade receivables	8	4
Loss on disposal of property and equipment	–	2
Movement in provisions	(1)	1
Movement in share appreciation rights accrual	2	–
Equity accounted earnings	(4)	–
Cash generated/(utilised) by operations	1 535	1 190
28. INCOME TAXES PAID		
Amounts receivable at the beginning of the year	15	50
Charged in statement of comprehensive income	(100)	(96)
Deferred taxation	52	28
Amounts receivable at the end of the year	(62)	(15)
Income taxes paid	(95)	(33)
29. DIVIDENDS PAID TO ORDINARY SHAREHOLDERS		
Ordinary dividends for the year	(105)	–
Paid to non-controlling interests	–	(4)
Dividends paid	(105)	(4)

An interim dividend of 9 (2012: Nil) cents per share was declared on 7 May 2013 and paid on 10 June 2013. A final dividend of 12 (2012: 9) cents per share was declared on 26 November 2013 for payment on or about 23 December 2013.
Refer to the directors' report for additional information.

	2013 Rm	2012 Rm
30. CONTINGENCIES AND COMMITMENTS		
Capital commitments		
Approved	–	1
Contracted	<1	2
Total	–	3
Operating lease commitments		
Future minimum payments under non-cancellable operating leases		
Premises		
Year 1	59	53
Year 2	53	48
Year 3	43	41
Year 4	37	32
Year 5	34	30
Total operating lease commitments	226	204

The group had no contingent liabilities at year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

31. SHAREHOLDER SPREAD

	Number of shareholders	Number of shares (million)	Number of shares (%)
Non-public			
Directors of Transaction Capital and its subsidiaries and their associates	40	352	60
Transaction Capital employees including other employee funded share ownership	78	6	1
	118	358	61
Public			
Old Mutual Life Assurance Co. South Africa Ltd	1	50	9
Remaining institutional shareholders	39	82	14
Ethos Private Equity	1	52	9
Retail investors	1 080	41	7
	1 121	225	39
Total	1 239	583	100

32. FINANCIAL RISK MANAGEMENT

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

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

32.1 CREDIT RISK

Credit risk is the risk of loss arising from the failure of a client or counterparty to discharge an obligation to the group. The primary credit risks that the group is exposed to arise from finance leases to minibus taxi operators, unsecured consumer loans, invoice discounting and secured mortgage loans. The portfolio of purchased book debts exposes the group to credit risk if they fail to perform in accordance with estimated net future cash flows. It is not the group's strategy to avoid credit risk, but rather to manage credit risk within the group's risk appetite and to earn an appropriate risk adjusted return.

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

Credit risk management and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

32. FINANCIAL RISK MANAGEMENT continued

32.1 CREDIT RISK continued

SA Taxi

The taxi industry plays a critical role in transporting commuters to their places of business daily. SA Taxi is a developmental credit provider whose purpose is to create and develop small businesses in the taxi industry through the provision of finance to existing and aspirant taxi operators. Customers almost exclusively come from previously disadvantaged and marginalised communities, with the finance provided for many being one of the few opportunities to escape poverty and create wealth without a formal education.

Our legitimacy as a business stems from our ability to differentiate viable taxi businesses and viable operators in our lending decision and in actively managing our on book exposures through intimate knowledge of the operating realities affecting our customers.

Our credit granting processes centre on synthesising all the insights gained from past lending experiences and current industry knowledge (at route and association level) in identifying credible operators on viable routes. In an ever changing environment, the pursuit of deep insight into what makes for a credible operator and a viable route remains our primary objective.

Likewise our credit management processes centre on identifying the root cause for poor payment performance and addressing the root cause. Causes for poor payment performance range from changes in route viability due to emerging local economic trends, to temporary personal setbacks experienced by operators, to mechanical difficulties or accidents, to reticence or operator failure. In credit management our primary objective is to support viable businesses through tough operating environments, with legal enforcement only being resorted to when all other options have been exhausted. In this dynamic environment, the pursuit of deep and rewarding relationships with our customers remains our primary objective.

In governing the policies and changes required to respond to the market realities, the credit committee is responsible for providing executive management and oversight for all credit risk arising within and impacting on the SA Taxi statement of financial position. This committee comprises of the most senior management and includes the company chief executive officer, chief risk officer and chief financial officer and group chief financial officer.

Impairments are monitored and provided for using statistical techniques including experiential and behavioural models. These models are based on information on customers' financial performance while on book and assumes that the previous twelve month rolling performance is a strong indicator of future performance.

Rand Trust

The credit committee assesses all applications for credit and will approve a facility based on the risk profile of the applicant and an assessment of the collectability of their trade receivables.

Ongoing risk management and collections are handled by experienced credit controllers.

Impairments are monitored by the risk director and provided for based on the assessment of the probability of obligations being met. This assessment is based on direct exposure where there is a probability of non-recovery, taking into account the realisable/fair value of any underlying security.

Bayport

Bayport manages its exposure to credit losses by assessing customer affordability of repayment of loans and advances, customers risk profile, employment status and stability. Impairments are monitored and provided for using statistical techniques including experiential and behavioural models. These models are based on customers' financial performance information while on book and assume that recent performance is a strong indicator of future performance. Models are either developed internally or by expert external advisors. In the case of key asset classes, independent models are developed to monitor the robustness of the primary models relative to actual performance and to optimise their effectiveness.

The Credit committee is responsible for providing executive management and oversight for all credit risk arising within and impacting on the statement of financial position. The Credit committee meets monthly to evaluate the activities of the Credit department and operations, new business results, arrears, provisioning and regulatory requirements. The Credit committee determines credit policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

32. FINANCIAL RISK MANAGEMENT continued

32.1 CREDIT RISK continued

The credit policy is designed to ensure that the company's credit process is efficient for the applicant while providing the company with the necessary details to make an informed credit decision. Bayport essentially applies a three stage approach to credit advancement as follows:

- basic credit criteria;
- scoring the individual against a proprietary scorecard; and
- verification of details and affordability check.

Bayport's credit application approval process comprises the following:

Application:

The majority of Bayport's loan applications are sourced via its independent mobile sales agents. Loans to existing customers are also originated through an outbound call centre. Applications for cellular subscription agreements are originated primarily through out-bound call centres contacting potential clients and in-bound call centres, with clients responding by phone or SMS to print media and other advertising.

Preliminary credit assessment:

Following application, a preliminary credit assessment is performed on each prospective client through the application of Bayport's risk assessment criteria and the use of bespoke scorecards, internal and external verification procedures (including credit bureau and National Loan Register data), as well as a fraud detection process. The application process for all products begins with a basic pre-screening process to filter out non-qualifying applicants. Branches have direct access to Bayport's credit-scoring tools, which generate an automated pre-score and affordability calculation to determine whether a full credit application process is warranted.

Central credit assessment:

Successful pre-screening results in a detailed application form being forwarded to the head office and subjected to a processing and verification phase prior to final approval and disbursement.

Loan offer:

Once the prospective client has progressed through the risk assessment phase, an offer is made detailing the term and amount of the loan offered based on the scorecard limits in place.

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

In governing the policies and changes required to respond to the market realities, the credit committee is responsible for providing executive management and oversight for all credit risk arising within and impacting on the Bayport statement of financial position. This committee comprises of the most senior management and includes the company chief executive officer, chief risk officer and chief financial officer and group chief financial officer.

MBD CS

Investment process:

Before the acquisition of purchased book debt, there is a defined investment process that is followed in accordance with guidelines as determined by an Investment committee. Purchased book debt is acquired from various sectors, but mostly from the retail and banking industry. Valuation of these books is determined by way of analysis of the historic underlying payment history as well as other parameters which are ultimately presented to the Investment committee to decide on the fair price that the company is willing to offer.

Collections Process:

Business knowledge continually develops and evolves strategies which are then implemented by operations to collect the various outstanding debt. Methods include tracing, letters, sms's and direct calling both in call centres and legal operations.

Method of provisioning and fair valuing:

MBD CS has built a model to value the principal book portfolio on a monthly basis. Each matter is modelled on a sixty month period based on the collection activity applied to it. A combination of inflows for each matter and cost projections are used to determine a net cash flow which is discounted to the present. This represents the fair value for that matter at the month end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

32. FINANCIAL RISK MANAGEMENT continued

32.1.1 Financial assets subject to risk

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

	Loans and advances Rm	Other loans receivable Rm	Trade and other receivables Rm	Purchased book debts Rm	Total Rm
2013					
Neither past due nor impaired	4 913	280	383	420	5 996
Past due but not impaired	2 372	–	28	–	2 400
Impaired	4 412	–	–	–	4 412
Impairment allowance	(1 630)	–	(19)	–	(1 649)
Unidentified impairment (incurred but not recorded)	(21)	–	–	–	(21)
Non-performing loans and advances	(1 609)	–	–	–	(1 609)
Non-performing trade and other receivables	–	–	(19)	–	(19)
Carrying value of written off book	165	–	–	–	165
Carrying value of financial assets	10 232	280	392	420	11 324
Fair value of collateral held for loans neither past due nor impaired	710	–	–	–	710

	Loans and advances Rm	Other loans receivable Rm	Trade and other receivables Rm	Purchased book debts Rm	Total Rm
2012					
Neither past due nor impaired	4 862	228	276	347	5 713
Past due but not impaired	1 708	–	44	–	1 752
Impaired	3 188	–	–	–	3 188
Impairment allowance	(1 021)	–	(12)	–	(1 033)
Unidentified impairment (incurred but not recorded)	(10)	–	–	–	(10)
Non-performing loans and advances	(1 011)	–	–	–	(1 011)
Non-performing trade and other receivables	–	–	(12)	–	(12)
Carrying value of written off book	43	–	–	–	43
Carrying value of financial assets	8 780	228	308	347	9 663
Fair value of collateral held for loans neither past due nor impaired	3 354	–	99	–	3 453

* *Prepayments are not financial assets and therefore have been excluded from trade and other receivables.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

32. FINANCIAL RISK MANAGEMENT continued

32.1 CREDIT RISK continued

32.1.2 Financial assets that are neither past due nor impaired

		2013 Rm	2012 Rm
Carrying amount of loans and advances that are neither past due nor impaired		**4 913**	4 862
Credit quality			
High	49 + months	**3 623**	3 309
Medium	25 – 48 months	**585**	986
Low	0 – 24 months	**705**	567

The credit quality of a debt is therefore determined as follows:

SA Taxi

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

Rand Trust

The credit committee assesses all applications for credit and will approve a facility based on the risk profile of the applicant, and an assessment of the collectability of their trade receivables and realisable value of other tangible security. Ongoing risk management and collections are handled by experienced credit controllers.

Bayport

Bayport Financial Services 2010 Proprietary Limited in conjunction with Principa Decisions has developed its own credit scoring models which are continuously refined or reinvented in order to segment the spectrum of risk more finely and more accurately. The credit quality segments have been determined by reference to both the scoring at application and behavioural performance.

MBD CS

The credit quality is assessed on the date the loan is granted, based on the loan to value percentage. Where the loan to value percentage is less than a 100% the credit quality is assessed as high, where it is in excess of 100% the credit quality is assessed as medium.

32.1.3 Financial assets that are past due but not impaired

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

	Past due up to 1 month Rm	Past due up to 1 – 2 months Rm	Past due up to 2 – 3 months Rm	Past due up to 3 – 4 months Rm	Past due older than 4 months Rm	Total Rm
2013						
Loans and advances	**667**	**311**	**216**	**146**	**1 032**	**2 372**
Trade and other receivables	**11**	**9**	**3**	**1**	**4**	**28**
Financial assets that are past due but not impaired	**678**	**320**	**219**	**147**	**1 036**	**2 400**
2012						
Loans and advances	578	244	368	39	478	1 708
Trade and other receivables	19	15	2	3	5	44
Financial assets that are past due but not impaired	597	259	370	42	483	1 752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

32. FINANCIAL RISK MANAGEMENT continued

32.1 CREDIT RISK continued

32.1.2 Financial assets that are neither past due nor impaired continued

Valuation of collateral

The group typically holds vehicles (taxis), bonds over residential property and debtor books in the case of invoice discounting as collateral against secured advances. Any security taken as part of the credit decision is valued according to the applicable credit policies at the time of credit approval and at regular intervals thereafter. The group uses a number of approaches for the valuation of collateral, including:

> SA Taxi's collateral over the secured debt is valued with reference to the selling prices achieved in the active secondary market for vehicles which has been created by SA Taxi through it's subsidiary Taximart Proprietary Limited and the TransUnion Auto Dealers Guide.

> Valuations of property held as security over mortgage loans take into account market conditions, area where the property is situated, the condition of the property and comparable sales within the geographical area.

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

32.2 INTEREST RATE RISK

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

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

The group has exposure to the effects of fluctuations in the prevailing levels of market interest rates on both the value of interest sensitive assets and liabilities and cash flows.

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

32.2.1 Risk profile of financial assets and liabilities

2013	Floating rate liabilities Rm	Floating rate assets Rm	Net floating rate liability Rm
Total	**7 011**	**4 588**	**(2 423)**

2012	Floating rate liabilities Rm	Floating rate assets Rm	Net floating rate liability Rm
Total	5 399	4 501	(898)

32.2.2 Weighted average interest rates are as follows:

	2013		2012	
	Bank balances %	Borrowings %	Bank balances %	Borrowings %
Total	**4.8%**	**10.2%**	4.1%	10.9%

The group is exposed to interest rate risk associated with the effects of fluctuations in the prevailing market rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

32. FINANCIAL RISK MANAGEMENT continued

32.3 INTEREST RATE SENSITIVITY ANALYSIS

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

Interest rate risk

	Effect on profit before tax of 1% increase in rates Rm	Total carrying value of asset class Rm
30 September 2013		
Assets		
Loans and advances	39	10 232
Fixed rate loans and advances	–	6 343
Floating rate loans and advances	39	3 889
Purchased book debts	4	420
Other loans receivable	3	280
Trade and other receivables	4	392
Cash and cash equivalents	7	673
	57	11 997
Liabilities		
Interest bearing borrowings	70	9 601
Fixed rate borrowings	–	2 590
Floating rate borrowings	70	7 011
Trade and other payables	3	307
Bank overdrafts	1	71
	74	9 979
Net exposure	(17)	2 018

	Effect on profit before tax of 1% increase in rates Rm	Total carrying value of asset class Rm
30 September 2012		
Assets		
Loans and advances	32	8 780
Fixed rate loans and advances	–	5 627
Floating rate loans and advances	32	3 153
Purchased book debts	3	347
Other loans receivable	2	228
Trade and other receivables	–	308
Cash and cash equivalents	11	1 101
	48	10 764
Liabilities		
Interest bearing borrowings	54	8 353
Fixed rate borrowings	–	3 121
Floating rate borrowings	54	5 232
Trade and other payables	2	771
Bank overdrafts	2	158
	58	9 282
Net exposure	(10)	1 482

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

32. FINANCIAL RISK MANAGEMENT continued

32.4 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 management are to manage the contractual mismatch between cash inflows from assets and cash outflows to settle liabilities, to fund the expected balance sheet growth, to honour all cash outflow commitments, to avoid raising funds at market premiums or through the forced sale of assets as a result of liquidity pressure, and to take advantage of attractive but unanticipated borrowing opportunities.

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

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

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

The table below analyses financial liabilities at the 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
2013					
Liabilities					
Bank overdrafts	71	–	–	–	71
Trade and other payables**	81	226	–	–	307
Interest-bearing liabilities	–	3 014	8 091	978	12 083
Financial liabilities	152	3 240	8 091	978	12 461
Non-financial liabilities	130	147	–	–	277
Total liabilities	282	3 387	8 091	978	12 738
2012					
Liabilities					
Bank overdrafts	158	–	–	–	158
Trade and other payables**	319	446	6	–	771
Interest-bearing liabilities	1	3 488	6 298	690	10 477
Financial liabilities	478	3 934	6 304	690	11 406
Non-financial liabilities	–	16	–	156	172
Total liabilities	478	3 950	6 304	846	11 578

** *Revenue received in advance, leave pay accrual and deferred lease liability are not financial liabilities and therefore have been excluded from trade and other payables*

32.5 CAPITAL RISK

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

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

Equity comprises permanent paid up capital, share premium, revenue and other reserves together with certain loans from shareholders.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

32. FINANCIAL RISK MANAGEMENT continued

32.6 INSURANCE AND ASSURANCE RISK

Insurance and assurance risk is the risk assumed under any insurance contract that the insured event occurs. By the very nature of an insurance/assurance contract, this risk is random and unpredictable. The exposure to assurance risk is limited through an underwriting strategy, limits and adopting appropriate risk assessment techniques. It is not the group's policy to reinsure risks that are within its risk appetite. The risk base of the group is not concentrated in any one region or sector of the economy.

Exposure to insurance risk

Assets underpinning the secured lending portfolio are insured with accredited insurers. The group is not exposed to any underwriting risk.

Exposure to assurance risk

The unsecured lending portfolio have life assurance policies with accredited insurers. The group is not exposed to underwriting risk.

32.7 CURRENCY RISK

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

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

The following significant exchange rates applied during the year:

	Average rate		Reporting date closing rate	
	2013	2012	2013	2012
USD	9.4	8.1	10.1	8.3
Euro	12.1	10.5	13.3	10.7
Pula	1.1	1.1	1.1	1.1
Foreign amounts included in the financial statements at the end of the financial year in millions of units of foreign currency.				
US dollars	7	3		
Euro	18	23		
Pula	202	1 543		

The cross-currency swaps that are in place mitigate the foreign currency risk with regard to the balances denominated in Euro.

32.8 FAIR VALUE DISCLOSURE

The fair values of financial assets and liabilities have been disclosed below:

	Carrying value 2013 Rm	Fair value 2013 Rm	Carrying value 2012 Rm	Fair value 2012 Rm
30 September 2013				
Assets				
Loans and advances	10 232	10 078	8 780	8 830
Purchased book debts	420	437	347	353
Other loans receivable	280	280	228	228
Trade and other receivables*	392	392	308	308
Cash and cash equivalents	673	673	1 101	1 101
	11 997	11 860	10 764	10 820
Liabilities				
Interest-bearing liabilities	9 601	9 774	8 353	8 653
Trade and other payables**	307	307	771	771
Bank overdrafts	71	71	158	158
	9 979	10 152	9 282	9 582
Net exposure	2 018	1 708	1 482	1 238

* *Prepayments are not financial assets and therefore have been excluded from trade and other receivables.*

** *Revenue received in advance, leave pay accrual and deferred lease liability are not financial liabilities and therefore have been excluded from trade and other payables.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

32. FINANCIAL RISK MANAGEMENT continued

32.9 HEDGE ACCOUNTING

The ineffective portion of fair value movements of hedging instruments for 2013 was nil (2012: Nil).

Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

	2013 Rm	2012 Rm
Balance at the beginning of the year	(3)	(3)
Gain/(loss) (net of tax) arising on changes in fair value of hedging instruments entered into for cash flow hedges	44	(4)
Currency swaps	44	(4)
(Gain)/loss (net of tax) arising on changes in fair value of hedging instruments reclassified to profit or loss	(37)	4
Interest rate swaps	2	–
Cross-currency swaps	(39)	4
Balance at the end of the year	4	(3)
(Gains)/losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year are included in the following line items in the consolidated income statement are as follows:		
Interest and similar income	2	1
Interest and similar expense		–
Non-interest revenue		–
Total operating costs	(54)	3
(Gains)/losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year	(52)	4

The time periods in which the hedged cash flows are expected to occur and affect the consolidated statement of comprehensive income are as follows:

2013	<1 year	1 – 5 years	> 5 years
Cash outflows	(51)	(141)	–
Cash inflows	51	141	–
Total cash flows	–	–	–

2012	<1 year	1 – 5 years	> 5 years
Cash outflows	(82)	(242)	–
Cash inflows	80	241	–
Total cash flows	(2)	(1)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

32. FINANCIAL RISK MANAGEMENT continued

32.10 CATEGORISATION

Financial assets

	2013				
	At fair value through other comprehensive income	Loans and receivables	Available-for-sale	Non-financial liabilities or financial assets	Total
Assets					
Cash and cash equivalents	–	673	–	–	673
Tax receivables	–	–	–	64	64
Trade and other receivables	60	332	–	113	505
Inventories	–	–	–	85	85
Loans and advances	–	10 232	–	–	10 232
Purchased book debts	–	420	–	–	420
Other loans receivable	–	280	–	–	280
Other investments	–	–	481	–	481
Equity accounted investments	–	–	–	4	4
Intangible assets	–	–	–	21	21
Property and equipment	–	–	–	96	96
Goodwill	–	–	–	594	594
Deferred tax assets	–	–	–	107	107
Non-current assets classified as held for sale	–	–	–	769	769
Total assets	60	11 937	481	1 853	14 331

	2012				
	At fair value through other comprehensive income	Loans and receivables	Available-for-sale	Non-financial liabilities or financial assets	Total
Assets					
Cash and cash equivalents	–	1 101	–	–	1 101
Tax receivables	–	–	–	28	28
Trade and other receivables	5	303	–	102	410
Inventories	–	–	–	203	203
Loans and advances	–	8 518	–	262	8 780
Purchased book debts	–	347	–	–	347
Other loans receivable	–	228	–	–	228
Other investments	–	–	316	–	316
Intangible assets	–	–	–	36	36
Property and equipment	–	–	–	308	308
Goodwill	–	–	–	927	927
Deferred tax assets	–	–	–	130	130
Total assets	5	10 497	316	1 996	12 814

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

32. FINANCIAL RISK MANAGEMENT continued

32.10 CATEGORISATION continued

Financial liabilities and equity

	2013				
	At fair value through other comprehensive income	Financial liabilities carried at amortised cost	Non-financial liabilities	Equity	Total
Equity and liabilities					
Liabilities					
Bank overdrafts	–	71	–	–	71
Tax payables	–	–	2	–	2
Trade and other payables	–	307	79	–	386
Provisions	–	2	–	–	2
Interest-bearing liabilities	–	9 601	–	–	9 601
Deferred tax liabilities	–	–	194	–	194
Liabilities directly associated with non-current assets classified as held for sale	–	–	180	–	180
Total liabilities	–	9 981	455	–	10 436
Equity					–
Ordinary share capital	–	–	–	1 779	1 779
Other reserves	–	–	–	385	385
Retained earnings	–	–	–	1 551	1 551
Equity attributable to ordinary equity holders of the parent	–	–	–	3 715	3 715
Non-controlling interests	–	–	–	180	180
Total equity	–	–	–	3 895	3 895
Total equity and liabilities	–	9 981	455	3 895	14 331

	2012				
	At fair value through other comprehensive income	Financial liabilities carried at amortised cost	Non-financial liabilities	Equity	Total
Equity and liabilities					
Liabilities					
Bank overdrafts	–	158	–	–	158
Tax payables	–	–	13	–	13
Trade and other payables	9	818	–	–	827
Provisions	–	3	–	–	3
Interest-bearing liabilities	–	8 353	–	–	8 353
Deferred tax liabilities	–	–	156	–	156
Total liabilities	9	9 332	169	–	9 510
Equity					
Ordinary share capital	–	–	–	1 792	1 792
Other reserves	–	–	–	268	268
Retained earnings	–	–	–	1 112	1 112
Equity attributable to ordinary equity holders of the parent	–	–	–	3 172	3 172
Non-controlling interests	–	–	–	132	132
Total equity	–	–	–	3 304	3 304
Total equity and liabilities	9	9 332	169	3 304	12 814

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

32. FINANCIAL RISK MANAGEMENT continued

32.10 STATEMENT OF COMPREHENSIVE INCOME CATEGORIES

	2013							
	Statement of comprehensive income							
	At fair value through profit or loss							
	Designated	Held for trading	Loans and receivables	Held to maturity	Available-for-sale	Financial liabilities carried at amortised cost	Non-financial liabilities or financial assets	Total
Interest income	–	–	2 683	–	–	–	–	2 683
Interest expense	–	–	(24)	–	–	(924)	–	(948)
Fee income arising from financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss – these are fees linked to financial instruments but are not recorded as part of interest	–	–	373	–	100	–	114	587
Fee expense arising from financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss – these are fees linked to financial instruments but are not recorded as part of interest	–	–	(142)	–	–	(8)	–	(150)
Dividend income	–	–	–	–	246	–	–	246
Net impairments on loans and advances	–	–	(1 038)	–	–	–	–	(1 038)
Net movements in financial instruments held at fair value through profit and loss	–	7	–	–	–	–	–	7
	–	7	1 852	–	346	(932)	114	1 387

	2012							
	Statement of comprehensive income							
	At fair value through profit or loss							
	Designated	Held for trading	Loans and receivables	Held to maturity	Available-for-sale	Financial liabilities carried at amortised cost	Non-financial liabilities or financial assets	Total
Interest income	–	–	2 222	–	–	–	–	2 222
Interest expense	–	–	(18)	–	–	(856)	–	(874)
Fee income arising from financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss – these are fees linked to financial instruments but are not recorded as part of interest	–	–	248	–	–	–	106	354
Fee expense arising from financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss – these are fees linked to financial instruments but are not recorded as part of interest	–	–	(90)	–	–	(5)	–	(95)
Dividend income	–	–	–	–	169	–	–	169
Dividend paid	–	–	–	–	–	–	(23)	(23)
Net impairments on loans and advances	–	–	(740)	–	–	–	–	(740)
Net movements in financial instruments held at fair value through profit and loss	–	1	–	–	–	–	–	1
	–	1	1 622	–	169	(861)	83	1 037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

32. FINANCIAL RISK MANAGEMENT continued

32.11 LEVEL DISCLOSURES

	2013			
	Level 1	Level 2	Level 3	Total
2013				
Financial assets at fair value through profit or loss				
Derivatives	–	60	–	60
Available-for-sale financial assets				
Available-for-sale financial investment	–	–	481	481
Total	–	60	481	541
Financial liabilities at fair value through profit and loss				
Derivatives	–	–	–	–
Total	–	–	–	–

	2012			
	Level 1	Level 2	Level 3	Total
2012				
Financial assets at fair value through profit or loss				
Derivatives	–	5	–	5
Available-for-sale financial assets				
Available-for-sale financial investment	–	–	316	316
Total	–	5	316	321
Financial liabilities at fair value through profit and loss				
Derivatives	–	9	–	9
Total	–	9	–	9

Reconciliation of Level 3 fair value measurements of financial assets

		2013		
		Fair value through profit or loss	Available for sale	Total
Opening balance		–	316	316
Total gains	In profit or loss	–	–	–
	In other comprehensive income	–	115	115
Closing balance		–	431	431

Reconciliation of Level 3 fair value measurements of financial assets

		2012		
		Fair value through profit or loss	Available for sale	Total
Opening balance		–	167	167
Total gains	In profit or loss	–	–	–
	In other comprehensive income	–	149	149
Closing balance		–	316	316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

32. FINANCIAL RISK MANAGEMENT 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 most impact 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 asset or liability of more than 10%. This is demonstrated by the following sensitivity analysis which includes a reasonable range of possible outcomes:

Group

	2013			
	Potential effect recorded in profit and loss		Potential effect recorded directly in equity	
Description of financial instruments which are fair valued	Favourable	Unfavourable	Favourable	Unfavourable
Available-for-sale investment	–	–	52	52
Total	–	–	52	52

	2012			
	Potential effect recorded in profit and loss		Potential effect recorded directly in equity	
Description of financial instruments which are fair valued	Favourable	Unfavourable	Favourable	Unfavourable
Available-for-sale investment	–	–	99	45
Total	–	–	99	45

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September

	2013 Rm	2012 Rm
33. RELATED PARTIES		
33.1 Blend Properties 17 Proprietary Limited (Blend) owns properties occupied by certain group subsidiaries. JM Jawno, MP Mendelowitz and R Rossi, who are directors of the company, are directors of Blend. Their family trusts each own 17.15% (2012: 17.03%) of the issued share capital of Blend (51.09% in aggregate).		
Transactions during the year		
Rent paid	44	23
33.2 Upperway Investments Proprietary Limited provided short-term funding to the company. JM Jawno, MP Mendelowitz and R Rossi, who are directors of the company, and their family trusts own all the issued shares of that company. The loan was repaid in full during the prior year.		
Transactions during the year		
Interest paid at 30 day JIBAR plus 900	–	2

34. SUBSEQUENT EVENTS

The sale of Paycorp became effective on 1 November 2013.

On 23 October 2013 Transaction Capital announced the sale of its 82.65% interest in Bayport for R1 330 million to Bayport Management Limited, subject to various conditions and approvals. The effective date of the disposal is expected to be before the end of 2013. As the transaction was approved by the board subsequent to the financial year end and not all conditions precedent have been met, Bayport is accounted for as a continuing operation.

COMPANY STATEMENT OF FINANCIAL POSITION

at 30 September

	Note	2013 Rm	2012 Rm
ASSETS			
Cash and cash equivalents	1	**32**	3
Trade and other receivables	2	**4**	1
Other loans receivable	3	**–**	–
Investment in subsidiaries	4	**3 094**	2 643
Deferred tax assets	5	**5**	10
Total assets		**3 135**	2 657
LIABILITIES			
Trade and other payables	6	**6**	17
Interest-bearing liabilities	7	**922**	449
Total liabilities		**928**	466
EQUITY			
Ordinary share capital	8	**1 779**	1 792
Retained earnings		**428**	399
Total equity		**2 207**	2 191
Total equity and liabilities		**3 135**	2 657

COMPANY INCOME STATEMENT

for the year ended 30 September

	Note	2013 Rm	2012 Rm
Interest and other similar income	9	**74**	51
Interest and other similar expense	9	**(64)**	(78)
Net interest income	9	**10**	(27)
Non-interest revenue	10	**133**	136
Total operating costs	11	**(4)**	(14)
Profit before tax		**139**	95
Income tax expense	12	**(5)**	5
Profit for the year		**134**	100

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September

	2013 Rm	2012 Rm
Profit for the year	**134**	100
Other comprehensive income	**–**	–
Total comprehensive income for the year	**134**	100

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September

	Number of ordinary shares million	Share capital Rm	Retained earnings Rm	Total equity Rm
Balance at 30 September 2011	471	908	299	1 207
Total comprehensive income	–	–	100	100
Profit for the year	–	–	100	100
Issue of shares	115	913	–	913
Repurchase of shares	(2)	(11)	–	(11)
Share issue costs	–	(18)	–	(18)
Balance at 30 September 2012	584	1 792	399	2 191
Total comprehensive income	**–**	**–**	**134**	**134**
Profit for the year	**–**	**–**	**134**	**134**
Dividends paid	**–**	**–**	**(105)**	**(105)**
Repurchase of shares	**(1)**	**(13)**	**–**	**(13)**
Balance at 30 September 2013	**583**	**1 779**	**428**	**2 207**

COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 September

	Note	2013 Rm	2012 Rm
Cash flow from operating activities			
Cash generated/(utilised) by operations	13	12	(39)
Income taxes paid	14	–	–
Dividends received		120	123
Dividends paid	15	(105)	–
Cash flow from operating activities before changes in operating assets and liabilities		27	84
(Increase)/ decrease in working capital		(14)	27
Trade and other receivables		(3)	23
Trade and other payables		(11)	4
Net cash generated by operating activities		13	111
Cash flow from investing activities			
Additional investment in subsidiaries and inter-company loans		(444)	(912)
Increase in other loans receivable		–	185
Net cash utilised by investing activities		(444)	(727)
Cash flow from financing activities			
Issue of shares for cash		–	913
Repurchase of shares		(13)	(11)
Share issue costs		–	(18)
Net proceeds from raising/(repayment) of interest-bearing liabilities		473	(453)
Net cash raised by financing activities		460	431
Net increase/(decrease) in cash and cash equivalents		29	(185)
Net cash and cash equivalents at the beginning of the year		3	188
Net cash and cash equivalents at the end of the year		32	3

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 30 September

		2013 Rm	2012 Rm
1.	**CASH AND CASH EQUIVALENTS**		
	Bank balances	–	2
	Call deposits	32	1
	Total cash and cash equivalents	32	3
	Bank overdrafts	–	–
	Net cash and cash equivalents	32	3
	Total overdraft facilities	140	190
2.	**TRADE AND OTHER RECEIVABLES**		
	Prepayments	4	1
	Total trade and other receivables	4	1
3.	**OTHER LOANS RECEIVABLE**		
	Gross loans receivable	–	–
	Impairment provision	–	–
	Net other loans receivable	–	–
	Reconciliation of movements in the year		
	Balance at the beginning of the year	–	185
	Ceded to subsidiary	–	(185)
	Other loans receivable	–	–
	Maturity analysis		
	Within one year	–	–
	Greater than one year	–	–
		–	–
4.	**INVESTMENT IN SUBSIDIARIES**		
	Shares at carrying value	1 527	1 527
	Amounts receivable	1 567	1 116
	Long-term*	1 504	1 127
	Current*	67	–
	Impairment	(4)	(11)
	Total investment	3 094	2 643
	Refer to note 17 for a schedule of subsidiaries		
	Allowance for impairment		
	Balance at the beginning of the year	(11)	(78)
	Impairments utilised in income statement	7	67
	Total impairment	(4)	(11)

* *These are unsecured loans with agreed interest and repayment terms*

		2013 Rm	2012 Rm
5.	**DEFERRED TAX**		
	Deferred tax is presented on the statement of financial position as follows:		
	Deferred tax assets	5	10
	Net deferred tax assets	5	10
	The movements during the year are analysed as follows:		
	Net deferred tax assets at the beginning of the year	10	5
	Charge to income statement for the year	(5)	5
	Net deferred tax assets at the end of the year	5	10

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30 September

	2013 Rm	2012 Rm
6. TRADE AND OTHER PAYABLES		
Trade payables and accruals	1	15
Other	5	2
Trade and other payables	6	17
The carrying value of trade and other payables approximates fair value.		
7. INTEREST-BEARING LIABILITIES		
Loans	922	449
	922	449
Payable within 12 months	–	–
Payable thereafter	922	449
	922	449

	Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value
2013							
Loans	Subordinated	Bullet	2008/05/29	Three month JIBAR + 3.00%	2015/05/29	ZAR	150
	Subordinated	Bullet	2011/07/01	13.10%	2016/07/01	ZAR	73
	Subordinated	Bullet	2011/07/01	12.30%	2016/07/01	ZAR	77
	Subordinated	Bullet	2010/10/15	Three month JIBAR + 5.00%	2017/11/30	ZAR	150
	Subordinated	Bullet	2013/07/16	Three month JIBAR + 4.75%	2018/07/16	ZAR	250
	Subordinated	Bullet	2013/07/05	Three month JIBAR + 4.50%	2018/07/05	ZAR	152
	Subordinated	Bullet	2013/07/05	11.62%	2018/07/05	ZAR	50
	Subordinated	Bullet	2013/08/14	Three month JIBAR + 4.50%	2018/08/14	ZAR	20
							922
2012							
Loans	Subordinated	Bullet	2008/05/29	Three month JIBAR + 3.00%	2015/05/29	ZAR	150
	Subordinated	Bullet	2011/07/01	13.10%	2016/07/01	ZAR	72
	Subordinated	Bullet	2011/07/01	12.30%	2016/07/01	ZAR	77
	Subordinated	Bullet	2010/10/15	Three month JIBAR + 5.00%	2017/11/30	ZAR	150
							449

	2013 Rm	2012 Rm
8. ORDINARY SHARE CAPITAL		
Authorised		
1 000 000 000 ordinary shares		
Issued		
582 581 177 (2012: 584 304 184) ordinary shares		
Ordinary share capital	1 779	1 792
Ordinary share capital	1 779	1 792
Preference share capital		
No par value shares		
Authorised		
10 000 000 cumulative, non-participating, non-convertible preference shares*		
Issued		
Nil (2012: Nil) preference shares		

* *Created by a special resolution passed on 14 January 2013.*

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30 September

	2013 Rm	2012 Rm
9. INTEREST		
Interest and other similar income is earned from:		
Cash and cash equivalents	3	10
Subsidiaries	71	41
Interest and other similar income	74	51
Interest and other similar expenses are paid on:		
Bank overdrafts	(3)	(2)
Interest-bearing liabilities	(61)	(76)
Interest and other similar expense	(64)	(78)
Interest and other similar income	74	51
Interest and other similar expense	(64)	(78)
Net interest income	10	(27)
10. NON-INTEREST REVENUE		
Non-interest revenue comprises:		
Investment income	120	123
Dividends received – subsidiaries	120	123
Other income	13	13
	133	136
11. TOTAL OPERATING COSTS		
Total operating costs comprise:		
Bank charges	(1)	–
Impairment of loans receivable – reversed	7	67
Audit fees	(1)	> (1)
Audit fees – current year	> (1)	> (1)
Audit fees – prior periods	> (1)	–
Other fees	> (1)	–
Legal fees	(3)	(1)
Listing costs	–	(19)
Loss on sale of investment	–	(56)
Professional fees	–	<1
Directors' emoluments	(5)	(5)
Other	(1)	–
Total operating costs	(4)	(14)
12. INCOME TAX EXPENSE		
South African normal taxation:		
Deferred taxation	(5)	3
Current year	(5)	3
Capital gains tax	–	2
Deferred taxation	–	2
Total income tax expense	(5)	5
Tax rate reconciliation	%	%
South African tax rate	28.0	28.0%
Tax effects of:		
Income not subject to tax – dividends	(24.1)	(36.1)
Other non-taxable income	(1.4)	(19.7)
Expenses not deductible for tax purposes	0.7	24.7
Prior year taxes	0.0	(2.0)
Effective tax rate	3.2	(5.1)

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30 September

	2013 Rm	2012 Rm
13. CASH GENERATED/(UTILISED) BY OPERATIONS		
Profit before taxation	139	95
Adjusted for:		
Investment income	(120)	(123)
Loss on disposal of unlisted investment	–	56
Movement in provisions	(7)	(67)
Cash generated/(utilised) by operations	12	(39)
14. INCOME TAXES PAID		
Charged in income statement	(5)	5
Deferred taxation	5	(5)
Income taxes paid	–	–
15. DIVIDENDS PAID TO ORDINARY SHAREHOLDERS		
Ordinary dividends for the year	(105)	–
Dividends paid	(105)	–

An interim dividend of 9 (2012: Nil) cents per share was declared on 7 May 2013 and paid on 10 June 2013.

A final dividend of 12 (2012: 9) cents per share was declared on 26 November 2013 for payment on or about 23 December 2013.

Refer to the directors' report for additional information

16. RELATED PARTIES

16.1 SHORT-TERM FUNDING

Upperway Investments Proprietary Limited provided short-term funding to the company. J Jawno, M Mendelowitz and R Rossi, who are directors of the company, and their family trusts own all the issued shares of that company. The loan was repaid in full during the prior year.

	2013 Rm	2012 Rm
Transactions during the year		
Interest paid at 30-day JIBAR plus 900	–	2

16.2 SUBSIDIARIES

Details of share ownership and loan balances are disclosed in note 17.

	2013 Rm	2012 Rm
The following income was received from subsidiaries:		
Interest		
TC Treasury Proprietary Limited	62	25
Ellehove Investments Proprietary Limited	9	8
Bayport Financial Services 2010 Proprietary Limited	–	7
Fees		
TC Corporate Support Proprietary Limited	13	13

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30 September

	Nature of business and status	Issued share capital		Effective percentage held		Investment (at cost less impairments)		Loans	
		2013 Rm	2012 Rm	2013 %	2012 %	2013 Rm	2012 Rm	2013 Rm	2012 Rm
17. SUBSIDIARIES									
Transaction Capital Limited	T								
Asset-backed lending									
Rand Trust Financiers Proprietary Limited	*/T	<1	<1	100.0	100.0	44	44	–	–
Dubrovnik Properties Proprietary Limited	D	<1	<1	100.0	100.0				
Rand Trust Securitisation Proprietary Limited	D	<1	<1	100.0	100.0				
Rand Trust Securitisation (Ownership Trust)	#/D								
SA Taxi Finance Holdings Proprietary Limited	*/T	<1	<1	100.0	100.0	128	128	20	20
SA Taxi Development Finance Proprietary Limited	T	<1	<1	100.0	100.0				
Taximart Proprietary Limited	T	<1	<1	100.0	100.0				
SA Taxi Risk Management Services Proprietary Limited	T	<1	<1	100.0	100.0				
SA Taxi Securitisation Proprietary Limited	#/T	<1	<1	100.0	100.0				
SA Taxi Finance Solutions Proprietary Limited	#/T	<1	<1	100.0	100.0				
SA Taxi Finance Insurance Brokers Proprietary Limited	D	<1	<1	100.0	100.0				
Bompass Collections Proprietary Limited	D	<1	<1	100.0	100.0				
Sanderville Investments Proprietary Limited	*/D	<1	<1	100.0	100.0				
Potpale Proprietary Limited	T	<1	–	100.0	–				
Gymdale Investments Proprietary Limited	D	<1	–	100.0	–				
Keywood Proprietary Limited	T	<1	–	100.0	–				
SA Bakkie Finance Proprietary Limited	D	<1	–	100.0	–				
SA Taxi Warehouse Co Security SPV Proprietary Limited	D	<1	–	100.0	–				
Unsecured lending									
Bayport Financial Services Proprietary Limited	*/D	<1	<1	100.0	100.0	4	4	–	–
Bayport Financial Services 2010 Proprietary Limited	*/T	<1	<1	82.7	82.7	653	653	–	–
Bayport Securitisation Proprietary Limited	#/T	<1	<1	100.0	82.7				
M Stores Proprietary Limited	T	<1	<1	95.0	74.4				
Baymobile Proprietary Limited	T	<1	<1	100.0	66.1				
Zenthyme Investments Proprietary Limited	*/T	<1	<1	82.7	82.7	<1	<1	–	–
Payment services									
Paycorp Holdings Proprietary Limited	*/T	<1	<1	100.0	100.0	431	431	–	–
ATM Solutions Proprietary Limited	T	<1	<1	100.0	100.0				
ATM Solutions Mauritius Limited	D	<1	<1	100.0	100.0				
ATM Solutions (Namibia) Proprietary Limited	T	<1	<1	100.0	100.0				
DrawCard Proprietary Limited	T	<1	<1	90.0	90.0				
EFTPOS Proprietary Limited	T	<1	<1	100.0	100.0				
Reload Card Proprietary Limited	D	<1	<1	100.0	100.0				
ATM Securitisation Ownership Trust	#/T	<1	<1	100.0	100.0				
ATM Solutions Group Securitisation Proprietary Limited	#/T	<1	<1	100.0	–			67	–
ATM Solutions Zambia Limited 2012	T	<1	<1	80.0	–				

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30 September

	Nature of business and status	Issued share capital		Effective percentage held		Investment (at cost less impairments)		Loans	
		2013 Rm	2012 Rm	2013 %	2012 %	2013 Rm	2012 Rm	2013 Rm	2012 Rm
17. SUBSIDIARIES continued									
Credit services									
MBD Credit Solutions Holdings Proprietary Limited	*/T	**<1**	<1	**100.0**	100.0	**143**	143	**–**	–
Asset Solutions Company Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
MBD Asset Solutions Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Baybridge System Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
Capital Data Asset Recovery Management Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Capital Debt Recovery Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
First Credit Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
Legal and Trade Collections Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
MBD Credit Solutions Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Collection and Financial Services Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
Capital Debt Recovery Proprietary Limited Botswana	T	**<1**	<1	**100.0**	100.0				
CMS Capital Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
Credit Management Solutions Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
Credit Management Solutions Group Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
Credit Management Solutions Trading Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
BDB Data Bureau Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
MBD Legal Collections Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Credit Health Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Origin Eight Financial Services Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Mortgage Capital Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
Specialised Mortgage Capital Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Company Unique Finance Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Afribrokers Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Principa Decisions Proprietary Limited	*/T	**<1**	<1	**100.0**	100.0	**35**	35	**–**	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30 September

	Nature of business and status	Issued share capital 2013 Rm	Issued share capital 2012 Rm	Effective percentage held 2013 %	Effective percentage held 2012 %	Investment (at cost less impairments) 2013 Rm	Investment (at cost less impairments) 2012 Rm	Loans 2013 Rm	Loans 2012 Rm
17. SUBSIDIARIES continued									
Corporate support									
TC Corporate Support Proprietary Limited	*/T	**<1**	<1	**100.0**	100.0				
TC Treasury Proprietary Limited	*/T	**<1**	<1	**100.0**	100.0			**1 425**	542
Transaction Capital Share Trust	#/T	**<1**	<1	**100.0**	100.0				
Transactional Capital General Share Scheme	#/T	**<1**	<1	**100.0**	100.0				
Nisela Investments Proprietary Limited	*	**<1**	<1	**–**	–				
– Ordinary shares	*/D	**<1**	<1	**100.0**	100.0	**89**	89		
– Preference shares	*/D	**<1**	<1	**–**	–				
Aquarella Investments 471 Proprietary Limited	^	**–**	<1	**–**	100.0				
TC Executive Holdings Proprietary Limited	*/D	**<1**	<1	**100.0**	100.0				
Transaction Capital Business Partners Proprietary Limited	*/T	**<1**	<1	**100.0**	100.0				
Red Sky Finance Proprietary Limited	*/D	**<1**	<1	**100.0**	100.0				
Ellehove Investments Proprietary Limited	T	**<1**	<1					**59**	565
Transaction Capital Securitisation Trust	#/T	**<1**	<1	**100.0**	100.0				
CMS Securitisation Proprietary Limited	#/D	**<1**	<1	**100.0**	100.0				
SA Taxi Securitisation Proprietary Limited	#/T	**<1**	<1	**100.0**	100.0				
Specialised Mortgage Capital Guarantee Proprietary Limited	#/D	**<1**	<1	**100.0**	100.0				
Specialised Mortgage Capital Warehouse Proprietary Limited	#/T	**<1**	<1	**100.0**	100.0				
CUF Security Proprietary Limited	#/D	**<1**	<1	**100.0**	100.0				
						1 527	1 527	**1 571**	1 127

* *Directly held.*
\# *Consolidated special purpose entity.*
T *Trading company.*
D *Dormant company.*
^ *Deregistered.*
Amounts less than R500 000 are reflected as "<1".

NOTICE OF ANNUAL GENERAL MEETING

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

ACTION REQUIRED

If you are in any doubt as to what action you should take arising from this notice, please consult your broker, Central Securities Depository Participant (CSDP), banker, accountant, attorney or other professional adviser immediately.

If you have disposed of all of your shares in Transaction Capital, please forward this notice to the purchaser of such shares or to the broker, CSDP, banker, accountant, attorney or other agent through whom the disposal of your Transaction Capital shares was effected.

Transaction Capital does not accept any responsibility and will not be held liable for any failure on the part of the broker or CSDP of any holder of dematerialised Transaction Capital shares to notify such shareholder of this notice and the annual general meeting.

Transaction Capital

TRANSACTION CAPITAL LIMITED

(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE: Code TCP ISIN: ZAE 000167391
('Transaction Capital' or the 'company')

NOTICE TO SHAREHOLDERS OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 30 SEPTEMBER 2013

AND CONVENED IN TERMS OF SECTION 61 (7) OF THE COMPANIES ACT, NO. 71 OF 2008, AS AMENDED (THE COMPANIES ACT)

Notice is hereby given to all shareholders recorded in the company's securities register on Friday, 21 February 2014 that the annual general meeting of shareholders of the company will be held in the Lord of The Rings Meeting Room, Ground Floor, Transaction Capital House, 14 Pongola Crescent, Eastgate Extension 17, Sandton on Tuesday, 04 March 2014 at 09:30 or any other adjourned or postponed date and time determined in accordance with the provisions of sections 64(4) or 64(11)(a)(i) of the Companies Act, as read with the JSE Limited (JSE) Listings Requirements (the JSE Listings Requirements), which meeting may be attended by, participated in and voted at by shareholders recorded in the company's securities register as at Friday, 21 February 2014 (with the last day to trade in order to be able to attend and vote at the annual general meeting being Friday, 14 February 2014), for the purposes of transacting the business set out below and considering (and, if deemed fit, passing, with or without modification) the ordinary and special resolutions contained in this notice in the manner required by the Companies Act and subject to the JSE Listings Requirements.

This document is important and requires your immediate attention. Shareholders' attention is drawn to the notes at the end of this notice, which contain important information with regard to shareholder participation at the annual general meeting.

Copies of the integrated annual report containing this notice are available in English only and may be obtained from the date of issue of this notice of annual general meeting until the date of the annual general meeting, both days inclusive, during normal business hours from the registered office of the company and the offices of the transfer secretaries, the addresses of which are set out in the Administration section of the integrated annual report and at the end of this notice.

The purpose of the annual general meeting is for the following business to be transacted and for the ordinary and special resolutions set out below to be proposed:

A. AUDITED FINANCIAL STATEMENTS

1. To present the audited financial statements of the company and its subsidiaries (the group), as envisaged in section 3 of the Companies Act, including the directors' report, external auditors' report and the audit committee report, for the year ended 30 September 2013.

2. To consider the report by the chief executive officer of the company.

B. ORDINARY AND SPECIAL RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions:

NOTICE OF ANNUAL GENERAL MEETING continued

1. SPECIAL RESOLUTION NUMBER 1

APPROVAL OF NON-EXECUTIVE DIRECTORS' AND COMMITTEE MEMBERS' FEES

Sections 65(11), 66(8) and 66(9) of the Companies Act

Resolved that:

The following annual fees shall be paid to non-executive directors of the company for their services as directors, audit and risk committee members and other board committee members quarterly in arrear, which have been determined by the board through the nominations and remuneration committee on a market-related basis (with no additional meeting attendance fees) and in accordance with the provisions set out below:

	Proposed maximum annual fees from January 2014 R
Directors	
Chairman (including committee attendances)	1 200 000
Lead independent director (including committee attendances)	1 000 000
Other directors	250 000
Audit and risk committee	
Chairman	350 000
Member	150 000
Other board committees	
Chairman	125 000
Member	60 000

Fees for audit and risk committee and board committee members are in addition to board member fees, except as stated above.

Explanation and effect of special resolution number 1, approval of non-executive directors' and committee members' fees:

In terms of sections 65(11), 66(8) and 66(9) of the Companies Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by shareholders within the previous two years and if this is not prohibited in terms of the company's memorandum of incorporation. The passing of this special resolution will have the effect of approving the remuneration and the basis therefor, of each of the non-executive directors of the company and committee members up until the year ending 30 September 2015 in accordance with section 66(9) of the Companies Act.

2. SPECIAL RESOLUTION NUMBER 2

AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 45 OF THE COMPANIES ACT

Section 45 of the Companies Act

Resolved that:

The board may, subject to compliance with the requirements of the company's memorandum of incorporation and the requirements of the Companies Act (including but not limited to the board being satisfied that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in section 4 of the Companies Act) and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company), authorise the company to provide at any time and from time to time during the period of 2 (two) years commencing on the date of the adoption of this special resolution, direct or indirect financial assistance, including without limitation by way of loans, guarantees, the provision of security or otherwise, as envisaged in section 45 of the Companies Act to a related or inter-related company or corporation (as such term is defined in section 2 of the Companies Act) (subject to the provisions of section 45 of the Companies Act) provided that such financial assistance may be granted up to a limit of R2 billion per transaction on the basis that the aggregate net outstanding financial assistance provided in terms of section 45 of the Companies Act will not at any time exceed R4 billion.

Such authority is to endure for a period of two years following the date on which this resolution is adopted or earlier renewal.

Explanation and effect of special resolution number 2, authority to provide financial assistance in terms of section 45 of the Companies Act:

The reason for special resolution number 2 is to obtain approvals from the shareholders of the company to enable the company to provide financial assistance, when the need arises, to one or more related or inter-related companies or corporations (as such term is defined in section 2 of the Companies Act) in accordance with the provisions of section 45 of the Companies Act. The effect of special resolution number 2 is that the company will have the necessary authority to provide financial assistance to the category of potential recipients as and when required but provided that the board will not approve a resolution to authorise such financial assistance unless the directors are satisfied that:

> immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and

> the terms under which the financial assistance is proposed to be given in terms of section 44 are fair and reasonable to the company.

The general authority from shareholders in special resolution number 2 will allow the company to continue giving financial assistance, including without limitation making loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances, one or more related or inter-related companies, subject to the cap on the amount of this financial assistance which may be granted, as contemplated in the special resolution. A general authorisation from shareholders avoids the need to refer each instance to shareholders for approval with the resulting time delays and expense. If approved, this general authority will expire at the end of two years from the date on which this resolution is passed. There is, however, the intention to renew the authority annually at the next annual general meeting.

Notification

Shareholders are hereby notified in terms of section 45(5) of the Companies Act that the board has passed the corresponding resolutions to take effect on the passing of this special resolution by shareholders.

3. SPECIAL RESOLUTION NUMBER 3

AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 44 OF THE COMPANIES ACT

Section 44 of the Companies Act

Resolved that:

The board may, subject to compliance with the requirements of the company's memorandum of incorporation and the requirements of the Companies Act (including but not limited to the board being satisfied that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in section 4 of the Companies Act) and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company), authorise the company to provide, at any time and from time to time during the period of 2 (two) years commencing on the date of the adoption of this special resolution, direct or indirect financial assistance envisaged in section 44 of the Companies Act, to any person for the purpose of or in connection with the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company (as such term is defined in section 2 of the Companies Act) or for the purchase of any securities of the company or a related or inter-related company, subject to the provisions of section 44 of the Companies Act, including without limitation by way of loan, guarantees, the provision of security, the giving of indemnities, the giving of warranties, or otherwise, as envisaged in section 44 of the Companies Act.

Explanation and effect of special resolution number 3, authority to provide financial assistance in terms of section 44 of the Companies Act:

The reason for special resolution number 3 is to obtain approvals from the shareholders of the company to enable the company to provide financial assistance, when the need arises, to any person for the purpose of or in connection with the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company (as such term is defined in section 2 of the Companies Act) or for the purchase of any securities of the company or a related or inter-related company in accordance with the provisions of section 44 of the Companies Act. The effect of special resolution number 3 is that the company will have the necessary authority to provide financial assistance as contemplated in section 44 of the Companies Act when required but provided that the board will not approve a resolution to authorise such financial assistance unless the directors are satisfied that:

NOTICE OF ANNUAL GENERAL MEETING continued

> immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and

> the terms under which the financial assistance is proposed to be given in terms of section 44 are fair and reasonable to the company.

The general authority from shareholders in special resolution number 3 will allow the company to give financial assistance as envisaged in section 44 of the Companies Act, which includes without limitation, the making of loans, the giving of guarantees, the provision of security, the giving of warranties, the giving of indemnities, or otherwise for the purpose of or in connection with the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company (as such term is defined in section 2 of the Companies Act) or for the purchase of any securities of the company or a related or inter-related company in accordance with the provisions of section 44 of the Companies Act. A general authorisation from shareholders avoids the need to refer each instance to shareholders for approval with the resulting time delays and expense. If approved, this general authority will expire at the end of two years from the date on which this resolution is passed. There is, however, the intention to renew the authority annually at the next annual general meeting.

4. SPECIAL RESOLUTION NUMBER 4

GENERAL AUTHORITY TO REPURCHASE SECURITIES

Sections 5.72, 5.68, 5.79, 5.84 and 11.26 of the JSE Listings Requirements

Resolved that:

The directors are hereby authorised as a general authority, and as permitted in terms of clause 35 of the company's memorandum of incorporation, to repurchase securities issued by the company on such terms and conditions as may be determined by them subject to the restrictions placed by the Companies Act and the following provisions of the JSE Listings Requirements:

> that the company is enabled by the memorandum of incorporation to repurchase such securities;

> that the repurchase of securities be effected on the open market through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);

> that this general authority be valid only until the next annual general meeting or for fifteen months from the date of the passing of this resolution, whichever is the earlier date;

> that an announcement be made giving such details as may be required in terms of the JSE Listings Requirements when the company has cumulatively repurchased 3% of the initial number (the number of that class of securities in issue at the time that the general authority is granted by the passing of this special resolution) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter;

> at any point in time the company may only appoint one agent to effect any repurchase on the company's behalf;

> repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined by the JSE Listings Requirements unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;

> the general repurchase of securities shall not, in the aggregate, in any one financial year, exceed 20% of the company's issued capital of that class in any one financial year;

> in terms of the Companies Act, a maximum of 10% in aggregate of the company's issued capital may be repurchased, by the subsidiaries of the company;

> the repurchase of securities may not be made at a price greater than 10% above the weighted average of the market value of the securities as determined over the five business days immediately preceding the date on which the transaction is effected. The JSE will be consulted for a ruling if the company's securities have not traded in such five business day period;

> if the company enters into derivative transactions that may or will result in the repurchase of securities in terms of this general authority, such transactions will be subject to the requirements in the first, third, fifth, sixth and seventh bullets above, and the provisions of the JSE Listings Requirements, including, inter alia, the following requirements:

(a) the strike price of any put option written by the company less the value of the premium received by the company for that put option may not be greater than the fair value of a forward agreement based on a spot price not greater than the maximum price in the ninth bullet above;

(b) the strike price and any call option may be greater than the maximum price in the ninth bullet above at the time of entering into the derivative agreement, but the company may not exercise the call option if it is more than 10% out the money; and

(c) the strike price of the forward agreement may be greater than the maximum price (in the ninth bullet above) but limited to the fair value of a forward agreement calculated from a spot price not greater than the maximum price in the ninth bullet above.

> the company may not enter the market to proceed with the repurchase of its securities until the company's sponsor has confirmed in writing to the JSE that the company and its directors have complied with their responsibilities as set out in Schedule 25 of the JSE Listings Requirements; and

> the board must pass a resolution that they authorised the repurchase and that the company passed the solvency and liquidity test as set out in section 4 of the Companies Act, and that since the test was done there have been no material changes to the financial position of the group.

The directors are of the opinion that, after considering the effect of the maximum repurchase permitted and for a period of twelve months after the date of this notice of annual general meeting:

> the assets of the company and the group, as fairly valued, exceed the liabilities of the company and the group, as fairly valued;

> it appears that the company and the group will be able, in the ordinary course of business, to pay their debts as they become due in the ordinary course of business for a period of twelve months after the date on which the test is considered;

> working capital of the company and the group will be adequate for ordinary business purposes; and

> share capital and reserves of the company and the group will be adequate for ordinary business purposes.

Explanation and effect of special resolution number 4, general authority to repurchase securities:

The explanation for special resolution number 4 is to grant the board the general authority and requisite approval to enable and facilitate the acquisition by the company of the company's own securities, subject to the provisions of the memorandum of incorporation of the company, the Companies Act and the JSE Listings Requirements. The effect of special resolution number 4 is that the company is authorised to repurchase its own securities at any time while the general authority exists, in compliance with the provisions of the JSE Listings Requirements, the Companies Act and the memorandum of incorporation of the company. Please see additional information to consider in respect of this special resolution in the section of this notice marked Additional Information, Record Dates, Voting, Proxies And Electronic Participation on page 92 of this notice of annual general meeting.

This general authority to acquire the company's securities replaces the general authority granted by the shareholders at the previous annual general meeting of the company held on 5 March 2013.

It is recorded that at present, the board has no specific intention with regard to the utilisation of the general authority which is the subject of special resolution number 4.

5. SPECIAL RESOLUTION NUMBER 5

GENERAL AUTHORITY TO ALLOT AND ISSUE AUTHORISED BUT UNISSUED SECURITIES FOR CASH

Section 5.52 of the JSE Listings Requirements as read with clause 19.9 of the memorandum of incorporation

Resolved that:

The directors are hereby authorised as a general authority, to allot and issue the authorised but unissued securities for cash, upon such terms and conditions and to such persons as they in their discretion may determine, subject to the provisions of the Companies Act, the memorandum of incorporation of the company and the JSE Listings Requirements provided that:

> the securities be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;

> securities may only be issued to public shareholders as defined in the JSE Listings Requirements, and not to related parties, unless the JSE agrees otherwise;

> the securities which are the subject of general issues for cash:

NOTICE OF ANNUAL GENERAL MEETING continued

  - in the aggregate in any one financial year may not exceed 15% of the company's equity securities in issue of that class as at the date of the passing of the notice of annual general meeting, limited to 75 million ordinary shares, provided that such authorisation be valid only until the next annual general meeting or fifteen months from the date of passing resolution, whichever is the earlier date;
  - the calculation of the company's listed equity securities must be a factual assessment of the company's listed equity securities as at the date of the notice of annual general meeting, excluding treasury shares;
  - the specific number of shares representing the number up to 15% of the company's listed equity securities as at the date of the notice of annual general meeting must be included as a number in the resolution seeking the general issue for cash authority;
  - any equity securities issued under the authority during the period contemplated in the first bullet above must be deducted from such number in the third bullet above; and
  - in the event of a sub-division or consolidation of the issued equity securities during the contemplated in the first bullet above, the existing authority must be adjusted accordingly to represent the same allocation ratio.
- the maximum discount at which such securities may be issued or sold, as the case may be, is 10% of the weighted average traded price of such securities on the JSE over the 30 business days preceding the date that the price of the issue is agreed between the company and the party subscribing for the securities;
- any such general issues are subject to exchange control regulations and approval at that point in time;
- a SENS announcement giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per security (and if applicable, diluted earnings and diluted headline earnings per security) will be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to the issue; and
- this authority includes any options/convertible securities that are convertible into an existing class of equity securities.

Explanation and effect of special resolution number 5, general authority to allot and issue authorised but unissued securities:

The explanation for special resolution number 5 is to authorise and approve the company's allotment and issue of authorised but unissued securities by the board upon such terms and conditions and to such persons as they in their discretion may determine subject to limitations and other provisions contained herein, in the Companies Act, the memorandum of incorporation of the company and the JSE Listings Requirements.

In terms of the JSE Listings Requirements in order to be adopted, this resolution is ordinarily passed as an ordinary resolution adopted by achieving a 75% majority of the votes cast. In terms of clause 19.9 of the company's memorandum of incorporation, for so long as the company is listed on the JSE, if any of the JSE Listings Requirements require an ordinary resolution to be passed with a 75% (seventy five per cent) majority, the resolution shall instead be required to be passed by a special resolution. Accordingly, this general authority to issue securities for cash is being obtained as a special resolution.

6. SPECIAL RESOLUTION NUMBER 6

AMENDMENT TO THE MEMORANDUM OF INCORPORATION OF THE COMPANY

Resolved that:

in terms of section 16(1)(c) read with 16(5)(b) of the Companies Act, the memorandum of incorporation of the company be and is hereby amended, with effect from the date of passing this resolution, by the deletion of clause 18.11 in its entirety and the replacement therefore with a new clause 18.11, as set out below, it being resolved that save for the contemplated amendment of clause 18.11 of the company's memorandum of incorporation, the memorandum of incorporation shall remain unaltered and shall be and continue to be of full force and effect in accordance with its provisions:

"18.11 Any firm of Auditors appointed by the Company as the Auditor shall ensure that the individual responsible for performing the Audit must comply with the requirements of the Companies Act, provided that:

18.11.1 the same individual may not serve as the Auditor or designated Auditor for more than 5 (five) consecutive financial years, which period, for the avoidance of doubt, will commence on 1 May 2011, being the effective date of the Companies Act;

18.11.2 if an individual has served as the Auditor or designated Auditor for 2 (two) or more consecutive financial years and then ceases to be the Auditor or designated Auditor, the individual may not be appointed again as the Auditor or designated Auditor until after the expiry of at least 2 (two) further financial years."

Explanation and effect of special resolution number 6, amendment of memorandum of incorporation of the company:

The board has proposed the aforementioned amendment of the provisions of clause 18.11 of the memorandum of incorporation of the company. The proposed amendments do not alter the substantive content of clause 18.11 of the memorandum of incorporation but rather clarifies the calculation methodology of the time period referred to in clause 18.11.1 of the company's memorandum of incorporation. The period of time referred to is that which an auditor or designated auditor may hold such office in respect of the company. Save for the amendment to clause 18.11 contemplated in the special resolution 6 above, the remaining provisions of the company's memorandum of incorporation will remain unaltered.

This resolution, if passed, will be of effect from the date of the passing of this resolution, subject to the delivery and filing by the company of the notice of amendment with the Companies and Intellectual Property Commission (the CIPC) and the CIPC's issuing a registration certificate in respect of the amendment.

7. ORDINARY RESOLUTION NUMBER 1

RE-ELECTION OF DIRECTORS

Resolved that:

The following directors, who retire in terms of the company's memorandum of incorporation, and who, being eligible, have offered themselves for re-election, be re-elected in terms of section 68(2)(a) of the Companies Act, each by way of a separate vote:

1. JM Jawno
2. MP Mendelowitz
3. R Rossi
4. DD Tabata

Explanation and effects of ordinary resolution number 1, re-election of directors:

In terms of clause 21.2 of the company's memorandum of incorporation one third of the non-executive directors retire annually by rotation and all directors who have held office for three years since their last election or appointment also retire. The directors retiring at the annual general meeting have indicated their willingness to stand for re-election.

The re-election of each of the aforementioned directors must be voted on by way of separate ordinary resolutions.

The directors have reviewed the composition of the board of directors of the company (the board) and recommend the re-election of each of JM Jawno, MP Mendelowitz, R Rossi and DD Tabata which will enable the company, inter alia, to:

> responsibly maintain a mixture of business skills and experience relevant to the company and the group and balance the requirements of transformation, continuity and succession planning; and

> comply with corporate governance requirements, in respect of the balance of executive, non-executive and independent directors on the board.

8. ORDINARY RESOLUTION NUMBER 2

NON-BINDING ADVISORY VOTE ON REMUNERATION POLICY

Resolved that:

The company's remuneration policy be and is hereby endorsed by way of a non-binding advisory vote.

Explanation and effect of ordinary resolution number 2, non-binding advisory vote on remuneration policy:

The company is required in terms of the King Code of Corporate Governance for South Africa to put the company's remuneration policy to shareholders who can vote thereon in a non-binding advisory capacity.

NOTICE OF ANNUAL GENERAL MEETING continued

9. ORDINARY RESOLUTION NUMBER 3

APPOINTMENT OF MEMBERS OF AUDIT COMMITTEE

Section 94(2) of the Companies Act

Resolved that:

The following independent non-executive directors of the company, each of whom meet the required criteria for a member of the audit committee stipulated in the memorandum of incorporation of the company, are each elected as a member of the audit committee, by way of a separate vote, until the next annual general meeting of the shareholders of the company, subject to the provisions of the memorandum of incorporation of the company and the Companies Act:

1. DF Woollam
2. C Seabrooke
3. P Langeni

Explanation and effects of ordinary resolution number 3, appointment of members of the audit committee:

All public companies are required to have an audit committee comprising at least three persons who are independent non-executive directors and eligible in terms of section 94 of the Companies Act. In terms of section 94(2) of the Companies Act, an audit committee must be elected annually at the annual general meeting of a public company.

The election of each of the aforementioned independent non-executive directors as audit committee members will be voted upon by way of separate ordinary resolutions.

10. ORDINARY RESOLUTION NUMBER 4

APPOINTMENT OF AUDITORS

Sections 90 and 94(7) of the Companies Act

Resolved that:

On recommendation of the current audit committee, as envisaged in section 94(7)(a) of the Companies Act, Deloitte & Touche (with L Nunes as the lead audit partner) be re-appointed as the independent external auditors of the company until the conclusion of the next annual general meeting of the company, it being recorded that such appointment be in accordance with the provisions of clause 18 of the company's memorandum of incorporation.

Explanation and effect of ordinary resolution number 4, appointment of auditors:

In terms of section 90(1) of the Companies Act, a public company is to appoint an auditor each year at its annual general meeting. The effect of this ordinary resolution will be to re-appoint Deloitte & Touche, together with L Nunes as individual registered auditor, as auditors for the company, in accordance with the terms of the company's memorandum of incorporation.

11. ORDINARY RESOLUTION NUMBER 5

ISSUE OF SECURITIES FOR ACQUISITIONS IN CIRCUMSTANCES OTHER THAN THOSE COVERED BY SPECIAL RESOLUTION NUMBER 5

Resolved that:

The authorised but unissued ordinary shares in the capital of the company be and are hereby placed under the control and authority of the board until the conclusion of the next annual general meeting, and that the board be and are hereby authorised and empowered to issue such unissued ordinary shares as consideration for acquisitions in any way they may deem fit, subject to:

11.1 the memorandum of incorporation of the company, and the Companies Act, where applicable;

11.2 such issue being an issue only for securities of a class already in issue or where this is not the case, such issue must be limited to such securities or rights that are convertible into securities of a class already in issue; and

11.3 the board's authority in terms hereof is limited to a maximum of 57 900 000 (fifty seven million nine hundred thousand) ordinary shares, being 10% of the ordinary shares in issue as at the last practicable date, being Friday, 10 January 2014.

Explanation and effect of ordinary resolution number 5, issue of securities for acquisitions in circumstances other than those covered by special resolution number 5:

It is necessary for the board to obtain the prior authority of the shareholders as may be required in terms of the memorandum of incorporation of the company. This ordinary resolution number 5 is accordingly to obtain a general authority from shareholders authorising the directors to issue authorised (but unissued) ordinary securities for acquisitions.

12. ORDINARY RESOLUTION NUMBER 6

AUTHORITY TO ACT

Resolved that:

Any director of the company or the company secretary, all with the power of substitution, be and is hereby authorised to carry out and to do all such things and matters as may be or are necessary in connection with the above aforesaid resolutions and which may be required to give effect to such aforesaid resolutions, including without limitation being authorised to make, amend and sign all and any such necessary documents, letters, applications, announcements and affidavits as may be required for purposes of and in connection with the resolutions and giving effect to them and including (CIPC) forms that may be required.

Explanation and effect of ordinary resolution number 6, authority to act:

Ordinary resolution number 6 grants authority to any director or the company secretary to carry out, execute all documents and do all such things as he may in his discretion consider necessary or appropriate in connection with and to implement and give effect to the ordinary and special resolutions above.

C. OTHER BUSINESS

To transact any other business that may be transacted at an annual general meeting.

D. REPORT RELATING TO THE SOCIAL AND ETHICS COMMITTEE TO THE ANNUAL GENERAL MEETING

This report is contained in the annual financial statements. The chairman of the committee will be available at the meeting to answer any questions thereon.

E. TRADING UPDATE

A verbal trading update, to be presented by the CEO of the company at the annual general meeting, will simultaneously be released on SENS.

ADDITIONAL INFORMATION, RECORD DATES, VOTING, PROXIES AND ELECTRONIC PARTICIPATION

ADDITIONAL INFORMATION

For the purpose of considering special resolution number 4, and in compliance with paragraph 11.26 of the JSE Listings Requirements, the information listed below has been included in the integrated annual report, in which this notice of annual general meeting is included, at the places indicated:

> directors and members of the executive committee – refer to pages 34 to 39;

> major shareholders – refer to page 105;

> directors' interests in securities – refer to page 3 of the annual financial statements; and

> share capital of the company – refer to page 46 of the annual financial statements.

The directors, whose names are set out on pages 34 to 39 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the above information as contemplated in 11.26 of the JSE Listings Requirements, for the purpose of special resolution number 4, and certify that to the best of their knowledge and belief, there are no other facts, the omission of which, would make any statement false or misleading and that they have made all reasonable enquiries in this regard to ascertain such facts and that all information required by law and the JSE Listings Requirements is contained herein.

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the company is aware), which may have or have had a material effect on the company's financial position over the last twelve months.

After the last practicable date prior to publishing this notice being Friday, 10 January 2014, there have been no material changes in the financial or trading position of the group that have occurred since 30 September 2013 other than as disclosed in the integrated annual report of which this notice forms part.

NOTICE OF ANNUAL GENERAL MEETING continued

RECORD DATES

The record date on which shareholders must be recorded as such in the register of shareholders of the company for the purposes of receiving notice of this annual general meeting is Friday, 10 January 2014.

The record date on which shareholders must be recorded as such in the register of shareholders of the company for the purposes of being entitled to attend, participate and vote at the annual general meeting is Friday, 21 February 2014.

The last day to trade in the company's shares for the purpose of being entitled to attend, participate and vote at the annual general meeting is Friday, 14 February 2014.

ATTENDANCE, VOTING AND PROXIES

1. In terms of the JSE Listings Requirements, as read with the Companies Act, 75% of the votes cast by equities securities holders present or represented by proxy at the meeting must be cast in favour of the above special resolutions for them to be approved.
2. In terms of the Companies Act and save where the contrary is specified in this notice, a majority of the votes cast by shareholders present or represented by proxy at the meeting must be cast in favour of the ordinary resolution for it to be approved.
3. In terms of the company's memorandum of incorporation, on a show of hands each shareholder, or proxy as the case may be, entitled to vote shall have one vote, irrespective of the number of securities held by that person or proxy, as the case may be. On a poll, every person entitled to vote shall have the number of votes determined in accordance with the voting rights associated with the securities in question which, for clarity, shall be one vote for every ordinary share held.
4. Shareholders who have not dematerialised their shares or who have dematerialised their shares with own-name registration are entitled:

4.1 to attend, participate and vote at the annual general meeting in person; or alternatively

4.2 at any time, to appoint any individual, including an individual who is not a shareholder of the company, as a proxy to participate in, and speak at and vote at, the annual general meeting on behalf of the shareholder by completing the form of proxy which is attached to this notice and delivering it as contemplated in paragraph 6 below.

5. The person so appointed need not be a shareholder of the company. Forms of proxy must be forwarded to reach the company's transfer secretaries by delivering it to Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 or posting it to the transfer secretaries at PO Box 61763, Marshalltown, 2107, South Africa, so as to be received by them preferably by no later than 09:30 on Monday, 03 March 2014. Any form of proxy not handed to the transfer secretaries at this time may be handed up to the chairman of the annual general meeting at any time before the proxy exercises any rights of the shareholder at the annual general meeting.
6. Forms of proxy must only be completed by shareholders who have dematerialised their shares with own-name registration or who have not dematerialised their shares.
7. Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with own-name registration, who are unable to attend the annual general meeting but wish to be represented thereat, must not complete the attached form of proxy, but must instead, contact their CSDP or broker (as the case may be) in the manner and time stipulated in the agreement entered into by such shareholder and the CSDP or broker (as the case may be) to furnish the CSDP or broker (as the case may be) with their voting instructions and in the event that such shareholders wish to attend the annual general meeting, to obtain the necessary letter of representation from their CSDP or broker (as the case may be).
8. The memorandum of incorporation of the company, in accordance with sub-section 62(3)(e)(i) of the Companies Act, restricts the number of proxies that may be appointed to 1 per shareholder and in accordance with the provisions of sub-section 58(3)(b) restricts the ability for a proxy to delegate his/her authority to another person.
9. Before any person may attend or participate in the annual general meeting, the person must present reasonably satisfactory identification in terms of section 63(1)(d) of the Companies Act. The company will regard presentation by a participant of an original valid driver's licence, identity document or passport to be satisfactory identification.

ELECTRONIC PARTICIPATION

Shareholders or their duly appointed proxies will be given the right, as authorised in the memorandum of incorporation and in accordance with the provisions of the Companies Act, to participate by way of electronic communication at the annual general meeting by way of dialling into telephone conference facilities.

Shareholders or their duly appointed proxies who wish to participate by way of electronic communication must apply to the transfer secretaries by completing and submitting the application form (enclosing the documents referred to in the application form) attached to this notice to the transfer secretaries at Computershare Investor Services Proprietary Limited by delivering it to 70 Marshall Street, Johannesburg, 2001 or posting it to the transfer secretaries at PO Box 61763, Marshalltown, 2107, South Africa, to be received by them by no later than 12:00 on Friday, 28 February 2014.

By no later than 09:30 on Monday, 03 March 2014, shareholders or their duly appointed proxies will be advised by email, telephone call or text message of the relevant telephone number and access code to allow them to dial in and participate electronically in the annual general meeting.

Shareholders, or their proxies, may not vote electronically. If they wish to vote at the annual general meeting, such parties must complete and deliver the proxy form attached to this notice (and must comply with the notes and instructions contained in the proxy form in this regard) or contact their CSDP if they wish to have their vote counted and are not able to attend the meeting in person and vote in person.

Shareholders and their proxies must take note that the cost of the electronic communication facilities will be for the account of the company although the cost of the shareholder's telephone call will be for his/her/its own expense.

By order of the board of directors of the company.

PJ Katzenellenbogen
Company secretary
Transaction Capital Limited
15 January 2014

Registered office
Transaction Capital House
Sandhavon Office Park
14 Pongola Crescent
Eastgate Extension 17
Sandton, 2196

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61763, Marshalltown, 2107)
South Africa

NOTES TO FORM OF PROXY

(including a summary of rights, in terms of Section 58 of the Companies Act, 71 of 2008, as amended (the Companies Act)

In terms of the Companies Act:

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

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

1.3 irrespective of the form of the Proxy Instrument:

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

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

1.3.3 if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company (section 58(4)(c)).

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

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

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

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

1.7.1 the invitation must be sent to every shareholder entitled to notice of the annual general meeting at which the proxy is intended to be exercised (section 58(8)(a)); and

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

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

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

1.7.2.3 provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the annual general meeting, or is to abstain from voting (section 58(8)(b)(iii)).

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

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

Notes:

1. Each shareholder is entitled to appoint one proxy (who need not be a shareholder of Transaction Capital) to attend, speak and vote (or abstain from voting) in place of that shareholder at the annual general meeting.

2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice (in the event that the appointed proxy is unable to act) in the space/s provided with or without deleting the chairman of the annual general meeting but the shareholder must initial any such deletion. The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow, it being recorded that the memorandum of incorporation of the company prohibits a shareholder from appointing more than 1 (one) proxy.

3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate space provided.

4. Failure to comply with the above will be deemed to authorise and direct the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions, or the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit, in respect of all the shareholder's votes exercisable at the annual general meeting.

5. Completed forms of proxy and the authority (if any) under which they are signed must be lodged with or posted to the transfer secretaries: Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received preferably by no later than 09:30 on Monday, 03 March 2014 (24 hours prior to the annual general meeting) or handed to the chairman of the annual general meeting at any time before the appointed proxy exercise/s any of the relevant shareholder's rights at the annual general meeting (or at any time before any adjournment or postponement of the annual general meeting).

6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of the proxy appointed in terms hereof, should such shareholder wish to do so.

7. The chairman of the annual general meeting may accept or reject any form of proxy not completed and/or received in accordance with these notes or with the memorandum of incorporation of the company.

8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies. Any insertion, deletion, alteration or correction made to the form of proxy but not complying with the aforegoing will be deemed not to have been validly effected.

9. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by Transaction Capital or the transfer secretaries.

10. Section 63(1) of the Companies Act requires that meeting participants provide reasonably satisfactory identification. The company will regard presentation of a participant's original valid drivers' licence, identity document or passport to be satisfactory identification.

11. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has been registered by Transaction Capital or the transfer secretaries or waived by the chairman of the annual general meeting.

12. Where shares are held jointly, all joint shareholders are required to sign this form of proxy.

13. A shareholder who is a minor must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by Transaction Capital or the transfer secretaries.

14. Dematerialised shareholders who do not own shares in own-name dematerialised form and who wish to attend the annual general meeting, or to vote by way of proxy, must contact their CSDP, broker or nominee who will furnish them with the necessary letter of representation to attend the annual general meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the shareholder and his/her CSDP, broker or nominee.

15. This form of proxy shall be valid at any resumption of an adjourned or postponed annual general meeting to which it relates, although this form of proxy shall not be used at the resumption of an adjourned or postponed annual general meeting if it could not have been used at the annual general meeting from which it was adjourned or postponed for any reason other than it was not lodged timeously for the meeting from which the adjournment took place. This form of proxy shall, in addition to the authority conferred by the Companies Act, except in so far as it provides otherwise, be deemed to confer the power generally to act at the annual general meeting, subject to any specific direction contained in this form of proxy as to the manner of voting.

16. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, provided that no notification in writing of such death, mental disorder, revocation or transfer as aforesaid shall have been received by the transfer secretaries before the commencement of the annual general meeting or adjourned annual general meeting at which the proxy is used.

17. Any proxy appointed in terms of this form of proxy may not delegate his/her authority to act on behalf of the relevant shareholder.

In terms of the memorandum of incorporation of the company, unless revoked, an appointment of a proxy pursuant to this form of proxy remains valid for 1 (one) year from the date upon which it was signed.

FORM OF PROXY

TRANSACTION CAPITAL LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE: Code TCP ISIN: ZAE 000167391
(the company)

FORM OF PROXY

For use by certificated shareholders and own-name dematerialised shareholders only. All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the annual general meeting.

I/We (Full names in BLOCK LETTERS) ______________________________

of (address in BLOCK LETTERS) ______________________________

being (a) registered shareholder(s) of the company holding ______________ ordinary shares in the company hereby appoint:

(i) (full names in BLOCK LETTERS) ______________________________

of (address in BLOCK LETTERS) ______________________________ or, failing him/her,

(ii) (full names in BLOCK LETTERS) ______________________________

of (address in BLOCK LETTERS) ______________________________

or, failing him/her, the chairman of the annual general meeting, as my/our proxy to participate in, speak and vote (whether by polling or by show of hands) for me/us and on my/our behalf at the annual general meeting of the company to be held at the Lord of the Rings Meeting Room, Ground Floor, Transaction Capital House, 14 Pongola Crescent, Eastgate Extension 17, Sandton on Tuesday, 04 March 2014 and at any adjournment(s) thereof, and to vote or abstain from voting on the ordinary and special resolutions to be proposed at such meeting as follows:

RESOLUTIONS

	In favour	Against	Abstain
Special resolution number 1 – Approval of directors' and committee members' fees			
Special resolution number 2 – Authority to provide financial assistance in terms of section 45 of the Companies Act			
Special resolution number 3 – Authority to provide financial assistance in terms of section 44 of the Companies Act			
Special resolution number 4 – General authority to repurchase securities			
Special resolution number 5 – General authority to allot and issue authorised but unissued securities for cash			
Special resolution number 6 – Amendment to the memorandum of incorporation of the company			
Ordinary resolution number 1 – Re-election of directors – each to be voted on as a separate resolution:			
• JM Jawno			
• MP Mendelowitz			
• R Rossi			
• DD Tabata			
Ordinary resolution number 2 – Non-binding advisory vote on remuneration policy			
Ordinary resolution number 3 – Appointment of members of audit committee – each to be voted on as a separate resolution:			
• DF Woollam			
• CS Seabrooke			
• P Langeni			
Ordinary resolution number 4 – Appointment of auditors			
Ordinary resolution number 5 – Issue of securities in circumstances other than those covered by special resolution number 4			
Ordinary resolution number 6 – Authority to act			

Please indicate with an 'x' in the appropriate spaces above how you wish your votes and/or abstentions to be cast.

If you return this form duly signed without any specific directions indicated with an 'x' in the appropriate spaces above, the proxy will be entitled to vote or abstain as he/she thinks fit in his/her discretion.

A proxy may not delegate his/her authority to act on your behalf to another person.

Signed at ______________________________ on ______________________________ 2014

Name in BLOCK LETTERS: ______________________________ Signature: ______________________________

Please refer to the notes for instructions on the use of this form of proxy and a summary of the rights of the shareholder and the proxy.

ELECTRONIC PARTICIPATION AT ANNUAL GENERAL MEETING

TRANSACTION CAPITAL LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE: Code TCP ISIN: ZAE 000167391
(the "company")

Shareholders, or their proxies will be given the right, as authorised in the memorandum of incorporation and provided for in the Companies Act, 71 of 2008, as amended (the Companies Act), to participate by way of electronic communication at the annual general meeting. Shareholders or their duly appointed proxies who wish to participate by way of electronic communication must apply to the transfer secretaries by completing this application form and by delivering it to the transfer secretaries at Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 *or* posting it to the transfer secretaries at PO Box 61763, Marshalltown, 2107, South Africa, as soon as possible but in any event, by no later than 12:00 on Friday, 28 February 2014.

Shareholders, or their proxies, may not vote electronically and must use the proxy form attached for this purpose or contact their CSDP if they wish to have their vote counted and are not able to attend the meeting in person and vote in person.

By no later than 09:30 on 03 March 2014, shareholders or their duly appointed proxies will be advised by email, telephone call or text message of the relevant telephone number and access code to allow them to dial in and participate electronically in the annual general meeting.

The company will bear the cost of establishing the electronic communication whilst the cost of the shareholder (or his/her proxy) dialling in will be for his/her/its own account.

By signature of this form, the shareholder or his/her proxy indemnifies and holds harmless the company against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the annual general meeting or any interruption in the ability of the shareholder or proxy to participate in the annual general meeting via electronic communication whether or not the problem is caused by any act or omission on the part of the shareholder, proxy or anyone else, including without limitation the company and its employees.

INFORMATION REQUIRED FOR PARTICIPATION BY ELECTRONIC COMMUNICATION

Full names of shareholder or authorised representative (for company or other legal entity): ______________________________

Identity number or registration number of individual/entity: ______________________________

Email address: ______________________________

Cell phone number: ______________________________

Telephone number, including dialling codes: ______________________________

Name of CSDP or broker if shares are dematerialised: ______________________________

CSDP or broker contact number: ______________________________

DOCUMENTS REQUIRED TO BE ATTACHED TO THIS APPLICATION FORM

1. In order to vote at the annual general meeting, shareholders who have not dematerialised their shares or who hold their shares in own-name registration are to appoint a proxy, which proxy may only participate and vote at the annual general meeting provided that a duly completed proxy form has been submitted in accordance with the instructions on that form, and is also attached to this application.
2. Documentary evidence establishing the authority of the named person, including any person acting in a representative capacity, who is to participate in the annual general meeting, must be attached to this application.
3. A CSDP or broker registered in the company's sub-register participating on behalf of the beneficial owner of shares are requested to identify the beneficial owner on whose behalf they are acting and to attach a copy of the instructions from such owner.
4. Holders of dematerialised shares must request their broker or CSDP to issue them with the necessary authority to attend. The authorisation must be attached to this application.
5. A certified copy of the valid identity document/passport /driver's licence of the person attending the annual general meeting by electronic participation, including any person acting in a representative capacity, must be attached to this application.

Signed at: ______________________________ on ______________________________ 2014

Signature: ______________________________

Assisted by (where applicable): ______________________________

Applications to participate by electronic communication will only be considered if this form is completed in full, signed by the shareholder, proxy or representative and delivered to the transfer secretaries as aforesaid. The company may in its sole discretion accept any incomplete forms.

FORMULAE AND DEFINITIONS

ITEMS	DEFINITIONS
AVERAGE EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	Sum of equity attributable to ordinary equity holders of the parent at the end of each month from September to September divided by 13
AVERAGE GROSS LOANS AND ADVANCES	Sum of gross loans and advances at the end of each month from September to September divided by 13
AVERAGE INTEREST-BEARING LIABILITIES	Sum of interest-bearing liabilities at the end of each month from September to September divided by 13
AVERAGE TANGIBLE ASSETS	Sum of tangible assets at the end of each month from September to September divided by 13
AVERAGE TANGIBLE EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	Sum of equity attributable to ordinary equity holders of the parent less goodwill and intangible assets at the end of each month from September to September divided by 13
AVERAGE TOTAL ASSETS	Sum of total assets at the end of each month from September to September divided by 13
AVERAGE COST OF BORROWING	Interest expense expressed as a percentage of average interest-bearing liabilities
CAPITAL ADEQUACY RATIO	Total equity plus subordinated debt capital less goodwill expressed as a percentage of total assets less goodwill and cash and cash equivalents
COST-TO-INCOME RATIO	Total operating costs expressed as a percentage of net interest income plus non-interest revenue
CREDIT LOSS RATIO	Impairment of loans and advances expressed as a percentage of average gross loans and advances
EBITDA	Profit before net interest income, tax, depreciation and amortisation of intangible assets (specifically excluding amortisation of purchased book debts) for the credit services and payment services segments only
EFFECTIVE TAX RATE	Income tax expense expressed as a percentage of profit before tax
ENTRY-LEVEL VEHICLES	Vehicle brands: CAM, CMC, Jinbei, King Long, Polar Sun, Foton, Force Traveller, Peugeot
GEARING	Total assets divided by equity attributable to ordinary equity holders of the parent expressed in times
GROSS LOANS AND ADVANCES	Gross loans and advances specifically exclude the value of the written off book brought back on to the balance sheet
HEADLINE EARNINGS	Headline earnings is defined and calculated as per the guidance issued by the South African Institute of Chartered Accountants (SAICA) in circular 3/2009 of August 2009, currently being basic earnings attributable to ordinary shareholders adjusted for goodwill impairments, capital profits and losses and other non-headline items
HEADLINE EARNINGS FROM CONTINUING OPERATIONS	Headline earnings adjusted for non-headline items arising from discontinued operations as defined in SAICA circular 3/2009
HEADLINE EARNINGS PER SHARE	Headline earnings divided by weighted average number of ordinary shares in issue

FORMULAE AND DEFINITIONS

CONTINUED

ITEMS	DEFINITIONS
HEADLINE EARNINGS PER SHARE FROM CONTINUING OPERATIONS	Headline earnings from continuing operations divided by weighted average number of ordinary shares in issue
NET ASSET VALUE PER SHARE	Equity attributable to ordinary equity holders of the parent divided by number of ordinary shares in issue
NET INTEREST MARGIN	Net interest income as a percentage of average gross loans and advances
NON-PERFORMING LOAN COVERAGE	Impairment provision expressed as a percentage of non-performing loans
NON-PERFORMING LOAN RATIO	Non-performing loans expressed as a percentage of gross loans and advances
NON-PERFORMING LOANS	(a) the balance outstanding of loans and advances with a contractual delinquency greater than three months, including repossessed stock on hand (b) reduced by the balance of such outstanding loans and advances for which three consecutive payments have been received in the three-month period preceding the measurement date
NORMALISED HEADLINE EARNINGS	Headline earnings adjusted for non-headline items arising from discontinued operations as defined in SAICA circular 3/2009 and the cost of listing equity and debt instruments on an exchange
NORMALISED HEADLINE EARNINGS PER SHARE	Normalised headline earnings divided by weighted average number of ordinary shares in issue
PREMIUM VEHICLES	Non-entry level vehicles
PROVISION COVERAGE	Impairment provision expressed as a percentage of gross loans and advances
RETURN ON AVERAGE ASSETS	Profit for the year expressed as a percentage of average total assets
RETURN ON AVERAGE TANGIBLE ASSETS	Profit for the year expressed as a percentage of average tangible assets
RETURN ON AVERAGE EQUITY	Profit for the year attributable to ordinary equity holders of the parent expressed as a percentage of average equity attributable to ordinary equity holders of the parent
RETURN ON AVERAGE TANGIBLE EQUITY	Profit for the year attributable to ordinary equity holders of the parent expressed as a percentage of average tangible equity attributable to ordinary equity holders of the parent
STRUCTURALLY SUBORDINATED DEBT	Senior debt issued by a holding company within the group
SUBORDINATED DEBT	Debt subordinated by agreement with the lender plus structurally subordinated debt
TANGIBLE ASSETS	Total assets less goodwill and other intangible assets
TANGIBLE NET ASSET VALUE PER SHARE	Equity attributable to ordinary equity holders of the parent less goodwill and other intangible assets divided by number of ordinary shares in issue
TOTAL INCOME	Interest and other similar income plus non-interest revenue
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES IN ISSUE	The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group excluding treasury shares

Administration

Share code: TCP
ISIN: ZAE000167391
JSE Limited sector: Financial Services
Listing date: 7 June 2012
Year-end: 30 September
Company registration number: 2002/031730/06
Country of incorporation: South Africa

DIRECTORS

EXECUTIVE

Mark Lamberti (Chief executive officer)
Jonathan Jawno (Deputy chief executive officer)
David Hurwitz (Chief financial officer)
Michael Mendelowitz (Chief investment officer)
Steven Kark*
Roberto Rossi (Chief legal officer)
*Non-executive from 1 November 2013

INDEPENDENT NON-EXECUTIVE

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

COMPANY SECRETARY AND REGISTERED OFFICE

Peter Katzenellenbogen
14 Pongola Crescent
Sandhavon Office Park
Eastgate Extension 17
Sandton, 2199
(PO Box 41888, Craighall, 2024)

SPONSOR

Deutsche Securities (SA) Proprietary Limited
(A non-bank member of the Deutsche Bank Group)
(Registration number 1995/011798/07)
3 Exchange Square
87 Maude Street
Sandton, 2196
(Private Bag X9933, Sandton, 2146)

LEGAL ADVISORS

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

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

INDEPENDENT AUDITORS

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

Transaction Capital

www.transactioncapital.co.za