TRANSACTION CAPITAL

AUDITED CONSOLIDATED AND COMPANY ANNUAL FINANCIAL STATEMENTS

2019

FOR THE YEAR ENDED 30 SEPTEMBER

Transaction Capital

CONTENTS

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

DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 30 September 2019

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

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

The auditors are responsible for reporting on whether the consolidated and company annual financial statements are fairly presented in accordance with the applicable financial reporting framework, and their unmodified report appears on page 09.

APPROVAL OF CONSOLIDATED AND COMPANY ANNUAL FINANCIAL STATEMENTS

The annual financial statements on page 13 to 123 were approved by the board of directors on 26 November 2019, and are signed on their behalf by:

David Hurwitz
Chief executive officer

Sean Doherty
Chief financial officer

COMPANY SECRETARY'S CERTIFICATE

for the year ended 30 September 2019

I hereby certify that, to the best of my knowledge and belief, the company has filed all such returns and notices as is required of a public company in terms of the Companies Act, 71 of 2008 as amended of South Africa ('Companies Act'), with the Companies and Intellectual Property Commission ('CIPC') for the financial year ended 30 September 2019, and that all such returns and notices appear to be true, correct and up to date.

Theresa Palos
Company secretary
26 November 2019

DIRECTORS' REPORT

for the year ended 30 September 2019

NATURE OF BUSINESS

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

The group operates two principal divisions: SA Taxi and Transaction Capital Risk Services ('TCRS'). The nature of the business of the main operating subsidiaries and a review of each is set out in the group profile on the company website at www.transactioncapital.co.za. The segment report can be found in note 35 of the consolidated annual financial statements.

FINANCIAL RESULTS

The results of the company and the group are set out in the annual financial statements.

DIRECTORATE AND COMPANY SECRETARY

The names and brief curriculum vitae of the directors and company secretary in office, including committee composition at the date of this report, are set out in the directorate section on the company website.

Olufunke Ighodaro resigned as an independent non-executive director and chairman of the audit, risk and compliance (ARC) committee with effect from 30 November 2018 due to her other executive responsibilities. Diane Radley was appointed as chairman of the ARC committee on this date.

Buhle Hanise was appointed to the Transaction Capital board as an independent non-executive director with effect from 1 January 2019, and serves as a member of the ARC committee and the asset and liability committee.

Ronen Goldstein resigned as financial director of Transaction Capital with effect from 31 May 2019. Ronen is replaced by Sean Doherty, who was appointed to the board as an executive director of the company, in the capacity of chief financial officer, with effect from 1 June 2019.

Kuben Pillay was appointed as the lead independent non-executive director with effect from 15 July 2019. Kuben has been a director of Transaction Capital since August 2016 and also serves as the chairman of the remuneration committee and a member of the nominations committee and social and ethics committee.

No further appointments or resignations occurred during the year.

INTEREST OF DIRECTORS IN THE COMPANY'S SHARES

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

	2019		2018	
	Number of shares '000	**Shareholding %**	Number of shares '000	Shareholding %
INDIRECT BENEFICIAL HOLDINGS OF DIRECTORS				
Dovie Trust*	**4 640**	**<1**	4 640	<1
Everglen Capital Proprietary Limited**	**–**	**–**	178 000	29
Pilatucom Holdings Limited**	**59 333**	**9.68**	–	–
Rutland Trust**	**59 333**	**9.68**	–	–
Sugar Tube Trust**	**59 334**	**9.68**	–	–
Sabvest Limited***	**10 000**	**2**	10 000	2
DIRECT BENEFICIAL HOLDINGS OF DIRECTORS				
David Hurwitz	**343**	**<1**	125	<1
Mark Herskovits	**1 471**	**<1**	1 368	<1
Ronen Goldstein****	**n/a**	**n/a**	30	<1
Diane Radley	**10**	**<1**	10	<1
TOTAL	**194 464**		194 173	
Percentage of issued shares	**31.74%**		31.82%	

* *David Hurwitz is a discretionary beneficiary of Dovie Trust.*
** *The trusts of Jonathan Jawno, Michael Mendelowitz and Roberto Rossi each held equal holdings in Everglen Capital Proprietary Limited ('Everglen') at 30 September 2018.*
*** *Christopher Seabrooke is the chief executive of Sabvest Limited.*
**** *Resigned as an executive director with effect from 31 May 2019.*

DIRECTORS' REPORT *continued*
for the year ended 30 September 2019

In November 2018, the Jawno's family's look-through interest of 59 333 333 shares held by Everglen was sold to Kimberley Investment Trust, of which Jonathan Jawno is a trustee and contingent discretionary beneficiary. In September 2019, the Jawno's family's look-through interest of shares held by Kimberley Investment Trust was distributed to Jonathan Jawno. Jonathan Jawno thereafter disposed of the shares to Pilatucom Holdings Limited, all the shares of which are held by trusts of which Jonathan Jawno is a contingent discretionary beneficiary.

In July 2019, the Mendelowitz family's look-through interest of 59 333 333 shares held by Everglen was disposed of to the Rutland Trust, of which Michael Mendelowitz is a trustee and contingent discretionary beneficiary.

Also in July 2019, the Rossi family's look-through interest of 59 333 334 shares held by Everglen was disposed of to the Sugar Tube Trust, of which Roberto Rossi is a trustee and contingent discretionary beneficiary.

Combined, the shareholdings of Pilatucom Holdings Limited, the Rutland Trust and the Sugar Tube Trust remain at 29%, representing no change in the absolute beneficial ownership of the group.

There have been no changes in the interests of the directors past 30 September 2019 to the date of approval of these annual financial statements.

DIVIDENDS

Following an interim dividend of 27 cents per share (2018 interim: 21 cents per share), and in line with the stated dividend policy of 2 to 2.5 times, the board has declared a final gross cash dividend of 34 cents per share (2018: 29 cents per share) for the six months ended 30 September 2019.

CONSOLIDATED SHARE CAPITAL

The authorised and issued share capital is detailed in note 16 of the consolidated annual financial statements.

The following changes took place during the year under review:

	2019		2018	
	Number of shares '000	Value of shares R'000	Number of shares '000	Number of shares '000
BALANCE AT THE BEGINNING OF THE YEAR	**610 213**	**1 055 965**	610 147	1 056 019
Shares issued in settlement of the Transaction Capital Limited Share Appreciations Rights Plan obligation*	**3 061**	**57 992**	587	8 711
Shares repurchased in the open market and cancelled**	**(619)**	**(10 464)**	(521)	(8 765)
BALANCE AT THE END OF THE YEAR	**612 655**	**1 103 493**	610 213	1 055 965

* *In terms of specific authority received from shareholders on the adoption of the Transaction Capital Share Appreciation Rights Plan and Transaction Capital Conditional Share Plan, a total of 3 061 514 shares were issued to participants/employees as part of respective vestings at an average price of R19.15 per share.*

** *All shares repurchased and cancelled reverted to authorised unissued shares. The average purchase price of the 619 318 shares repurchased on the open market was R16.90 per share.*

SPECIAL RESOLUTIONS PASSED

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

- Approval of non-executive directors' and committee members' fees.
- Authority to provide financial assistance in terms of section 45 of the Companies Act.
- Authority to provide financial assistance in terms of section 44 of the Companies Act.
- General authority to repurchase securities.
- General authority to allot and issue authorised but unissued securities for cash.
- Approval of the provision of financial assistance in terms of section 45 of the Companies Act under the equity partnership transaction entered into between SA Taxi and SANTACO.
- Approval of the provision of financial assistance in terms of section 44 of the Companies Act under the equity partnership transaction entered into between SA Taxi and SANTACO.

DIRECTORS' REPORT *continued*
for the year ended 30 September 2019

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 15 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 15 to the company annual financial statements.

SUBSEQUENT EVENTS

No events which would have a material impact on either the financial position or operating results of the company have taken place between 30 September 2019 and the date of release of this report.

EMPLOYEE INCENTIVE SCHEMES

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

TRANSACTION CAPITAL SHARE APPRECIATION RIGHTS ('SAR') PLAN

The SAR plan allows executives and senior managers to participate in the appreciation of Transaction Capital's share price over time. While the SAR plan has been a very successful retention mechanism since vesting, the conditional share plan discussed below is favoured as a more appropriate retention and alignment tool for the purposes of incentivising employees. As such, it is anticipated that no new SAR awards will be granted. Those SARs already in issue will continue to vest as per the SAR plan. Further disclosure relating to the SAR plan is set out in note 24.1 of the consolidated annual financial statements.

TRANSACTION CAPITAL CONDITIONAL SHARE PLAN ('CSP')

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

It is believed that the CSP is a superior long-term incentive for Transaction Capital's objectives. The CSP offers participants certainty in that it comprises a fixed number of conditional shares. While its ultimate value will depend on performance, CSP awards will always have a value, unlike the SAR awards. Further disclosure relating to the CSP is set out in note 24.2 of the consolidated annual financial statements.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

for the year ended 30 September 2019

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

COMPOSITION

At 30 September 2019, the ARC committee comprised of four independent non-executive directors, all of whom are financially literate and have adequate financial and commercial experience to fulfil their roles as members. The committee meets three times per year, with two members of the ARC committee forming a quorum.

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

- Diane Radley (chairman)
- Christopher Seabrooke
- Phumzile Langeni
- Buhle Hanise (appointed with effect from 1 January 2019)

Olufunke Ighodaro resigned as an independent non-executive director and chairman of the ARC committee with effect from 30 November 2018 due to her other executive responsibilities. Diane Radley was appointed as chairman of the ARC committee on this date.

The board approved the appointment of the chairman of the board as a member of the ARC committee, as it is believed that his skills and knowledge would enhance the committee. Permanent invitees include: David Hurwitz (chief executive officer), Sean Doherty (chief financial officer) and Jonathan Jawno (executive director).

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

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

The effectiveness of the ARC committee and its members is assessed on an annual basis.

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

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

ROLES AND RESPONSIBILITIES

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

The preparation of financial reporting

- Ensure appropriate financial reporting procedures are established and operating effectively;
- Review of the annual financial statements, accounting practices and policies, internal financial controls and reports; and
- Ensure the integrity of the integrated annual report.

Combined assurance

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

Internal audit

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

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT *continued*
for the year ended 30 September 2019

External audit

- Recommend/nominate the external auditor for appointment by the shareholders;
- Approve the external auditor's engagement terms, including remuneration;
- Monitor the relationship between the external auditor and management;
- Report on the independence of the external auditor in the annual financial statements;
- Define a policy for non-audit services provided by the external auditor and pre-approve contracts for non-audit services outside this policy; and
- Review the performance and effectiveness of the external audit process.

Governance

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

Accounting

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

Risk

- Oversee the development and annual review of a policy and plan for risk management;
- Monitor implementation of the policy and plan for risk management;
- Ensure that continuous risk monitoring by management takes place within the levels of risk tolerance approved by the board; and
- Oversee the management of:
  - Financial reporting risks;
  - Internal financial controls;
  - Fraud risks relating to financial reporting;
  - Tax risks;
  - Information and technology risks;
  - Compliance risks; and
  - Risks in relation to the group's capital and funding requirements and policies (with direct oversight by the asset and liability committee).

Compliance

- The ARC committee has oversight of compliance with applicable laws and regulations.

Requirements of the Act

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

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

ANNUAL CONFIRMATIONS

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

- The internal financial controls of the group have been effective in all material aspects throughout the year under review;
- These controls have ensured that the group's assets have been safeguarded;
- The chief financial officer's expertise and experience is deemed appropriate;
- Appropriate financial reporting procedures have been established and are operating effectively;
- The group has complied in all material respects with the implemented risk management policy during the year under review;
- Resources have been utilised efficiently;
- The skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and it recommends their re-appointment in 2020; and
- It has confirmed the suitability of the appointment of the current audit firm and the designated individual partner with the audit firm, having obtained information as required by the JSE Listings Requirements.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT *continued*
for the year ended 30 September 2019

CONCLUSIONS ON ROLES AND RESPONSIBILITIES

FINANCE FUNCTION

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

INTEGRATED ANNUAL REPORT

The ARC committee oversees the integrated annual reporting process. The committee reviewed the integrated annual report and recommended its approval thereof to the board.

RISK MANAGEMENT

The ARC committee has satisfied itself to the risk management processes within the group and the effectiveness thereof.

EXTERNAL AUDIT

The external auditors, Deloitte & Touche, have been the auditors of the group for 11 years, with Paul Stedall acting as engagement partner for two years. The ARC committee has satisfied itself through enquiry that the auditors of the group are independent as defined by the Act.

The ARC 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 21 to the consolidated annual financial statements. In addition, the ARC committee has approved a policy for non-audit services provided by the external auditors and is comfortable that non-audit services performed during the year have been reasonable.

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

INTERNAL AUDIT

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

The internal audit function underwent an independent quality review in the 2016 financial year, and the internal audit function was found to generally conform to the International Standards for the Professional Practice of Internal Auditing with no material findings being noted.

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

GOING CONCERN

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

ANNUAL FINANCIAL STATEMENTS

The ARC committee:

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

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

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

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

CONCLUSION

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

Diane Radley
Audit, risk and compliance committee chairman
26 November 2019

SOCIAL AND ETHICS COMMITTEE REPORT

for the year ended 30 September 2019

At 30 September 2019, the social and ethics committee (the 'committee') comprised of the following members:

- Phumzile Langeni (chairman)
- Kuben Pillay
- David Hurwitz

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

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

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

Phumzile Langeni
Social and ethics committee chairman
26 November 2019

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRANSACTION CAPITAL LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Transaction Capital Limited ("the Group and Company") set out on pages 13 to 123, which comprise the consolidated and separate statements of financial position as at 30 September 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate statements of financial position of Transaction Capital Limited as at 30 September 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	**How our audit addressed the key audit matter**
SIGNIFICANT ESTIMATES AND JUDGEMENTS INCLUDED IN THE SA TAXI LOANS CREDIT IMPAIRMENT MODEL	
ISA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* presumed significant risk of management override of controls, specifically those areas within the impairment/amortisation models which are subject to management judgement and/or estimation. With regards to SA Taxi, this has been pinpointed as follows: ■ Determination of expected losses: probability of default ("PD") and the loss given write-off ("LGW"). Key aspects of the LGW involving estimation include recovery value after repair costs, time to default ("TTD") and time to repossession ("TTR"). ■ Repair cost methodologies in determining cost to repair salvaged vehicles as this impacts both the expected losses and repossessed inventory valuation. This is considered to be a key audit matter due to the extent of judgement and/or estimation applied.	We involved quantitative and credit modelling specialists who performed an assessment of: ■ The model methodology specific to PD, LGW's, TTD, TTR and repair cost methodologies; ■ The accuracy of the model by independently recalculating the input parameters; and ■ The completeness and accuracy of data used in the model. In addition, the audit team assessed the design and implementation of relevant controls and no significant findings were noted. We assessed the model and its inputs and were satisfied with the methodology applied. We found the disclosures relating to the financial instruments as presented in note 4, 19 and 30, and the key judgements and estimates applied in the determination thereof, to be appropriate and in accordance with the underlying accounting standards.

INDEPENDENT AUDITOR'S REPORT *continued*

for the year ended 30 September 2019

Key audit matter	How our audit addressed the key audit matter
RE-CALIBRATION OF THE AMORTISED COST MODEL ASSUMPTIONS FOR TRANSACTION CAPITAL RISK SERVICES	
Within the Transaction Capital Risk Services business, the Principal Collections business purchases credit impaired assets for subsequent collection. These are classified as Purchased Originated Credit Impaired Assets under IFRS 9. All books purchased are assumed to originate in Stage 3. IFRS 9 requires that projected future cash flows to include forward looking information with regard to expected, rather than just incurred, credit losses. The Directors re-calibrate the amortised cost models assumptions on an ongoing basis incorporating the most recent available collection data and expectations on macro-economic factors which could impact on future collection levels. These model assumptions are considered to be a key audit matter due to the extent of judgement and/or estimation applied.	We involved quantitative and credit modelling specialists who performed an assessment of: ■ The model methodology in light of IFRS 9 requirements; and ■ The accuracy of the model by independently recalculating the input parameters; and ■ Assessed the completeness and accuracy of data used in the model. In addition the audit team assessed the design and implementation of relevant controls and no significant findings were noted. We assessed the model and its inputs and were satisfied with the overall methodology applied. We found the disclosures relating to the financial instruments as presented in notes 5, 20, 21 and 30, and the key judgements and estimates applied in the determination thereof, to be appropriate and in accordance with the underlying accounting standards.
EARLY ADOPTION OF IFRS 17 INSURANCE CONTRACTS	
The Group has early adopted IFRS 17 *Insurance Contracts* ("IFRS 17"). The early adoption of a significant new accounting standard exposes the Group to risk as accounting practices are still developing in the market as companies prepare to transition. As a result we identified insurance model build; insurance contract liability calculations (including determining contract boundaries, identification of onerous contract sets, discount rates, and the risk adjustment); transitional impacts at 1 October 2017; and presentation and disclosure, as a key audit matter subject to Directors' judgement and/or estimation.	We involved actuarial and IFRS 17 implementation specialists who performed an assessment of: ■ the insurance provisioning model methodology applied in determining the liability for incurred claims ("LIC") and the liability for remaining coverage ("LRC"); ■ the identification and assessment of: – contract boundaries; – onerous contract sets for the LRC; – the discount rate applied to expected cash flows; and – costs directly attributable to fulfilling insurance contracts; ■ the calculation of the LIC to determine a best estimate liability ("BEL") on expected cash flows, application of an appropriate risk adjustment for the liability ■ the calculation of the LRC by assessing the insurance modelling principles applied; and ■ the insurance contract liability balances as at 1 October 2017, 30 September 2018 and 30 September 2019. In addition we performed procedures to test: ■ the design and implementation of relevant controls identified in the IFRS 17 adoption process; ■ the accuracy and completeness of underlying model inputs and data; ■ the appropriateness of significant judgements and management estimates applied; and ■ the transitional impact on retained earnings as at 1 October 2017. We assessed the model and its inputs, including significant judgements and estimates applied, and were satisfied with the methodology applied. We assessed the disclosures relating to the insurance contract liabilities as presented in notes 14, 20 and 30, and the key judgements and estimates applied in the determination thereof, to be appropriate and in accordance with the underlying accounting standards.

INDEPENDENT AUDITOR'S REPORT *continued*
for the year ended 30 September 2019

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises information included in the documents titled Transaction Capital Limited Annual Financial Statements for the year ended 30 September 2019, which includes the Directors' Report, the Audit, Risk and Compliance Committee's report and the Company Secretary's Certificate, as required by the Companies Act of South Africa, which we obtained prior to the date of this report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT *continued*
for the year ended 30 September 2019

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Transaction Capital Limited for 11 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: Paul Stedall
Partner
26 November 2019

Deloitte Place
The Woodlands
Woodlands Drive
Woodmead
Sandton

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September

	Notes	2019 Rm	2018 Restated* Rm
ASSETS			
Cash and cash equivalents	1	**919**	900
Tax receivables		**26**	17
Trade and other receivables	2	**1 287**	1 126
Inventories	3	**832**	478
Loans and advances	4	**10 991**	9 592
Purchased book debts	5	**2 382**	1 374
Other loans receivable	6	**45**	39
Equity accounted investments	7	**92**	–
Intangible assets	8	**294**	283
Property and equipment	9	**172**	167
Goodwill	10	**1 152**	1 142
Deferred tax assets	11	**271**	368
TOTAL ASSETS		**18 463**	15 486
LIABILITIES			
Bank overdrafts	1	**381**	116
Other short-term borrowings		**76**	–
Tax payables		**16**	5
Trade and other payables	12	**709**	737
Provisions	13	**53**	55
Insurance contract liabilities	14	**537**	607
Benefits ceded on insurance contracts relating to inventories	3	**54**	61
Benefits ceded on insurance contracts relating to loans and advances	4	**174**	204
Benefits accruing to insurance contract holders	14	**309**	342
Interest-bearing liabilities	15	**10 806**	9 817
Senior debt		**10 287**	8 753
Subordinated debt		**517**	1 060
Finance leases		**2**	4
Deferred tax liabilities	11	**413**	326
TOTAL LIABILITIES		**12 991**	11 663
EQUITY			
Ordinary share capital	16	**1 103**	1 056
Other reserves		**179**	52
Retained earnings		**3 614**	2 656
EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**4 896**	3 764
Non-controlling interests	17	**576**	59
TOTAL EQUITY		**5 472**	3 823
TOTAL EQUITY AND LIABILITIES		**18 463**	15 486

* *Restated for changes in accounting polices, refer to note 33 for details of the adoption of new accounting standards.*

CONSOLIDATED INCOME STATEMENT

for the year ended 30 September

	Notes	2019 Rm	2018 Restated* Rm
Interest income	18	**2 472**	2 154
Interest expense	18	**(1 193)**	(1 054)
NET INTEREST INCOME	18	**1 279**	1 100
Impairment of loans and advances	19	**(336)**	(321)
RISK-ADJUSTED NET INTEREST INCOME		**943**	779
Non-interest revenue	20	**2 688**	2 335
Net insurance result	20.1	**364**	301
Insurance revenue		**823**	685
Insurance service expense		**(455)**	(385)
Insurance finance (expense)/income		**(4)**	1
Other non-interest revenue	20	**2 324**	2 034
Operating costs	21	**(2 562)**	(2 195)
Non-operating profit/(loss)		**7**	(3)
Equity accounted income	7	**4**	–
PROFIT BEFORE TAX		**1 080**	916
Income tax expense	22	**(293)**	(218)
PROFIT FOR THE YEAR		**787**	698
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Ordinary equity holders of the parent		**727**	682
Non-controlling interests		**60**	16
EARNINGS PER SHARE (CENTS)			
Basic earnings per share	23	**118.8**	111.7
Diluted basic earnings per share	23	**117.4**	110.6

* *Restated for changes in accounting polices, refer to note 33 for details of the adoption of new accounting standards.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September

	2019 Rm	2018 Rm
PROFIT FOR THE YEAR	**787**	698
OTHER COMPREHENSIVE INCOME/(LOSS)*		
Movement in cash flow hedging reserve	**1**	2
Fair value gain arising during the year	**1**	3
Deferred tax	**–**	(1)
Exchange gain/(loss) on translation of foreign operations	**5**	(14)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**793**	686
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Ordinary equity holders of the parent	**733**	670
Non-controlling interests	**60**	16

* *These components of other comprehensive income will be subsequently reclassified to profit and loss when specific conditions are met. The translation of foreign operations do not attract any tax.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September

	Number of ordinary shares million	Share capital Rm	Cash flow hedging reserve Rm	Share based payment reserve Rm	Foreign currency translation reserve Rm	Retained earnings Rm	Equity attributable to ordinary equity holders of the parent Rm	Non-controlling interests Rm	Total equity Rm
BALANCE AT 30 SEPTEMBER 2017 AS PREVIOUSLY REPORTED	610.1	1 056	(8)	27	15	2 628	3 718	54	3 772
Adjustment on initial adoption of IFRS 17*	–	–	–	–	–	(370)	(370)	–	(370)
RESTATED BALANCE AT 1 OCTOBER 2017	610.1	1 056	(8)	27	15	2 258	3 348	54	3 402
Total comprehensive income/(loss)	–	–	2	–	(14)	682	670	16	686
Profit for the year	–	–	–	–	–	682	682	16	698
Other comprehensive income/(loss)	–	–	2	–	(14)	–	(12)	–	(12)
Grant of share appreciation rights and conditional share plans	–	–	–	31	–	–	31	–	31
Settlement of share appreciation rights	–	–	–	(1)	–	(4)	(5)	–	(5)
Dividends paid	–	–	–	–	–	(280)	(280)	(11)	(291)
Issue of shares	0.6	9	–	–	–	–	9	–	9
Repurchase of shares	(0.5)	(9)	–	–	–	–	(9)	–	(9)
RESTATED BALANCE AT 30 SEPTEMBER 2018	610.2	1 056	(6)	57	1	2 656	3 764	59	3 823
Adjustment on initial adoption of IFRS 15*	–	–	–	–	–	(9)	(9)	–	(9)
RESTATED BALANCE AT 1 OCTOBER 2018	**610.2**	**1 056**	**(6)**	**57**	**1**	**2 647**	**3 755**	**59**	**3 814**
Total comprehensive income	**–**	**–**	**1**	**–**	**5**	**727**	**733**	**60**	**793**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**727**	**727**	**60**	**787**
Other comprehensive income	**–**	**–**	**1**	**–**	**5**	**–**	**6**	**–**	**6**
Disposal of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Transactions with non-controlling interests**	**–**	**–**	**–**	**100**	**–**	**610**	**710**	**497**	**1 207**
Grant of share appreciation rights and conditional share plans	**–**	**–**	**–**	**45**	**–**	**–**	**45**	**–**	**45**
Settlement of share appreciation rights and conditional share plans	**–**	**–**	**–**	**(24)**	**–**	**(27)**	**(51)**	**–**	**(51)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(343)**	**(343)**	**(37)**	**(380)**
Issue of shares	**3.1**	**58**	**–**	**–**	**–**	**–**	**58**	**–**	**58**
Repurchase of shares	**(0.6)**	**(11)**	**–**	**–**	**–**	**–**	**(11)**	**–**	**(11)**
BALANCE AT 30 SEPTEMBER 2019	**612.7**	**1 103**	**(5)**	**178**	**6**	**3 614**	**4 896**	**576**	**5 472**

* *Refer to note 33 for details relating to the adoption of new and revised standards.*
** *Refer to note 17 for further details on transactions with non-controlling interests.*

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September

	Notes	2019 Rm	2018 Restated* Rm
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	25	**1 731**	1 464
Income taxes paid	26	**(108)**	(87)
Dividends paid	27	**(380)**	(291)
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND WORKING CAPITAL		**1 243**	1 086
INCREASE IN OPERATING ASSETS		**(2 908)**	(2 057)
Loans and advances	25.1	**(1 741)**	(1 457)
Purchased book debts	25.2	**(1 167)**	(600)
CHANGES IN WORKING CAPITAL		**(553)**	(520)
Increase in inventories		**(354)**	(265)
Increase in trade and other receivables		**(167)**	(430)
(Increase)/decrease in other loans receivable		**(6)**	2
(Decrease)/increase in trade and other payables		**(26)**	173
NET CASH UTILISED BY OPERATING ACTIVITIES		**(2 218)**	(1 491)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		**(48)**	(59)
Proceeds on disposal of property and equipment		**3**	5
Acquisition of intangible assets		**(57)**	(60)
Acquisition of equity accounted investment		**(87)**	–
Business combinations	32	**(7)**	(35)
Proceeds on disposal of subsidiary		**8**	–
NET CASH UTILISED BY INVESTING ACTIVITIES		**(188)**	(149)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing liabilities		**9 088**	5 946
Settlement of interest-bearing liabilities		**(8 101)**	(4 320)
Increase in other short-term borrowings		**76**	–
Additional interest acquired in subsidiary		**(28)**	–
Net proceeds on issue of shares by subsidiary to non-controlling interests		**1 135**	–
Repurchase of shares		**(11)**	(9)
NET CASH GENERATED BY FINANCING ACTIVITIES		**2 159**	1 617
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(247)**	(23)
Cash and cash equivalents at the beginning of the year	1	**784**	808
Effects of exchange rate changes on the balance of cash held in foreign currencies		**1**	(1)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	1	**538**	784

* *Restated for changes in accounting polices, refer to note 33 for details of the adoption of new accounting standards.*

GROUP AND COMPANY ACCOUNTING POLICIES

for the year ended 30 September 2019

1 BASIS OF PREPARATION

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share based payment transactions that are within the scope of IFRS 2 – Share-based payments, leasing transactions that are within the scope of IAS 17 – Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 – Inventories or value in use in IAS 36 – Impairment of assets.

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

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

- Property and equipment are accounted for using the cost model (accounting policy 8);
- Intangible assets are accounted for using the cost model (accounting policy 9);
- Regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting (accounting policy 11); 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 11.6).

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:

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except for those noted below, the group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The group has adopted the following new standards, including any consequential amendments to other standards, with the date of initial application as indicted below.

2.1 IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principle-based five-step model to be applied to all contracts with customers that are not within the scope of another IFRS standard.

IFRS 15 also includes a cohesive set of disclosure requirements that would result in providing users of the financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the group's contracts with customers.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *continued*

2.1 IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS *continued*

CLASSIFICATION AND MEASUREMENT OF REVENUE

An impact analysis has been completed which indicates that the adoption of IFRS 15 does not have a material impact on the revenue classification and measurement of the group:

- A significant proportion of the group's revenue comprises interest income related to gross loans and advances accounted for in terms of IFRS 9 – Financial Instruments and therefore falls outside the scope of IFRS 15.
- Revenue earned from the group's vehicle insurance offering mainly includes insurance premiums and commission income earned from insurance contracts, all of which are accounted for in accordance with IFRS 17 – Insurance Contracts, and therefore fall outside the scope of IFRS 15.
- The recognition of revenue earned from collecting on purchased credit-impaired loan portfolios as principal is in accordance with the amortised cost model under IFRS 9 – Financial Instruments, and therefore fall outside the scope of IFRS 15.
- The recognition of revenue earned from collection services as a service provider on an outsourced contingency or fee-for-service basis remains consistent under IFRS 15, with no material impact on revenue recognition patterns.
- Refer to accounting policy 12.4 for the nature, timing and satisfaction of performance obligations of additional revenue streams. The impact of IFRS 15 on other revenue earned is immaterial as has been disclosed as part of the IFRS 15 transitional note. Refer to note 33.1 of the consolidated annual financial statements.

2.2 IFRS 17 – INSURANCE CONTRACTS

IFRS 17 replaces IFRS 4 – Insurance Contracts for annual periods beginning on or after 1 January 2021, pending approval of changes proposed by IASB which provides adoption relief until 1 January 2022. The group has early adopted the provisions of IFRS 17. Accordingly, the comparative information for 2018 has been restated applying the transitional provisions in Appendix C to IFRS 17. The nature and impact of the changes due to the adoption of this standard can be summarised as follows:

CHANGES IN CLASSIFICATION, MEASUREMENT, PRESENTATION AND DISCLOSURE OF INSURANCE CONTRACTS

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. It introduces a model that measures groups of contracts based on the group's estimates of the present values of future cash flows that are expected to arise as the group fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin ('CSM'). Under IFRS 17, insurance revenue in each reporting period represents the change in the liabilities for remaining coverage that relate to services for which the group expects to receive consideration. Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses.

Given that the coverage period of each contract in the group of contracts is one year or less, the group satisfies the criteria for the premium allocation approach ('PAA'). The group therefore applies the PAA to simplify the measurement of contracts and disclosures are provided accordingly. The general measurement approach is not considered.

Where characteristics of onerous contracts are identified, these contracts are separated out of the group of contracts and measured separately according to the fulfilment cashflow model. More detail is included under '*onerous groups of contracts*' in accounting policy 7.3.1.

When measuring liabilities for incurred claims, the PAA is similar to the group's previous accounting treatment, however, the group now discounts expected future cash flows and includes an explicit risk adjustment for non-financial risk.

The group does not accept insurance risk from other insurers. The group does not issue any reinsurance contracts or any contracts with direct participating features.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed when compared with prior reporting periods. Previously, the group reported gross written premium, fee income and net operating profit (net of claims and insurance related expenses) as part of non-interest revenue. IFRS 17 requires separate presentation of:

- Insurance revenue;
- Insurance service expense; and
- Insurance finance income or expense.

GROUP AND COMPANY ACCOUNTING POLICIES *continued*
for the year ended 30 September 2019

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *continued*

2.2 IFRS 17 – INSURANCE CONTRACTS

CHANGES IN CLASSIFICATION, MEASUREMENT, PRESENTATION AND DISCLOSURE OF INSURANCE CONTRACTS *continued*

In addition, the group provides disaggregated qualitative and quantitative information in the notes to the financial statements about:

- The amounts recognised in its financial statements from insurance contracts; and
- Significant judgements, and changes in those judgements, made when applying the standard.

Transition

On transition date, 1 October 2017, the group:

- Has identified, recognised and measured each group of insurance contracts as if IFRS 17 has always applied;
- Derecognised any existing balances that would not exist had IFRS 17 always applied; and
- Recognised any resulting net difference in equity.

On transition to IFRS 17, the group has applied the fully retrospective approach in line with Appendix C of IFRS 17.

On transition to IFRS 17, the group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each individual financial statement line item. The effects of adopting IFRS 17 on the consolidated financial statements at 1 October 2017 are presented in the statement of changes in equity.

3 BASIS OF CONSOLIDATION

3.1 SUBSIDIARY COMPANIES AND OTHER CONTROLLED ENTITIES

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

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

SPECIAL PURPOSE ENTITIES

Special purpose entities ('SPEs') are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. 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.

3.2 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.

3 BASIS OF CONSOLIDATION *continued*

3.2 BUSINESS COMBINATIONS *continued*

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits respectively;
- Assets (or disposal groups) of the acquiree that are classified as held for sale and discontinued operations in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

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

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

The non-controlling interest in the acquiree is measured at acquisition date either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets (applied on a transaction by transaction basis for all business combinations). The treatment is not an accounting policy choice but is selected for each business combination and disclosed in the note for business combinations.

Premiums or discounts arising on the acquisition of subsidiaries are treated in terms of the group's accounting policy for goodwill.

4 INVESTMENTS IN SUBSIDIARIES

FINANCIAL STATEMENTS OF THE COMPANY

Investments in equity instruments are classified as at fair value through profit and loss.

5 ASSOCIATES AND JOINT VENTURES

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

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

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

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

GROUP AND COMPANY ACCOUNTING POLICIES *continued*
for the year ended 30 September 2019

6 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 ('CGU's') that are expected to benefit from the synergies of the combination.

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

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

7 INSURANCE CONTRACTS

7.1 CLASSIFICATION OF INSURANCE CONTRACTS

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

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

7.2 SEPARATING COMPONENTS FROM INSURANCE CONTRACTS

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

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

Currently, the group's products include a distinct service through the road cover and roadside assistance offering where the policyholder could benefit from these services either on their own or with other resources that are readily available to them. Accordingly, the road cover and roadside assistance components are accounted for separately under IFRS 15, rather than IFRS 17.

IFRS 17 is applied to all remaining components of the insurance contracts.

7.2.1 LEVEL OF AGGREGATION

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

7.3 RECOGNITION OF INSURANCE CONTRACTS

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

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

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

GROUP AND COMPANY ACCOUNTING POLICIES *continued*
for the year ended 30 September 2019

7 INSURANCE CONTRACTS *continued*

7.3 RECOGNITION OF INSURANCE CONTRACTS *continued*

7.3.1 ONEROUS GROUPS OF CONTRACTS

The group considers various facts and circumstances to identify if a group of contracts are onerous taking into account the probability of all claim types in the future. An insurance contract is onerous at the date of initial recognition if the fulfilment cashflows allocated to the contract and any cash flows arising from the contract at the date of initial recognition in total are a net cash outflow. Facts and circumstances which have identified onerous groups of contracts, with respect to the financed portfolio, include both a higher probability weighted expectation of an absconsion, violation and credit shortfall cover ('AVCS') claim (driven by time in default with a warrant) and repair probability, or with respect to the credit life portfolio, based on the age of the insured being 55 years or older.

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

7.3.2 CONTRACT BOUNDARIES

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

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

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

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

7.4 MEASUREMENT OF INSURANCE CONTRACTS

7.4.1 MEASUREMENT – CONTRACTS MEASURED UNDER THE PAA

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

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

7.4.2 INITIAL RECOGNITION

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

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

GROUP AND COMPANY ACCOUNTING POLICIES *continued*
for the year ended 30 September 2019

7 INSURANCE CONTRACTS *continued*

7.4 MEASUREMENT OF INSURANCE CONTRACTS *continued*

7.4.3 SUBSEQUENT MEASUREMENT

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

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

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

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

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

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

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

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

For groups of contracts assessed as onerous, the group has recognised a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the contractual service margin ('CSM') of the group being zero. A loss component has been established by the group for the liability for remaining coverage for an onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to note 14 of the consolidated annual financial statements.

7.4.4 DE-RECOGNITION AND CONTRACT MODIFICATION

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

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

7 INSURANCE CONTRACTS *continued*

7.5 PRESENTATION OF INSURANCE CONTACTS

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

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

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

INSURANCE FINANCE INCOME AND EXPENSES

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

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

ONEROUS CONTRACTS – LOSS COMPONENTS

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

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

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

8 PROPERTY AND EQUIPMENT

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

Items of property and equipment are depreciated on a component basis to their residual values, on the straight line basis over their estimated economic lives. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives. Depreciation commences from the date that they are available for use over the following periods:

Vehicles	5 years
Office and computer equipment	2 – 8 years
Machinery and fittings	7 years
Furniture and fittings	4 – 9 years
Leasehold improvements	Lesser of lease period or useful life

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

GROUP AND COMPANY ACCOUNTING POLICIES *continued*
for the year ended 30 September 2019

9 INTANGIBLE ASSETS

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

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

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

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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

10 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 incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and costs to be incurred in marketing, selling and distribution. The write down of inventory to net realisable value and the reversal thereof is recognised in profit and loss.

VEHICLES IN POSSESSION

Vehicles in possession are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. In establishing a weighted average cost, consideration is given to refurbishment and related costs incurred in bringing such vehicles to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the expected cost of refurbishment and selling expenses. The write down of vehicles in possession to net realisable value, and any subsequent reversal thereof, is recognised in profit and loss. The reversals of the write downs are limited to the reacquired cost of vehicles in possession. Vehicles in possession not yet allocated to the alternative disposal/ repair channel (i.e. vehicles which serve as collateral where a borrower has defaulted under the terms of a vehicle finance arrangement) are reported as part of loans and advances and included as a non-financial asset in the IFRS 9 categorised statement of financial position.

11 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.

11.1 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.

GROUP AND COMPANY ACCOUNTING POLICIES *continued*
for the year ended 30 September 2019

11 FINANCIAL INSTRUMENTS *continued*

11.2 CLASSIFICATION

A financial asset is measured at amortised cost if:

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

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

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

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

11.3 FINANCIAL ASSETS

11.3.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets that are held at fair value through profit and loss include loans and advances for entry-level vehicles and certain purchased credit-impaired loan portfolios that are either managed on a fair value basis or that do not meet the requirements to be measured at amortised cost (refer to Other Financial Assets in note 5.2 of the consolidated annual financial statements).

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

11.3.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

11.3.3 AMORTISED COST AND EFFECTIVE INTEREST METHOD

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

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

Purchased credit-impaired loan portfolios are portfolios of written-off consumer debts purchased at prices below the nominal receivable amounts. Purchased credit-impaired loan portfolios, other than those at fair value through profit and loss (referred to as Other Financial Assets in note 5.2 of the consolidated annual financial statements), are reflected at amortised cost on a portfolio basis. Cost includes amounts payable to the vendor and other direct acquisition costs.

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

GROUP AND COMPANY ACCOUNTING POLICIES *continued*
for the year ended 30 September 2019

11 FINANCIAL INSTRUMENTS *continued*

11.3 FINANCIAL ASSETS *continued*

11.3.3 AMORTISED COST AND EFFECTIVE INTEREST METHOD *continued*

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

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

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

For purchased credit-impaired financial assets, the group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the interest and income line item (note 18 of the consolidated annual financial statements).

11.3.4 IMPAIRMENT

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

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

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

The impairment requirements result in the recognition of lifetime ECL for all financial instruments for which there have been significant increases in credit risk since initial recognition, whether assessed on an individual or collective basis, considering all reasonable and supportable information, including that which is forward looking. If at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. This does not apply to purchased credit-impaired assets on which the group only recognises cumulative changes in lifetime expected losses since initial recognition as an impairment gain or loss and are disclosed as part of amortisation in operating expenses.

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

GROUP AND COMPANY ACCOUNTING POLICIES *continued*
for the year ended 30 September 2019

11 FINANCIAL INSTRUMENTS *continued*

11.3 FINANCIAL ASSETS *continued*

11.3.4 IMPAIRMENT *continued*

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

Determining significant increases in credit risk

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

The group determines significant increases in credit risk using both forward looking information as well as historic information (e.g. arrears aging and recency of payments for an account). Due to the nature of the business, compared to other Tier 1 financiers, it is the expectation that a client who is 30 days past due is not necessarily a significant risk. The group has therefore rebutted the 30-day past due presumption for significantly increased credit risk. This rebuttal is based on a quantitative analysis of account performance relative to expectation at initial recognition as well as alignment to operation collections processes. The group's definition of credit-impaired financial assets aligns to the default definition, as described below.

A detailed description of the group's approach to determine significant increases in credit risk has been included in note 30 of the consolidated annual financial statements.

Modified financial assets

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

Purchased credit-impaired financial assets

The group only recognises cumulative changes in lifetime ECL since initial recognition as a loss allowance for principal book portfolios. Any changes in lifetime ECL are recognised in profit or loss. The group recognises favourable changes in lifetime ECL as an impairment gain, even if lifetime ECL are less than the amount of ECL that were included in the estimated cash flows on initial recognition.

Definition of default

In respect of loans and advances, the group has defined default as 90 days past due, with no qualifying payment received in the past 3 months. A qualifying payment is more than 50% of the instalments raised. The group has rebutted the 90-day default presumption based on a quantitative analysis of the payment defaults and alignment to operational collections processes.

Measurement of ECL

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

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

The above is described in more detail in note 30 of the consolidated annual financial statements.

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

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

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

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

11 FINANCIAL INSTRUMENTS *continued*

11.4 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.

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.

11.5 FAIR VALUE

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

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

The entry-level vehicle book is managed differently to the premium book. Entry-level vehicles do not meet the requirement to be measured at amortised cost as they are not held within a business model whose objective is to collect contractual cash flows but rather held to realise value from the underlying collateral of the vehicle itself.

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

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

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

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

Level 2 Valuation techniques using market observable inputs, including:

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

Level 3 Valuation techniques, as described for level 2 above, for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit 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.

11 FINANCIAL INSTRUMENTS *continued*

11.6 HEDGE ACCOUNTING

The group designates certain derivatives in respect of foreign currency risk as cash flow hedges and interest rate risk as fair value hedges in line with IFRS 9.

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.

FAIR VALUE HEDGES

Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Fair value gains and losses arising on the pre-measurement of both the hedging instrument and the hedged item are recognised in profit and loss, for so long as the hedging relationship is effective.

Any hedge ineffectiveness is recognised in profit and loss in non-interest revenue. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair-value hedge accounting, or the designation is revoked, then hedge accounting is discontinued.

12 REVENUE RECOGNITION

12.1 GENERAL POLICY

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

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

Recognition of revenue accounted for under IFRS 9 as interest income on loans and suspensive sale credit agreements, as well as purchased credit-impaired loan portfolios, is described in accounting policy note 11.3.3.

12.2 PURCHASED BOOK DEBTS

Revenue from purchased book debts is recognised when payment is received from the debtors, including amounts in respect of interest and cost recoveries.

12.3 DEBT COLLECTION ACTIVITIES AS AGENT

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

GROUP AND COMPANY ACCOUNTING POLICIES *continued*
for the year ended 30 September 2019

12 REVENUE RECOGNITION *continued*

12.4 SALE OF GOODS AND RENDERING OF SERVICES

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

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

Product and service	Nature, timing of satisfaction of performance obligations
Administration fees (Refer note 20 – Fee income)	The identified performance obligation is the ongoing service, should the member be involved in an accident and/or injured in a road related incident. The service is available over the subscription period. Revenue is recognised over time as the customer simultaneously receives and consumes all the benefits provided by the entity as the entity performs.
Consulting and service fees (Refer note 20 – Fee-for-service revenue and fee income)	Consulting and service fees are recognised over a period of time as performance obligations are met and the service delivered to clients.
Processing fees (Refer note 20 – Fee income)	A service fee based on performance of electronics fund transfers. Revenue is recognised on delivery of the service, being the processing of payments.
Direct sales (Refer note 20 – Revenue from sale of goods)	Revenue is recognised when the customer obtains possession of the vehicle and is recognised at a point in time. This usually occurs when the customer signs the new contract and collects the vehicle.
Vehicle tracking (Refer note 20 – Commission income)	The group earns commission revenue from the administration and installation of tracking devices. The transaction price is a fixed percentage fee as agreed upon in the commission contract. The tracking revenue is recognised over the period of the financing vehicle agreement and the installation revenue is recognised at a point in time, when the installation is complete.
Panel service income, new parts and salvage sales (Refer note 20 – Other income)	The group has a performance obligation to deliver panel services on vehicles for a fee. The performance obligation is satisfied at a point in time as the customer cannot use the vehicle whilst repairs are being performed. Any default on the quality of the service is covered by the warranty product. The group offers the sale of scrap vehicles and vehicle parts. The performance obligations occur at a point in time once the scrap vehicle/parts are handed over or delivered to the customer.

12.5 NON-OPERATING INCOME

Dividend income from investments is recognised in the company's financial statements 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).

GROUP AND COMPANY ACCOUNTING POLICIES *continued*
for the year ended 30 September 2019

13 TAXATION

13.1 CURRENT TAX

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

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

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

13.2 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.

13.3 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 and funding costs is amortised over the useful lives of the fixed assets or in accordance with the deferral of the underlying funding cost. This is included in depreciation and interest expense, accordingly, 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 AND COMPANY ACCOUNTING POLICIES *continued*
for the year ended 30 September 2019

14 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.

14.1 FINANCE LEASES

14.1.1 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.

14.1.2 LESSEES

Assets held under finance leases are initially recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

14.2 OPERATING LEASES

14.2.1 LESSEES

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

15 SHARE-BASED PAYMENTS

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 24 of the consolidated annual financial statements.

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 payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

16 FOREIGN CURRENCIES

16.1 FOREIGN CURRENCY TRANSACTIONS

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. 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.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks (see above under hedge accounting policy note 11.6).

16.2 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.

17 MANAGEMENT ESTIMATES

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

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

17.1 IMPAIRMENT OF GOODWILL

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.

Factors taken into consideration include the economic viability of the asset itself and, where it is a component of a larger economic unit, the viability of the unit. Refer to accounting policy note 6 for further disclosure around goodwill impairment testing.

17 MANAGEMENT ESTIMATES *continued*

17.2 IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

Refer to note 11.3.4 in these accounting policies for the accounting policies relating to the impairment of financial assets as well as note 30.1 of the consolidated annual financial statements.

17.3 INSURANCE CONTRACTS

17.3.1 PRESENTATION OF INSURANCE CONTRACT LIABILITIES

Unique to the financed motor comprehensive insurance product offering, is the inclusion of AVCS cover provided to protect the policyholder in adverse conditions. IFRS 17 paragraph 54 requires that the statement of financial position shall include line items that present, inter alia, groups of contracts within the scope of IFRS 17 that are liabilities.

The group's exposure to the underlying portfolio consists of both credit risk (measured in accordance with IFRS 9) and insurance risk (measured in accordance with IFRS 17). With respect to the measurement of the liability for remaining coverage, credit metrics are used as indicators for the severity of claim. To the extent that the insured event affects the recovery of the underlying asset and given that the assessment of risk and exposure on the underlying portfolio is considered on a group basis, a portion of the liability for remaining coverage relating to the active financed debtors and repossessed vehicle stock portfolios, is allocated to net loans and advances or inventory (where the repossessed vehicle stock has moved into a repair/realisation channel) as these insurance contract liabilities reduce the group's overall exposure on the 'default' contract sets. These allocations are set out in note 3, 4 and 14 of the consolidated annual financial statements.

All other insurance liabilities relating to remaining coverage or incurred claims are reflected as part of insurance contract liabilities as required by IFRS 17 paragraph 54.

Given that the IFRS 17 and IFRS 9 provisions are inextricably linked, the presentation of these specific insurance contract liabilities with the related loans and advances and inventory balances in note 3 and 4 of the consolidated statement of financial position is a more faithful representation of the effects of transactions. Fair presentation in compliance with IFRS 17 and IAS 1 has been achieved by providing additional disclosures, as the specific requirements in IFRS 17 paragraph 54 is insufficient to enable users to understand the impact of the group's application of the standard on the group's financial position.

17.3.2 FULFILMENT CASH FLOWS

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

Fulfilment cash flows comprise:

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

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

17 MANAGEMENT ESTIMATES *continued*

17.3 INSURANCE CONTRACTS *continued*

17.3.3 ESTIMATES OF FUTURE CASH FLOWS

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

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

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

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

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

17.3.4 DISCOUNT RATES

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus a liquidity premium where applicable. Risk free rates are determined by reference to the ZAR swap curve. The liquidity premium is determined by reference to observable market rates, including sovereign debt, corporate debt and market swap rates. Refer to note 30.5 of the consolidated annual financial statements for discount rates applied for discounting of future cash flows.

17.3.5 RISK ADJUSTMENT FOR NON-FINANCIAL RISK

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

The group has estimated the risk adjustment using a value-at-risk (VaR) approach. The risk adjustment for insurance contracts corresponds to a 65% (2018: 65%) confidence level.

NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

for the year ended 30 September 2019

NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 16 – LEASES

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 – Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The standard is effective for the financial year ending 30 September 2020. The group expects that the most significant impact of the new standard will result from its current property leases.

For lease commitments (excluding non-lease components, short-term and low-value leases) the group will recognise lease liabilities, representing the present value of the future minimum lease payments discounted at a rate appropriate and after taking into account the lease term, value, economic environment and security over the asset applicable and corresponding right-of-use assets in respect of these leases, adjusted for prepayments recognised as at 30 September 2019. The group will apply IFRS 16 using the modified retrospective approach and therefore comparative information will not be restated.

A preliminary assessment indicates that the group will recognise lease liabilities estimated at R478 million and right-of-use assets of approximately R416 million.

IFRS 3 – BUSINESS COMBINATIONS

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process is present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

The amendment is effective for the financial year ending 30 September 2022. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8 – ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- Use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- Clarify the explanation of the definition of material; and
- Incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:
Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendment is effective for the financial year ending 30 September 2021. 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

		2019 Rm	2018 Rm
1	**CASH AND CASH EQUIVALENTS**		
	Bank balances	**301**	177
	Call deposits	**65**	154
	Securitisation special purpose vehicles*	**533**	540
	Customer clearance accounts	**–**	2
	Cash held for insurance operations	**20**	27
	TOTAL CASH AND CASH EQUIVALENTS	**919**	900
	Bank overdrafts	**(381)**	(116)
	NET CASH AND CASH EQUIVALENTS	**538**	784
	TOTAL OVERDRAFT FACILITIES	**761**	538

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

* *Ceded as part security for securitisation debentures and loans as shown in note 15.*

		2019 Rm	2018 Rm
2	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables*	**402**	498
	Impairment provision	**(16)**	(14)
	Net trade receivables	**386**	484
	Prepayments**	**388**	189
	Derivative assets (refer to note 2.1)	**194**	124
	Insurance premiums receivable	**64**	50
	Other sundry insurance claim receivables	**81**	62
	Premium debtors	**7**	71
	VAT receivable	**50**	77
	Salvage debtors	**59**	37
	Other	**58**	32
	TOTAL TRADE AND OTHER RECEIVABLES	**1 287**	1 126

The opening balance of the 2019 trade and other receivables have been restated by R9 million for the adoption of IFRS 15 – Revenue from Contracts with Customers. Refer to note 33.1.

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

	2019 Rm	2018 Rm
* *Ceded as security for bank facilities as shown in note 1.*	**318**	231

** *Included in prepayments are IT software development costs of R99 million (2018: R7 million). These costs will be reclassified to intangible assets when they are ready for their intended use.*

	2019 Rm	2018 Rm
MOVEMENT IN IMPAIRMENT PROVISION		
Balance at the beginning of the year	**(14)**	(12)
Impairment recognised in profit or loss	**(4)**	(3)
Utilisation of impairments	**2**	1
BALANCE AT THE END OF THE YEAR	**(16)**	(14)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

		2019 Rm	2018 Rm
2	**TRADE AND OTHER RECEIVABLES** *continued*		
	TRADE AND OTHER RECEIVABLES PAST DUE BUT NOT IMPAIRED		
	Amounts 30 days overdue	**33**	55
	Amounts 30 to 60 days overdue	**6**	21
	Amounts 60 to 90 days overdue	**5**	12
	Amounts 90 to 120 days overdue	**4**	40
	Amounts in excess of 120 days overdue*	**57**	34
	TOTAL TRADE AND OTHER RECEIVABLES PAST DUE BUT NOT IMPAIRED	**105**	162
	MAXIMUM EXPOSURE TO CREDIT LOSSES OF TRADE RECEIVABLES	**386**	484
	Carrying value of trade receivables less impairment provision	**386**	484
	Assets held as collateral	**(38)**	(138)
	RESIDUAL EXPOSURE	**348**	346

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

		2019 Rm	2018 Rm
2.1	**DERIVATIVE ASSETS**		
	DERIVATIVE ASSETS HELD FOR RISK MANAGEMENT		
	Interest rate swaps	**4**	–
	Cross-currency swaps	**190**	124
	TOTAL DERIVATIVE ASSETS	**194**	124

FAIR VALUE HEDGES OF INTEREST RATE RISK

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

CASH FLOW HEDGES OF FOREIGN CURRENCY RISK

The group uses cross-currency swaps to hedge the foreign currency risks arising from interest-bearing liabilities denominated in foreign currencies. These interest-bearing liabilities have a carrying value of R1.6 billion (USD 115 million) (2018: R1.4 billion (USD 107 million)). The currency exposure is 100% hedged.

Refer to note 30.8 for disclosure on movements in the cash flow hedging reserve.

		2019 Rm	2018 Restated Rm
3	**INVENTORIES**		
	Net hardware	**1**	1
	Hardware stock	**2**	2
	Impairment provision for hardware stock	**(1)**	(1)
	Components and spares	**123**	66
	Work in progress	**3**	3
	Vehicle sales stock	**86**	80
	Net vehicle stock allocated to alternative repair/realisation channel	**565**	267
	INVENTORIES NET OF BENEFITS CEDED ON INSURANCE CONTRACTS	**778**	417
	Add back: IFRS 17 provision allocated to inventories (refer to note 14)	**54**	61
	TOTAL INVENTORIES**	**832**	478

** *Inventories with a value of R177 million (2018: R67 million) have been pledged to secure the floorplan facility. A further R546 million (2018: R285 million) have been ceded as part security for amortising securitising debentures and loans as shown in note 15.*

Of the total inventories of R832 million (2018: R478 million), inventories to the value of R639 million (2018: R378 million) are carried at net realisable value. The remainder is carried at cost.

Refer to accounting policies note 17.3.1 for presentation of insurance contract liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

		2019 Rm	2018 Restated Rm
4	**LOANS AND ADVANCES**		
	Gross loans and advances	**11 373**	9 862
	Impairment provision (refer to note 4.2)	**(556)**	(474)
	LOANS AND ADVANCES NET OF EXPECTED CREDIT LOSS AND BENEFITS CEDED ON INSURANCE CONTRACTS	**10 817**	9 388
	Add back: IFRS 17 provision allocated to net loans and advances (refer to note 14)	**174**	204
	LOANS AND ADVANCES NET OF EXPECTED CREDIT LOSS	**10 991**	9 592

R10.3 billion (2018: R8.9 billion) ceded as part security for amortising securitising debentures and loans as shown in note 15. R19 million (2018: R23 million) of loans and advances relates to entry-level vehicles carried at fair value. Also included in loans and advances is repossessed stock valued at R58 million (2018: R152 million).

Refer to accounting policies note 17.3.1 for presentation of insurance contract liabilities.

		2019 Rm	2018 Restated Rm
4.1	**GROSS LOANS AND ADVANCES BY ASSET TYPE**		
	Finance leases (refer to note 4.1.1)	**10 752**	9 264
	Mortgage loans	**18**	25
	Discounted invoices and other instruments	**327**	507
	Other loans and advances	**276**	66
	GROSS LOANS AND ADVANCES	**11 373**	9 862
4.1.1	**FINANCE LEASES**		
	Gross finance leases including unearned finance charges	**16 047**	13 484
	Unearned finance charges	**(5 295)**	(4 220)
	GROSS FINANCE LEASES	**10 752**	9 264
	Impairment provision	**(515)**	(443)
	NET FINANCE LEASES	**10 237**	8 821
	MATURITY ANALYSIS OF GROSS FINANCE LEASES		
	Amounts up to one year	**2 883**	2 665
	Amounts between one and five years	**7 505**	6 442
	Amounts in excess of five years	**364**	157
	TOTAL GROSS FINANCE LEASES	**10 752**	9 264
	Average remaining loan term	**48**	47
	Average loan term at origination	**71**	69
4.2	**MOVEMENT IN IMPAIRMENT PROVISION**		
	Balance at the beginning of the year	**(474)**	(476)
	Impairment recognised in profit or loss*	**(342)**	(328)
	Utilisation of impairment provision**	**260**	330
	BALANCE AT THE END OF THE YEAR	**(556)**	(474)

* *Includes R54 million (2018: R93 million) related to a change in estimate on insurance contract liabilities and excludes the impact of bad debts recovered of R6 million (2018: R7 million).*

** *Includes R91 million (2018: R86 million) related to insurance contract liabilities.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	2019 Rm	2018 Restated Rm
4 LOANS AND ADVANCES *continued*		
4.3 RELATED CREDIT RISK EXPOSURE AND ENHANCEMENTS		
Maximum exposure to credit losses of loans and advances	**10 817**	9 388
Credit risk exposure mitigated through unguaranteed residual asset values held as collateral		
Total	**16 014**	12 952
Vehicles	**14 797**	11 799
Properties	**469**	346
Discounted invoices	**748**	807
Total	**16 014**	12 952
Fair value of collateral held for impaired financial assets	**1 727**	1 456
Fair value of collateral held for financial assets past due but not specifically impaired	**4 782**	3 892
Fair value of collateral held for financial assets neither past due nor impaired	**9 505**	7 604
Collateral attached comprises vehicles and properties		
4.4 LOANS AND ADVANCES PAST DUE BUT NOT SPECIFICALLY IMPAIRED*		
Amounts up to 30 days overdue	**1 236**	1 162
Amounts 30 to 60 days overdue	**704**	693
Amounts 60 to 90 days overdue	**307**	296
Amounts in excess of 90 days overdue	**950**	792
TOTAL	**3 197**	2 943

* *Refer to section 11.3.4 of the group accounting policies for the definition of default.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	2019 Rm	2018 Rm
5 PURCHASED BOOK DEBTS		
5.1 PRINCIPAL BOOK PORTFOLIO		
Cost	**3 181**	2 102
Accumulated amortisation	**(898)**	(777)
TOTAL PURCHASED BOOK DEBTS*	**2 283**	1 325
* *R2.3 billion (2018: R1.3 billion) ceded as part security for loans as shown in note 15.*		
RECONCILIATION OF MOVEMENTS IN THE YEAR		
Balance at the beginning of the year	**1 325**	829
Additions	**1 078**	610
Amortisation	**(120)**	(114)
BALANCE AT THE END OF THE YEAR	**2 283**	1 325

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

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

	2019 Rm	2018 Rm
5.2 OTHER FINANCIAL ASSETS		
Cost	**142**	53
Accumulated fair value adjustments	**(43)**	(4)
TOTAL OTHER FINANCIAL ASSETS	**99**	49
RECONCILIATION OF MOVEMENTS IN THE YEAR		
Balance at the beginning of the year	**49**	62
Additions	**108**	52
Net collections received	**(19)**	(62)
Fair value movements	**(39)**	(3)
BALANCE AT THE END OF THE YEAR	**99**	49
TOTAL PURCHASED BOOK DEBTS	**2 382**	1 374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	2019 Rm	2018 Rm
6 OTHER LOANS RECEIVABLE		
Gross other loans receivable	**45**	39
NET OTHER LOANS RECEIVABLE	**45**	39
GROSS OTHER LOANS RECEIVABLE BY ASSET TYPE		
Loans to employees	**2**	2
Other loans receivable*	**43**	37
GROSS OTHER LOANS RECEIVABLE	**45**	39
RECONCILIATION OF MOVEMENTS IN THE YEAR		
Balance at the beginning of the year	**39**	41
Loans advanced	**10**	4
Interest	**1**	1
Loans repaid	**(5)**	(7)
BALANCE AT THE END OF THE YEAR	**45**	39
MATURITY ANALYSIS		
Within one year	**1**	1
Greater than one year	**44**	38
TOTAL OTHER LOANS RECEIVABLE	**45**	39

The carrying value of other loans receivable approximates fair value.

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

* *Other loans receivables include an amount of R25 million (2018: R26 million) from a related party; refer to note 31.2 for further information.*

7 EQUITY ACCOUNTED INVESTMENTS

7.1 DETAILS OF THE GROUP'S SIGNIFICANT INVESTMENTS AT SEPTEMBER 2019 ARE AS FOLLOWS:

	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest held by the group %
TC Global Finance Limited (TC Global Finance)**	Distressed debt	Europe	50%
Lanyana Financial Group Pty Ltd (Lanyana)	Debt advisory	Australia	25%

The above investments are accounted for using the equity method as set out in the group's accounting policies in note 4.

7.2 CARRYING AMOUNT OF EQUITY ACCOUNTED INVESTMENTS

	TC Global Finance 2019 Rm	TC Global Finance 2018 Rm	Lanyana 2019 Rm	Lanyana 2018 Rm	Total 2019 Rm	Total 2018 Rm
Net assets of investment	**21**	–	**1**	–	**22**	–
Proportion of the group's ownership interest in the investment	**1**	–	**3**	–	**4**	–
Goodwill	**–**	–	**66**	–	**66**	–
CARRYING AMOUNT OF THE GROUP'S INTEREST IN INVESTMENT	**22**	–	**70**	–	**92**	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	Computer and telephony software	Brands and trademarks* Rm	Customer relationships Rm	Total Rm
8 INTANGIBLE ASSETS				
COST				
AT 30 SEPTEMBER 2017	227	42	61	330
Additions	60	–	–	60
Additions through business combinations	3	10	7	20
Disposals	(1)	–	–	(1)
Effect of foreign currency exchange difference	–	(1)	(1)	(2)
AT 30 SEPTEMBER 2018	**289**	**51**	**67**	**407**
Additions	**57**	**–**	**–**	**57**
AT 30 SEPTEMBER 2019	**346**	**51**	**67**	**464**
ACCUMULATED AMORTISATION				
AT 30 SEPTEMBER 2017	(74)	–	(9)	(83)
Additions through business combinations	(1)	–	–	(1)
Disposals	1	–	–	1
Amortisation expense	(31)	–	(10)	(41)
AT 30 SEPTEMBER 2018	**(105)**	**–**	**(19)**	**(124)**
Amortisation expense	**(34)**	**–**	**(12)**	**(46)**
AT 30 SEPTEMBER 2019	**(139)**	**–**	**(31)**	**(170)**
NET CARRYING VALUE				
Cost	289	51	67	407
Accumulated amortisation	(105)	–	(19)	(124)
NET CARRYING VALUE AT 30 SEPTEMBER 2018	**184**	**51**	**48**	**283**
Cost	**346**	**51**	**67**	**464**
Accumulated amortisation	**(139)**	**–**	**(31)**	**(170)**
NET CARRYING VALUE AT 30 SEPTEMBER 2019	**207**	**51**	**36**	**294**

* *Brands and trademarks with indefinite useful lives were acquired through business combinations during prior financial years. The total carrying amount of these intangible assets is R51 million (2018: R51 million). The trademarks and brands relating to the business combinations do not have foreseeable limits to the periods over which the assets are expected to generate net cash inflows for the group. It is management's intention to renew the trademarks associated with these brands for the foreseeable future. There are no anticipated external factors which could lead to a diminishment in the estimated useful lives of these brands.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

9 PROPERTY AND EQUIPMENT

	Vehicles Rm	Machinery* Rm	Office and computer equipment Rm	Total Rm
COST				
AT 30 SEPTEMBER 2017	43	–	230	273
Reclassification	–	22	(22)	–
Additions	7	3	49	59
Disposals	(3)	–	(16)	(19)
Additions through business combinations	–	–	5	5
AT 30 SEPTEMBER 2018	**47**	**25**	**246**	**318**
Additions	**10**	**1**	**37**	**48**
Disposals	**(2)**	**–**	**(7)**	**(9)**
AT 30 SEPTEMBER 2019	**55**	**26**	**276**	**357**
ACCUMULATED DEPRECIATION				
AT 30 SEPTEMBER 2017	(15)	–	(108)	(123)
Reclassification	–	(6)	6	–
Depreciation expense	(4)	–	(33)	(37)
Additions through business combinations	–	–	(5)	(5)
Disposals	1	–	13	14
AT 30 SEPTEMBER 2018	**(18)**	**(6)**	**(127)**	**(151)**
Depreciation expense	**(4)**	**(3)**	**(34)**	**(41)**
Disposals	**1**	**–**	**6**	**7**
AT 30 SEPTEMBER 2019	**(21)**	**(9)**	**(155)**	**(185)**
NET CARRYING VALUE				
Cost	47	25	246	318
Accumulated depreciation	(18)	(6)	(127)	(151)
NET CARRYING VALUE AT 30 SEPTEMBER 2018	29	19	119	167
Cost	**55**	**26**	**276**	**357**
Accumulated depreciation	**(21)**	**(9)**	**(155)**	**(185)**
NET CARRYING VALUE AT 30 SEPTEMBER 2019	**34**	**17**	**121**	**172**

* *Machinery was reclassified from office and computer equipment during the current financial year.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	2019 Rm	2018 Rm
10 GOODWILL		
CARRYING VALUE AT THE BEGINNING OF THE YEAR	**1 142**	1 135
Additions recognised from business combinations:	**9**	23
Accsys (Pty) Ltd	**–**	23
Black Elite Benefits Pty (Ltd) (refer to note 32)	**9**	–
Effect of foreign currency exchange differences	**1**	(16)
CARRYING VALUE AT THE END OF THE YEAR	**1 152**	1 142
COMPOSITION OF GOODWILL PER CASH-GENERATING UNIT		
SA TAXI	**511**	502
TRANSACTION CAPITAL RISK SERVICES (TCRS) COMPONENTS:		
TCRS – South Africa	**166**	166
TCRS – Australia	**375**	374
Value Added Services	**100**	100
TOTAL GOODWILL	**1 152**	1 142

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

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 6.7% (2018: 5%) for SA Taxi and 5% (2018: 5%) for TCRS. This rate does not exceed the average long-term growth rate for the relevant markets. The value in use of the CGUs which are lending businesses is determined based on free cash flows to equity, discounted with a cost of equity, and the value in use of CGUs which operate service businesses is determined based on free cash flows to the firm, discounted with a weighted average cost of capital. The discount rates used in the value in use calculation at year-end is 14.3% for SA Taxi, 17.9% for TCRS South Africa, 12.5% for TCRS Australia and 23.0% for Value Added Services. The valuation method applied is consistent with that of the prior period.

The terminal value growth rate is estimated by the directors of the group based on past performance of the cash-generating unit and their expectations of market development. The directors estimate that there is significant headroom in the cash-generating unit and a decrease in growth rate would not result in an impairment charge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	2019 Rm	2018 Restated Rm
11 DEFERRED TAX		
Deferred tax is presented in the statement of financial position as follows:		
Deferred tax assets	**271**	368
Deferred tax liabilities	**(413)**	(326)
NET DEFERRED TAX (LIABILITIES)/ASSETS	**(142)**	42
THE MOVEMENTS DURING THE YEAR ARE ANALYSED AS FOLLOWS:		
Balance at the beginning of the year	**42**	178
Recognised in the income statement for the year	**(206)**	(150)
Recognised in equity for the year	**5**	1
Prior year adjustment	**18**	12
Translation of foreign operations	**(1)**	1
NET DEFERRED TAX (LIABILITIES)/ASSETS AT THE END OF THE YEAR	**(142)**	42

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

An amount of R6 million (2018: Rnil million) has not been recognised as a deferred tax asset during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

11 DEFERRED TAX *continued*

	Opening balance Rm	Charged to income statement Rm	Charged to equity Rm	Prior year adjustment Rm	Effect of foreign currency exchange differences Rm	Closing balance Rm
2019						
TEMPORARY DIFFERENCE						
Assessed loss unutilised	468	87	5	–	–	560
Provision for impairment of loans and advances	–	2	–	–	–	2
Prepayments	(41)	(26)	–	–	–	(67)
Creditor provisions	43	(4)	–	–	–	39
Property and equipment	(5)	(8)	–	–	–	(13)
Intangible assets	(3)	1	–	–	–	(2)
Deferred income	6	(4)	–	–	–	2
Operating lease adjustment	2	–	–	–	–	2
Timing difference of expenditure	14	(1)	–	–	–	13
Purchased book debts	(366)	(232)	–	–	–	(598)
Loans and advances	(120)	(9)	–	16	–	(113)
Share appreciation rights	12	3	(3)	–	–	12
Insurance provisions	144	(19)	–	–	–	125
Other provisions	(6)	1	–	–	–	(5)
Other temporary differences	13	(9)	3	1	(1)	7
Cross-currency swap	(35)	25	–	–	–	(10)
Interest-bearing liabilities	(40)	7	–	–	–	(33)
Undistributed insurance income	(38)	(20)	–	1	–	(57)
Other	(6)	–	–	–	–	(6)
TOTAL	42	(206)	5	18	(1)	(142)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

11 DEFERRED TAX *continued*

	Opening balance Rm	Charged to income statement Rm	Charged to equity Rm	Prior year adjustment Rm	Effect of foreign currency exchange differences Rm	Closing balance Rm
2018 – Restated						
TEMPORARY DIFFERENCE						
Assessed loss unutilised	313	133	–	22	–	468
Provision for impairment of loans and advances	(2)	2	–	–	–	–
Prepayments	(21)	(20)	–	–	–	(41)
Creditor provisions	76	(39)	–	6	–	43
Property and equipment	(3)	(2)	–	–	–	(5)
Intangible assets	(4)	1	–	–	–	(3)
Deferred income	11	(5)	–	–	–	6
Operating lease adjustment	2	–	–	–	–	2
Timing difference of expenditure	14	–	–	–	–	14
Purchased book debts	(234)	(132)	–	–	–	(366)
Loans and advances	(66)	(56)	–	2	–	(120)
Share appreciation rights	5	5	2	–	–	12
Other provisions	–	–	–	(6)	–	(6)
Other temporary differences	–	12	–	–	1	13
Cross-currency swap	(12)	(22)	(1)	–	–	(35)
Controlled foreign company income	(8)	8	–	–	–	–
Interest-bearing liabilities	(29)	(11)	–	–	–	(40)
Insurance provisions	144	–	–	–	–	144
Undistributed insurance income	(2)	(23)	–	(13)	–	(38)
Other	(6)	(1)	–	1	–	(6)
TOTAL	178	(150)	1	12	1	42

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	2019 Rm	2018 Rm
12 TRADE AND OTHER PAYABLES		
Trade payables and accruals	**451**	481
Revenue received in advance	**56**	54
Bonus accrual	**132**	110
Derivative liabilities (refer to note 12.1)	**1**	5
Deferred lease liabilities	**33**	36
VAT payable	**15**	27
Other	**21**	24
TRADE AND OTHER PAYABLES	**709**	737

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

	2019 Rm	2018 Rm
12.1 DERIVATIVE LIABILITIES		
DERIVATIVE LIABILITIES HELD FOR RISK MANAGEMENT		
Interest rate swaps	**1**	4
Cross-currency swaps	**–**	1
TOTAL DERIVATIVE LIABILITIES	**1**	5

FAIR VALUE HEDGES OF INTEREST RATE RISK

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

CASH FLOW HEDGES OF FOREIGN CURRENCY RISK

The group uses cross-currency swaps to hedge the foreign currency risks arising from interest-bearing liabilities denominated in foreign currencies. These interest-bearing liabilities have a carrying value of R1.6 billion (USD 115 million) (2018: R1.4 billion (USD 107 million)). The currency exposure is 100% hedged.

Refer to note 30.8 for disclosure on movements in the cash flow hedging reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

13 PROVISIONS

	Leave pay provision* Rm	Onerous lease provision Rm	Total Rm
BALANCE AT 30 SEPTEMBER 2018	**54**	**1**	**55**
Additional provision recognised	**28**	**–**	**28**
Utilisation of provision	**(29)**	**(1)**	**(30)**
BALANCE AT 30 SEPTEMBER 2019	**53**	**–**	**53**

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

14 INSURANCE CONTRACT LIABILITIES

	2019 Rm	2018 Restated Rm
INSURANCE CONTRACTS LIABILITIES COMPRISE:		
Short-term motor comprehensive policy – financed portfolio	**511**	585
Credit life portfolio	**12**	7
Short-term motor comprehensive policy – non-financed portfolio	**14**	15
Other**	**–**	–
TOTAL INSURANCE CONTRACT LIABILITIES	**537**	607
INSURANCE CONTRACTS ARE PRESENTED AS FOLLOWS:		
Benefits ceded on insurance contracts relating to inventories	**54**	61
Benefits ceded on insurance contracts relating to loans and advances	**174**	204
Benefits accruing to insurance contract holders	**309**	342
TOTAL INSURANCE CONTRACT LIABILITIES	**537**	607

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

14 INSURANCE CONTRACT LIABILITIES *continued*

14.1 RECONCILIATIONS OF THE NET CARRYING AMOUNTS OF INSURANCE CONTRACT LIABILITIES

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

14.1.1 SHORT-TERM MOTOR COMPREHENSIVE POLICY – FINANCED PORTFOLIO

Analysis by remaining coverage and incurred claims

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

	2019					2018 – Restated				
	Liabilities for remaining coverage		Liabilities for incurred claims			Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm
INSURANCE CONTRACT LIABILITIES AT THE BEGINNING OF THE YEAR	**–**	**472**	**109**	**4**	**585**	–	481	104	5	590
Insurance revenue	**(579)**	**–**	**–**	**–**	**(579)**	(534)	–	–	–	(534)
Insurance service expenses	**51**	**(69)**	**305**	**–**	**287**	1	(10)	323	–	314
Incurred claims and other expenses*	**51**	**(168)**	**305**	**–**	**188**	1	(149)	323	–	175
Losses on onerous contracts and reversals of those losses*	**–**	**99**	**–**	**–**	**99**	–	139	–	–	139
Changes to liabilities for incurred claims	**–**	**–**	**8**	**(1)**	**7**	–	–	(7)	(1)	(8)
Insurance service result	**(528)**	**(69)**	**313**	**(1)**	**(285)**	(533)	(10)	316	(1)	(228)
Insurance finance expenses	**–**	**1**	**2**	**–**	**3**	–	1	(1)	–	–
TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS	**(528)**	**(68)**	**315**	**(1)**	**(282)**	(533)	(9)	315	(1)	(228)
Premium received	**579**	**–**	**–**	**–**	**579**	534	–	–	–	534
Claims and other expenses paid	**(51)**	**–**	**(320)**	**–**	**(371)**	(1)	–	(310)	–	(311)
TOTAL CASH FLOWS	**528**	**–**	**(320)**	**–**	**208**	533	–	(310)	–	223
INSURANCE CONTRACT LIABILITIES AT THE END OF THE YEAR	**–**	**404**	**104**	**3**	**511**	–	472	109	4	585

* *Movements in onerous contracts are reflected as part of note 19 and note 20.1 relating to loans and advances.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

14 INSURANCE CONTRACT LIABILITIES *continued*

14.1 RECONCILIATIONS OF THE NET CARRYING AMOUNTS OF INSURANCE CONTRACT LIABILITIES *continued*

14.1.2 CREDIT LIFE PORTFOLIO

Analysis by remaining coverage and incurred claims

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

	2019					2018 – Restated				
	Liabilities for remaining coverage		Liabilities for incurred claims			Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm
INSURANCE CONTRACT LIABILITIES AT THE BEGINNING OF THE YEAR	–	7	–	–	7	–	–	–	–	–
Insurance revenue	(79)	–	–	–	(79)	(25)	–	–	–	(25)
Insurance service expenses	1	–	39	–	40	(7)	8	14	–	15
Incurred claims and other expenses	1	–	39	–	40	(7)	–	14	–	7
Losses on onerous contracts and reversals of those losses	–	–	–	–	–	–	8	–	–	8
Insurance service result	(78)	–	39	–	(39)	(32)	8	14	–	(10)
Insurance finance expenses	–	–	–	–	–	–	(1)	–	–	(1)
TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS	(78)	–	39	–	(39)	(32)	7	14	–	(11)
Premium received	79	–	–	–	79	25	–	–	–	25
Claims and other expenses paid	(1)	–	(34)	–	(35)	7	–	(14)	–	(7)
TOTAL CASH FLOWS	78	–	(34)	–	44	32	–	(14)	–	18
INSURANCE CONTRACT LIABILITIES AT THE END OF THE YEAR	–	7	5	–	12	–	7	–	–	7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

14 INSURANCE CONTRACT LIABILITIES *continued*

14.1 RECONCILIATIONS OF THE NET CARRYING AMOUNTS OF INSURANCE CONTRACT LIABILITIES *continued*

14.1.3 SHORT-TERM MOTOR COMPREHENSIVE POLICY – NON-FINANCED PORTFOLIO

Analysis by remaining coverage and incurred claims

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

	2019					2018 – Restated				
	Liabilities for remaining coverage		Liabilities for incurred claims			Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm
INSURANCE CONTRACT LIABILITIES AT THE BEGINNING OF THE YEAR	–	–	14	1	15	–	–	13	1	14
Insurance revenue	(140)	–	–	–	(140)	(88)	–	–	–	(88)
Insurance service expenses	12	–	58	–	70	(9)	–	61	–	52
Incurred claims and other expenses	12	–	58	–	70	(9)	–	61	–	52
Losses on onerous contracts and reversals of those losses	–	–	–	–	–	–	–	–	–	–
Changes to liabilities for incurred claims	–	–	1	–	1	–	–	(1)	–	(1)
Insurance service result	(128)	–	59	–	(69)	(97)	–	60	–	(37)
Insurance finance expenses	–	–	1	–	1	–	–	–	–	–
TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS	(128)	–	60	–	(68)	(97)	–	60	–	(37)
Premium received	140	–	–	–	140	88	–	–	–	88
Claims and other expenses paid	(12)	–	(61)	–	(73)	9	–	(59)	–	(50)
TOTAL CASH FLOWS	128	–	(61)	–	67	97	–	(59)	–	38
INSURANCE CONTRACT LIABILITIES AT THE END OF THE YEAR	–	–	13	1	14	–	–	14	1	15

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

14 INSURANCE CONTRACT LIABILITIES *continued*

14.1 RECONCILIATIONS OF THE NET CARRYING AMOUNTS OF INSURANCE CONTRACT LIABILITIES *continued*

14.1.4 OTHER PORTFOLIO

Analysis by remaining coverage and incurred claims

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

	2019					2018 – Restated				
	Liabilities for remaining coverage		Liabilities for incurred claims			Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm	Excluding loss component Rm	Loss component Rm	Present value of cash flows Rm	Risk adjustment Rm	Total Rm
INSURANCE CONTRACT LIABILITIES AT THE BEGINNING OF THE YEAR	–	–	–	–	–	–	–	–	–	–
Insurance revenue	(25)	–	–	–	(25)	(37)	–	–	–	(37)
Insurance service expenses	4	–	9	–	13	10	–	11	–	21
Incurred claims and other expenses	4	–	9	–	13	10	–	11	–	21
Losses on onerous contracts and reversals of those losses	–	–	–	–	–	–	–	–	–	–
Changes to liabilities for incurred claims	–	–	–	–	–	–	–	–	–	–
Insurance service result	(21)	–	9	–	(12)	(27)	–	11	–	(16)
Insurance finance expenses	–	–	–	–	–	–	–	–	–	–
TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS	(21)	–	9	–	(12)	(27)	–	11	–	(16)
Premium received	25	–	–	–	25	37	–	–	–	37
Claims and other expenses paid	(4)	–	(9)	–	(13)	(10)	–	(11)	–	(21)
TOTAL CASH FLOWS	21	–	(9)	–	12	27	–	(11)	–	16
INSURANCE CONTRACT LIABILITIES AT THE END OF THE YEAR	–	–	–	–	–	–	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	Notes	2019 Rm	2018 Rm
15 INTEREST-BEARING LIABILITIES			
TYPE OF LOAN			
Securitisation notes, debentures and loans	15.1	**3 829**	4 571
Loans	15.1	**6 975**	5 242
Finance lease liabilities	15.2	**2**	4
TOTAL INTEREST-BEARING LIABILITIES		**10 806**	9 817
CLASSES OF INTEREST-BEARING LIABILITIES			
Senior debt	15.1	**10 287**	8 753
Subordinated debt	15.1	**517**	1 060
Finance lease liabilities	15.2	**2**	4
TOTAL INTEREST-BEARING LIABILITIES		**10 806**	9 817
MATURITY PROFILE			
Payable within 12 months		**2 216**	4 579
Payable thereafter		**8 590**	5 238
TOTAL INTEREST-BEARING LIABILITIES		**10 806**	9 817

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

15 INTEREST-BEARING LIABILITIES *continued*

Restrictive funding arrangements

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

2019

Lender	Borrower	Rm	Restrictive conditions
Investec Asset Management Proprietary Limited	SA Taxi Development Finance Proprietary Limited	**165**	■ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ■ Early settlement of the loan is not permissible.
Futuregrowth Asset Management Proprietary Limited	SA Taxi Finance Solutions (RF) Proprietary Limited	**60**	■ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ■ Early settlement of the loan is not permissible.

2018

Lender	Borrower	Rm	Restrictive conditions
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)	Transaction Capital Business Solutions Proprietary Limited	**100**	■ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ■ Early settlement of the loan is not permissible.
Investec Asset Management Proprietary Limited	SA Taxi Development Finance Proprietary Limited	**165**	■ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ■ Early settlement of the loan is not permissible.
Futuregrowth Asset Management Proprietary Limited	SA Taxi Finance Solutions Proprietary Limited	**300**	■ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ■ Early settlement of the loan is not permissible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

15 INTEREST-BEARING LIABILITIES

15.1

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value Rm	Other comments
2019							
SECURITISATION NOTES, DEBENTURES AND LOANS							
Junior	Amortising	12/02/15	3 Month JIBAR plus 7%	31/03/20	ZAR	**5**	Secured by a cession of loans and advances, bank accounts, trade receivables and inventories.
Junior	Bullet	12/02/15	3 Month JIBAR plus 7%	31/03/20	ZAR	**81**	
Mezzanine	Amortising	13/11/15 to 08/08/16	3 Month JIBAR plus 6.8%	14/12/20	ZAR	**77**	
Senior	Amortising	13/03/19	3 Month JIBAR at 7.9% to 9.82%	14/04/20 to 15/04/24	ZAR	**759**	
Senior	Amortising	17/11/14 to 30/09/19	3 Month JIBAR plus 1.49% to 4.2%	31/12/19 to 30/09/24	ZAR	**2 276**	
Senior	Amortising	13/11/15 to 13/03/19	Fixed at 9.03% to 9.69%	14/12/20 to 15/04/22	ZAR	**220**	
Senior	Amortising	13/02/17	Fixed rate at 10.87%	31/12/21	ZAR	**2**	
Senior	Amortising	10/11/17 to 28/03/19	3 Month JIBAR plus 1.35% to 3.5%	28/01/20 to 02/01/24	ZAR	**349**	
Senior	Bullet	31/10/16 to 30/11/16	6m JIBAR plus 5%	31/10/19 to 02/12/19	ZAR	**60**	
TOTAL						**3 829**	
LOANS							
Senior	Amortising	23/11/17 to 27/09/19	BBSY Bid + 2.95%	23/11/20 to 27/09/22	AUD	**62**	Cash and cash equivalents, purchased book debts and trade receivables are ceded as securities for the loans.
Senior	Amortising	24/05/19	3 Month JIBAR + 3.1% to 3.5%	30/05/22 to 28/06/24	ZAR	**768**	
Senior	Revolving	16/07/19	Prime – 0.6%	28/05/21	ZAR	**157**	
Senior	Bullet	24/05/19	3 Month JIBAR	05/09/22	ZAR	**50**	
Mezzanine	Amortising	09/03/17 to 26/02/18	3 Month JIBAR plus 11.36%	16/02/21	USD	**103**	
Mezzanine	Bullet	10/06/15 to 20/02/18	3 Month JIBAR plus 6.73% to 6.5%	10/12/20 to 10/06/24	ZAR	**251**	
Senior	Amortising	29/12/15 to 21/08/19	3 Month JIBAR plus 1% to 2.9%	15/12/20 to 21/08/24	ZAR	**835**	
Senior	Amortising	13/06/18	3 Month JIBAR plus 3.77%	15/05/24	USD	**118**	
Senior	Amortising	04/03/15 to 26/09/19	3 Month JIBAR plus 3.8% to 3.85%	15/03/21 to 28/09/23	ZAR	**444**	
Senior	Amortising	29/04/19 to 18/09/19	3 Month JIBAR plus 3.87% to 3.89%	26/04/23 to 15/08/25	USD	**192**	
Senior	Amortising	04/03/15	3 Month JIBAR plus 3.9%	16/03/20	ZAR	**11**	
Senior	Amortising	12/12/18 to 19/06/19	3 Month JIBAR plus 3.97% to 4.07%	15/05/24 to 15/08/25	USD	**411**	
Senior	Amortising	10/06/15 to 30/04/19	3 Month JIBAR plus 4.1% to 4.3%	10/06/20 to 15/06/24	ZAR	**503**	
Senior	Amortising	13/12/17	3 Month JIBAR plus 4.477%	15/05/24	USD	**107**	
Senior	Amortising	23/06/16	3 Month JIBAR plus 4.5%	23/06/21	ZAR	**53**	
Senior	Amortising	26/07/17	3 Month JIBAR plus 4.535%	15/05/24	USD	**100**	
Senior	Amortising	13/12/16 to 04/12/18	3 Month JIBAR plus 4.55% to 4.89%	15/12/21 to 15/12/23	ZAR	**172**	
Senior	Amortising	06/03/15 to 26/02/18	3 Month JIBAR plus 4.94% to 6.28%	16/02/21 to 15/02/22	USD	**574**	
Senior	Amortising	13/10/16	3 Month JIBAR plus 7.5%	13/10/21	ZAR	**131**	
Senior	Amortising	26/09/19	Fixed at 11.5%	26/09/23	ZAR	**44**	
Senior	Amortising	25/05/17	Prime less 0.3%	17/05/21	ZAR	**2**	
Senior	Amortising	24/08/16 to 02/07/19	Prime plus 0.25% to 1%	15/09/20 to 15/07/24	ZAR	**75**	
Senior	Bullet	12/03/18 to 10/06/19	3 Month JIBAR plus 4% to 4.5%	17/05/21 to 17/06/25	ZAR	**400**	
Senior	Revolving	20/10/16	Prime	16/10/20	ZAR	**735**	
Senior	Revolving	18/07/19	Prime less 0.2% to 0.4%	16/10/20	ZAR	**649**	
Senior	Revolving	18/12/18	Prime plus 2%	18/12/19	ZAR	**28**	
TOTAL						**6 975**	
TOTAL INTEREST-BEARING LIABILITIES						**10 804**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

15 INTEREST-BEARING LIABILITIES *continued*

15.1

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value Rm	Other comments
2018							
SECURITISATION NOTES, DEBENTURES AND LOANS							
Junior	Bullet	12/02/15	3 Month JIBAR plus 7%	31/03/20	ZAR	**81**	Secured by a cession of loans and advances, bank accounts, trade receivables and inventories.
Mezzanine	Amortising	05/06/14 to 13/11/15	3 Month JIBAR plus 6.5% to 6.8%	14/06/19 to 14/12/20	ZAR	**175**	
Senior	Amortising	31/03/14 to 21/09/18	3 Month JIBAR plus 1.7% to 4%	01/04/19 to 30/09/24	ZAR	**2 940**	
Senior	Amortising	26/03/14 to 03/07/14	90 Day JIBAR plus 3.5%	26/03/19 to 03/07/19	ZAR	**109**	
Senior	Amortising	08/08/15 to 13/02/17	Fixed rate	14/12/20 to 11/12/22	ZAR	**240**	
Senior	Bullet	30/06/16 to 30/11/16	6 Month JIBAR plus 3.8% to 4.4%	31/07/19 to 12/02/19	ZAR	**598**	
Senior	Bullet	10/11/17 to 26/09/18	3 Month JIBAR plus 1.5%	25/01/19 to 19/09/26	ZAR	**428**	
TOTAL						**4 571**	
LOANS							
Mezzanine	Amortising	09/03/17 to 26/02/18	3 Month USD LIBOR plus 4.8% to 11.8%	15/02/21 to 16/02/21	USD	**140**	Cash and cash equivalents, purchased book debts and trade receivables are ceded as securities for the loans.
Mezzanine	Bullet	10/06/15 to 20/02/18	3 Month JIBAR plus 6.5% to 6.75%	10/12/20 to 15/03/24	ZAR	**218**	
Mezzanine	Bullet	07/03/17 to 03/02/18	3 Month USD LIBOR plus 4%	15/02/21 to 16/02/21	USD	**70**	
Senior	Bullet	07/03/12 to 28/06/18	3 Month JIBAR plus 4% to 4.8%	31/10/18 to 30/06/23	ZAR	**324**	
Senior	Amortising	07/03/12 to 24/04/18	3 Month JIBAR plus 4.66%	07/03/19 to 15/12/21	ZAR	**1 826**	
Senior	Amortising	24/08/16 to 27/03/17	Prime plus 0.25% to 1%	15/09/20 to 15/03/23	ZAR	**50**	
Senior	Amortising	14/10/16 to 13/06/18	3 Month USD LIBOR plus 3.85% to 6.26%	15/09/19 to 15/03/21	USD	**1 161**	
Senior	Revolving	27/03/17 to 26/03/18	Prime plus 0%	15/03/22 to 15/03/23	ZAR	**751**	
Senior	Revolving	24/08/16 to 12/04/18	Prime less 0.2%	15/03/22 to 12/04/23	ZAR	**318**	
Structurally subordinated	Bullet	01/07/16	3 Month JIBAR plus 4.5%	01/07/21	ZAR	**376**	
Senior	Amortising	23/11/17 to 04/06/18	3 Month AUD BLR plus 1%	23/11/20 to 24/05/21	AUD	**8**	
TOTAL						**5 242**	
TOTAL INTEREST-BEARING LIABILITIES						**9 813**	

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

All loans per section 15.1 are subordinated debt, with the exception of senior loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

15 INTEREST-BEARING LIABILITIES *continued*

15.2 OBLIGATIONS UNDER FINANCE LEASES LIABILITIES

15.2.1 LEASING ARRANGEMENTS

The group leases certain of its computer equipment under finance leases. The average lease term is three years. The group's obligations under finance leases are secured by the lessors' title to the leased assets.

The interest rate underlying all obligations under the finance leases is fixed at respective contract dates and is 5% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
15.2.2 FINANCE LEASE LIABILITIES				
Not later than one year	**2**	2	**2**	2
Later than one year and not later than five years	**–**	2	**–**	2
Later than five years	**–**	–	**–**	–
TOTAL	**2**	4	**2**	4
Future finance charges	**–**	–	**–**	–
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**2**	4	**2**	4

Included in the consolidated financial statements as interest-bearing liabilities:

	2019 Rm	2018 Rm
Current	**2**	2
Non-current	**–**	2
TOTAL FINANCE LEASE LIABILITIES	**2**	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	2019 Rm	2018 Rm
16 ORDINARY SHARE CAPITAL		
AUTHORISED		
1 000 000 000 ordinary shares		
ISSUED		
612 654 644 (2018: 610 212 448) ordinary shares		
Ordinary share capital	**1 103**	1 056
ORDINARY SHARE CAPITAL	**1 103**	1 056

	2019		2018	
	Number of shares million	**Share capital Rm**	Number of shares million	Share capital Rm
16.1 RECONCILIATION OF ORDINARY SHARE CAPITAL				
BALANCE AT THE BEGINNING OF THE YEAR	**610.2**	**1 056**	610.1	1 056
Shares issued in settlement of the Share Appreciations Rights Plan obligation and Conditional Share Plan (Note 16.1.1)	**3.1**	**58**	0.6	9
Shares repurchased in the open market and cancelled (Note 16.1.2)	**(0.6)**	**(11)**	(0.5)	(9)
BALANCE AT THE END OF THE YEAR	**612.7**	**1 103**	610.2	1 056

16.1.1 In terms of specific authority received from shareholders on the adoption of the Transaction Capital Share Appreciation Rights Plan and Transaction Capital Conditional Share Plan, a total of 3 061 514 shares were issued to participants/employees as part of respective vestings at an average price of R19.15 per share. Refer to note 24 for further details.

16.1.2 All shares repurchased and cancelled reverted to authorised unissued shares. The average purchase price of the 619 318 shares repurchased on the open market was R16.90 per share.

PREFERENCE SHARE CAPITAL

AUTHORISED

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

ISSUED

Nil (2018: nil) preference shares

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	2019 Rm	2018 Rm
17 NON-CONTROLLING INTERESTS		
Balance at the beginning of the year	**59**	54
Dividends paid	**(37)**	(11)
Share of profit for the year	**60**	16
Disposal of subsidiary*	**(3)**	–
Issue of shares by subsidiary to non-controlling interests**	**497**	–
BALANCE AT THE END OF THE YEAR	**576**	59

Refer to note 15 of the company annual financial statements for information relating to the non-controlling interests.

* *Refer to note 34 of the consolidated annual financial statements for information on the disposal of subsidiary.*

** *In February 2019, an equity partnership transaction was concluded in which the South African National Taxi Council ('SANTACO') subscribed for new shares to the value of R1.7 billion in SA Taxi Finance Holdings Proprietary Limited ('SA Taxi'), acquiring a 25% stake in SA Taxi. The Standard Bank of South Africa Limited and Futuregrowth Asset Management Proprietary Limited (acting as an asset manager on behalf of various persons) co-funded the transaction by way of preference shares to the value of R1.18 billion, with SA Taxi providing R521 million of vendor finance through the issue of a new class of shares called 'Notional Vendor Finance (NVF) shares'. As a result of the ordinary share issue, Transaction Capital Limited holds 81.4% of the ordinary share capital of SA Taxi. The fair value of the NVF shares was determined to be R99.7 million, and were issued to SANTACO for zero consideration. In line with the principles of IFRS 2 – Share-based Payment, the value of NVF shares (R99.7 million) has been recognised as an expense in the statement of profit and loss, refer note 21.*

	2019 Rm	2018 Restated Rm
18 INTEREST		
INTEREST INCOME IS EARNED FROM:		
Cash and cash equivalents	**91**	51
Loans and advances	**2 378**	2 095
Finance leases	**2 249**	1 946
Mortgage loans	**2**	3
Discounted invoices and other instruments	**91**	138
Other loans and advances	**36**	8
Other loans receivable	**2**	6
Other	**1**	2
TOTAL INTEREST INCOME	**2 472**	2 154
INTEREST EXPENSE ARE PAID ON:		
Bank overdrafts and other short term-borrowings	**(31)**	(19)
Interest-bearing liabilities	**(1 159)**	(1 031)
Other	**(3)**	(4)
TOTAL INTEREST EXPENSE	**(1 193)**	(1 054)
Interest income	**2 472**	2 154
Interest expense	**(1 193)**	(1 054)
NET INTEREST INCOME	**1 279**	1 100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	2019 Rm	2018 Restated Rm
19 IMPAIRMENT OF LOANS AND ADVANCES		
IMPAIRMENT COMPRISES:		
Movement in provision for impairment*	**22**	42
Bad debts written off**	**(310)**	(277)
Bad debts recovered	**6**	7
IMPAIRMENT	**(282)**	(228)
Losses on onerous contracts and reversals of these losses (refer to note 14)	**(54)**	(93)
TOTAL IMPAIRMENT	**(336)**	(321)

* Refer note 30.1.4 for further detail on the impairment of loans and advances.
** Includes R91 million (2018: R86 million) related to insurance contract liabilities.

	2019 Rm	2018 Restated Rm
20 NON-INTEREST REVENUE		
NON-INTEREST REVENUE COMPRISES:		
Net insurance result (refer to note 20.1)	**364**	301
Total other non-interest revenue	**2 324**	2 034
Fee-for-service revenue	**912**	939
Commission income	**75**	69
Fee income	**300**	298
Revenue from purchased book debts***	**902**	562
Revenue from sale of goods	**74**	73
Other income	**61**	93
TOTAL NON-INTEREST REVENUE**	**2 688**	2 335

*** *Included in revenue from purchased book debts is notional interest income of R405 million (2018: R260 million). This revenue is generated by Transaction Capital Recoveries through the collection of distressed debt. This is a services business and managed as such and the revenue is therefore classified as non-interest revenue.*
**** *Non-interest revenue includes the impact of IFRS 15 – Revenue from Contracts with Customers and IFRS 17 – Insurance Contracts, refer to note 33.*

20.1 NET INSURANCE RESULT

	2019 Rm	2018 Restated Rm
The net insurance result comprises the following:		
Insurance revenue (refer note 20.1.1)	**823**	685
Insurance service expense (refer note 20.1.2)	**(455)**	(385)
Insurance finance (expense)/income (refer note 20.1.3)	**(4)**	1
NET INSURANCE RESULT	**364**	301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

20 NON-INTEREST REVENUE *continued*

20.1 NET INSURANCE RESULT *continued*

20.1.1 INSURANCE REVENUE

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

	Short-term motor comprehensive policy – financed portfolio Rm	Credit life portfolio Rm	Short-term motor comprehensive policy – non-financed portfolio Rm	Other* Rm	Total Rm
2019					
Contracts measured under the PAA approach	**579**	**79**	**140**	**25**	**823**
INSURANCE REVENUE	**579**	**79**	**140**	**25**	**823**
2018					
Contracts measured under the PAA approach	535	25	88	37	685
INSURANCE REVENUE	535	25	88	37	685

20.1.2 INSURANCE SERVICE EXPENSE

The insurance service expense comprises of the following:

	2019 Rm	2018 Restated Rm
Claims and benefits	**316**	268
Fees and commissions	**25**	13
Change in estimate – onerous insurance contracts	**46**	46
Other**	**68**	58
INSURANCE SERVICE EXPENSE	**455**	385

20.1.3 INSURANCE FINANCE (EXPENSE)/INCOME

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

	Short-term motor comprehensive policy – financed portfolio Rm	Credit life portfolio Rm	Short-term motor comprehensive policy – non-financed portfolio Rm	Other* Rm	Total Rm
2019					
Insurance finance expense					
Interest accreted to insurance contracts	**(3)**	**–**	**(1)**	**–**	**(4)**
TOTAL INSURANCE FINANCE EXPENSE	**(3)**	**–**	**(1)**	**–**	**(4)**
2018					
Insurance finance income					
Interest accreted to insurance contracts	1	–	–	–	1
TOTAL INSURANCE FINANCE INCOME	1	–	–	–	1

* *Other includes the Taxi Owner Protection Plan (TOPP) portfolio.*
** *Includes fulfilment cashflows (including an allocation of variable and fixed overheads) as required by IFRS 17 paragraphs B65 and B66.*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

21 OPERATING COSTS

OPERATING COSTS COMPRISE:

	2019 Rm	2018 Restated Rm
Advertising, marketing and public relations	**(21)**	(23)
Amortisation of intangible assets	**(46)**	(41)
Amortisation of principal book portfolio	**(120)**	(114)
Audit fees	**(18)**	(15)
Bank charges	**(24)**	(25)
Commissions paid	**(38)**	(27)
Communication costs	**(78)**	(87)
Consulting fees	**(27)**	(28)
Depreciation	**(41)**	(37)
Electricity and water	**(25)**	(22)
Employee expenses	**(1 336)**	(1 238)
Fair value movements of other financial assets	**(39)**	(3)
Handling, logistics and storage costs	**(100)**	(72)
Information technology	**(53)**	(48)
Legal agency commissions	**(53)**	(41)
Maintenance	**(11)**	(10)
Motor vehicle expenses	**(12)**	(10)
Non-executive directors' fees	**(6)**	(6)
Operating lease rentals	**(97)**	(87)
Origination, processing and transaction fees paid	**(46)**	(43)
Printing and stationery	**(24)**	(20)
Professional fees – legal	**(22)**	(25)
Professional fees – other	**(24)**	(22)
Recruitment fees	**(15)**	(10)
Risk management	**(23)**	(20)
Share based payment costs*	**(100)**	–
Staff welfare	**(29)**	(26)
Training and seminars	**(12)**	(11)
Travel	**(21)**	(19)
VAT disallowed	**(31)**	(18)
Other operating costs	**(70)**	(47)
TOTAL OPERATING COSTS	**(2 562)**	(2 195)

* *Share based payment costs relate to the once-off non-cash costs of R100 million in accordance with IFRS 2 relating to SA Taxi's ownership transaction with SANTACO, refer to the non-controlling interest in note 17 for further details.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

21 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:

	2019				2018			
	Salary R	**Short-term employee benefits* R**	**Annual incentive bonus R**	**Total R**	Salary R	Short-term employee benefits* R	Annual incentive bonus R	Total R
EXECUTIVE DIRECTOR								
Sean Doherty**	**944 338**	**153 119**	**833 333**	**1 930 790**	–	–	–	–
Ronen Goldstein***	**1 576 575**	**184 857**	**700 000**	**2 461 432**	1 719 900	201 663	1 102 500	3 024 063
Mark Herskovits	**2 478 398**	**424 734**	**3 194 745**	**6 097 877**	2 320 484	412 310	2 530 628	5 263 422
David Hurwitz	**3 687 729**	**584 627**	**3 501 816**	**7 774 172**	3 320 046	563 914	3 501 816	7 385 776
Jonathan Jawno	**1 311 813**	**213 237**	**4 500 000**	**6 025 050**	1 327 341	197 709	4 500 000	6 025 050
Michael Mendelowitz	**1 311 813**	**213 237**	**4 500 000**	**6 025 050**	1 292 885	232 165	4 500 000	6 025 050
PRESCRIBED OFFICER								
Terry Kier	**3 229 775**	**2 209 440**	**3 152 470**	**8 591 685**	3 012 417	2 223 361	3 244 395	8 480 173
David McAlpin	**3 319 126**	**328 099**	**2 626 190**	**6 273 415**	3 049 257	309 719	2 477 538	5 836 514
TOTAL	**17 859 567**	**4 311 350**	**23 008 554**	**45 179 471**	16 042 330	4 140 841	21 856 877	42 040 048

* There were no post employment, other long-term or post termination benefits paid to executive directors.
** Appointed as an executive director with effect from 1 June 2019.
*** Resigned as an executive director with effect from 31 May 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

21 OPERATING COSTS *continued*

SHARE APPRECIATION RIGHTS (SAR) PLAN

The following table shows the position for directors in office at 30 September 2019:

	Present value of SAR R	Number of SARs	Vesting period (years)	Number of SARs vested during the year and not exercised	Number of SARs exercised during the year	Gains on SARs exercised R
EXECUTIVE DIRECTOR						
David Hurwitz						
Granted on 25 November 2014	–	–	4	–	300 000	3 775 524
Granted on 26 November 2015	830 000	250 000	4	–	–	–
Mark Herskovits						
Granted on 25 November 2014	–	–	4	–	250 000	3 146 270
Granted on 26 November 2015	498 000	150 000	4	–	–	–
PRESCRIBED OFFICER						
David McAlpin						
Granted on 25 November 2014	–	–	4	–	751 685	8 262 568
Granted on 26 November 2015	664 000	200 000	4	–	–	–

During the year ended 30 September 2019, Ronen Goldstein (who resigned as a director effective 31 May 2019) gained R2 818 590 from the exercise of SAR's.

Janathan Jawno, Michael Mendelowitz and Terry Kier do not participate in the CSP.

Refer to note 24.1 for further details regarding the SARs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

21 OPERATING COSTS *continued*

CONDITIONAL SHARE PLAN (CSP)

The following table shows the position for directors in office at 30 September 2019:

	Component	Present value of CSP awards R	Number of CSP awards	Vesting periods (years)	Number of CSP awards exercised during the year	Gains on CSP awards exercised during the year R
EXECUTIVE DIRECTOR						
David Hurwitz	Group					
Granted on 22 November 2016		1 280 512	101 063	2 to 4	30 758	554 259
Granted on 22 November 2017		1 665 106	132 186	2 to 5	–	–
Granted on 20 November 2018		2 990 230	183 554	2 to 5	–	–
Mark Herskovits	SA Taxi					
Granted on 22 November 2016		953 889	122 649	2 to 4	37 328	408 099
Granted on 29 May 2017		1 267 210	164 824	2 to 4	50 164	557 483
Granted on 22 November 2017		839 072	94 480	2 to 5	–	–
Granted on 20 November 2018		1 286 537	130 059	2 to 5	–	–
Sean Doherty	Group					
Granted on 19 June 2019		5 568 168	323 668	3 to 5	–	–
PRESCRIBED OFFICER						
David McAlpin	TCRS					
Granted on 22 November 2016		5 550 636	1 231 535	2 to 4	72 282	457 276
Granted on 22 November 2017		5 689 807	1 181 474	2 to 5	–	–
Granted on 25 March 2019		11 460 166	2 196 837	2 to 4	–	–

Jonathan Jawno, Michael Mendelowitz and Terry Kier do not participate in the CSP.

During the year ended 30 September 2019, Ronen Goldstein (who resigned as a director effective 31 May 2019) gained R3 035 082 from the exercise of CSP's.

Refer to note 24.2 in the annual financial statements for further details on the CSP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

21 OPERATING COSTS *continued*

NON-EXECUTIVE DIRECTORS' FEES

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

BOARD MEMBERS 2019	C Seabrooke[1] R	P Langeni R	R Rossi[2] R	K Pillay R	F Ighodaro[3] R	D Radley[4] R	P Miller R	B Hanise[5] R	Total R
Chairperson (including committee attendance)	1 636 667	–	–	–	–	–	–	–	**1 636 667**
Director	–	382 083	382 083	382 083	61 833	382 083	382 083	289 333	**2 261 581**
Audit, risk and compliance committee (chairperson)	–	–	–	–	66 250	342 625	–	–	**408 875**
Audit, risk and compliance committee (member)	–	163 667	–	–	–	26 500	–	123 917	**314 084**
Asset and liability committee (member)	–	–	–	–	21 200	131 167	–	99 367	**251 734**
Remuneration committee (chairperson)	–	–	–	273 167	–	–	–	–	**273 167**
Remuneration committee (member)	–	–	–	–	–	–	131 167	–	**131 167**
Nominations committee (member)	–	–	131 167	131 167	–	–	–	–	**262 334**
Social and ethics committee (chairperson)	–	273 167	–	–	–	–	–	–	**273 167**
Social and ethics committee (member)	–	–	–	131 167	–	–	–	–	**131 167**
TOTAL ANNUAL FEES	**1 636 667**	**818 917**	**513 250**	**917 584**	**149 283**	**882 375**	**513 250**	**512 617**	**5 943 943**

1. *Mr Seabrooke is also the chairman of the nominations committee and a member of the remuneration committee, audit risk and compliance committee and asset and liability committee.*
2. *In addition to the fees received above, Mr Rossi received R1 096 667 for consulting services and R7 000 000 for corporate finance and legal services rendered to Transaction Capital Limited.*
3. *Resigned as a non-executive director effective 30 November 2018.*
4. *Appointed as chairperson of the audit, risk and compliance committee effective 1 December 2018. In addition to the fees received above, Ms Radley received directors' fees of R323 000 excluding VAT for acting as an independent non-executive director of SA Taxi Holdings (Pty) Ltd and Transaction Capital Risk Services Holdings (Pty) Ltd.*
5. *Appointed as a non-executive director effective 1 January 2019.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

21 OPERATING COSTS *continued*

NON-EXECUTIVE DIRECTORS' FEES *continued*

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

BOARD MEMBERS 2018	C Seabrooke[1] R	P Langeni[2] R	R Rossi[3] R	K Pillay R	F Ighodaro R	D Radley[4] R	P Miller R	Total R
Chairperson (including committee attendance)	1 552 500	–	–	–	–	–	–	**1 552 500**
Director	–	362 250	362 250	362 250	362 250	77 292	362 250	**1 888 542**
Audit, risk and compliance committee (chairperson)	–	–	–	–	388 125	–	–	**388 125**
Audit, risk and compliance committee (member)	–	155 250	–	–	–	33 125	–	**188 375**
Asset and liability committee (member)	–	–	–	–	124 200	26 500	–	**150 700**
Remuneration committee (chairperson)	–	–	–	258 750	–	–	–	**258 750**
Remuneration committee (member)	–	–	–	–	–	–	114 200	**114 200**
Nominations committee (member)	–	–	124 200	124 200	–	–	–	**248 400**
Social and ethics committee (chairperson)	–	258 750	–	–	–	–	–	**258 750**
Social and ethics committee (member)	–	–	–	114 200	–	–	–	**114 200**
TOTAL ANNUAL FEES	**1 552 500**	**776 250**	**486 450**	**859 400**	**874 575**	**136 917**	**476 450**	**5 162 542**

1. *Mr Seabrooke is also the chairman of the nominations committee and a member of the remuneration committee, audit risk and compliance committee and asset and liability committee.*
2. *In addition to the fees received above, Phumzile Langeni received directors' fees of R117 700 for acting as an independent non-executive director of Transaction Capital Risk Services (Pty) Ltd and SA Taxi Finance Holdings (Pty) Ltd. Phumzile resigned as a director from the Transaction Capital Risk Services (Pty) Ltd board effective 28 March 2018 and the SA Taxi Finance Holdings (Pty) Ltd board effective 31 July 2018.*
3. *In addition to the fees received above, Mr Rossi received R1 096 667 for consulting services and R4 500 000 for corporate finance and legal services rendered to Transaction Capital Limited.*
4. *Appointed as a non-executive director effective 15 July 2018. In addition to the fees received above, Ms Radley received directors' fees of R65 250 for acting as an independent non-executive director of SA Taxi Holdings (Pty) Ltd and Transaction Capital Risk Services Holdings (Pty) Ltd.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	2019 Rm	2018 Rm
22 INCOME TAX EXPENSE		
South African normal taxation:		
Current taxation	**(105)**	(80)
Current year	**(105)**	(81)
Prior years	**–**	1
Deferred taxation	**(188)**	(138)
Current year	**(206)**	(150)
Prior years	**18**	12
TOTAL INCOME TAX EXPENSE	**(293)**	(218)
TAX RATE RECONCILIATION		
South African tax rate	**28.0%**	28.0%
Tax effects of:		
Income not subject to tax*	**(1.4%)**	(2.2%)
Expenses not deductible for tax purposes**	**3.0%**	0.6%
Prior year taxes***	**(0.2%)**	(0.7%)
Tax not previously recognised	**(1.5%)**	(0.3%)
Permanent differences****	**(0.3%)**	(1.1%)
Effects of losses/(profits) taxed in different jurisdictions	**(0.5%)**	(0.5%)
EFFECTIVE TAX RATE	**27.1%**	23.8%

* *Income not subject to tax consists of share of profits from equity accounted investments and foreign income.*

** *Expenses not deductible for tax purposes consist of R100 million share based payment cost recognised in relation to SA Taxi's ownership transaction in the current financial year (refer to note 17 and note 21), funding costs, expenses incurred in the production of non-taxable income, expenses which are capital in nature, depreciation on leasehold assets, interest and penalties.*

*** *Included in the prior year's taxes is tax on foreign insurance income which is accounted for at an effective tax rate of 22.4% (which includes foreign Mauritius tax at 3%).*

**** *Permanent differences consist of research and development allowances, employment tax incentives, the impact of the adoption of IFRS 9 and learnership allowances.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	Units	2019	2018
23 EARNINGS PER SHARE			
BASIC EARNINGS PER SHARE	cents	**118.8**	111.7
Earnings used in the calculation of basic earnings per share	Rm	**727**	682
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR THE PURPOSES OF BASIC EARNINGS PER SHARE			
Issued shares at the beginning of the year	million	**610.2**	610.2
Effect of shares issued during the year	million	**2.0**	0.6
Effect of shares repurchased during the year	million	**(0.4)**	(0.5)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR THE PURPOSES OF BASIC EARNINGS PER SHARE	million	**611.8**	610.3
DILUTED BASIC EARNINGS PER SHARE	cents	**117.4**	110.6
Earnings used in the calculation of diluted basic earnings per share	Rm	**727**	682
RECONCILIATION OF WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED BASIC EARNINGS PER SHARE:			
Weighted average number of ordinary shares used in the calculation of basic earnings per share	million	**611.8**	610.3
Shares deemed to be issued for no consideration in respect of Share Appreciation Rights Plan and Conditional Share Plan	million	**7.6**	6.4
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED IN THE CALCULATION OF DILUTED BASIC EARNINGS PER SHARE	million	**619.4**	616.7
HEADLINE EARNINGS			
BASIC HEADLINE EARNINGS PER SHARE	cents	**117.5**	111.7
DILUTED BASIC HEADLINE EARNINGS PER SHARE	cents	**116.1**	110.6
Headline earnings is determined as follows:			
Profit attributable to ordinary equity holders of the parent	Rm	**727**	682
Headline earnings adjustments:			
Profit on disposal of subsidiary	Rm	**(8)**	–
Earnings used in the calculation of headline earnings per share	Rm	**719**	682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

24 SHARE-BASED PAYMENTS

24.1 SHARE APPRECIATION RIGHTS PLAN

24.1.1 DETAILS OF THE SHARE APPRECIATION RIGHTS PLAN

During the 2013 financial 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 the value of a share over a fixed period, and the number of SARs granted.

The SAR plan allows executives and senior managers to participate in the appreciation of Transaction Capital's share price over time. Subject to a performance criterion, which is the achievement of continuous growth in group headline earnings per share over a specified benchmark above inflation (measured by CPI), the SARs vest in full after four years from award date and are exercisable for a 12-month period. SAR awards granted until May 2014 were awarded with a three-year vesting period. The share price growth over the SAR period will be settled in Transaction Capital ordinary shares, with the gain subject to income tax. To the extent that the SAR grant price exceeds Transaction Capital's share price at the time of exercise, no gain or cost is realised by participants.

There were no grants in either the current or previous year.

The following share appreciation rights were in existence at year end:

	Number	Expiry date	Grant price (cents)*	Fair value at grant date (cents)
Granted on 5 May 2015	348 205	05 May 20	919	347
Granted on 26 November 2015	2 834 944	26 Nov 20	1 039	332
Granted on 27 May 2016	136 117	27 May 21	1 102	375

* *The grant price is equivalent to the exercise price.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

24 SHARE-BASED PAYMENTS *continued*

24.1 SHARE APPRECIATION RIGHTS PLAN *continued*

24.1.2 MOVEMENT IN SHARE APPRECIATION RIGHTS DURING THE YEAR

	2019		2018	
	Number of SARs	**Weighted average grant price (cents)***	Number of SARs	Weighted average grant price (cents)*
Balance at the beginning of the year	**7 565 348**	**913**	8 997 772	886
Exercised during the year	**(3 984 048)**	**810**	(810 340)	580
Cancelled during the year	**(262 034)**	**1 021**	(622 084)	946
BALANCE AT THE END OF THE YEAR	**3 319 266**	**1 029**	7 565 348	913

* *The grant price is equivalent to the exercise price.*

24.1.3 SHARE APPRECIATION RIGHTS EXERCISED DURING THE YEAR

	2019		2018	
	Number of SARs exercised	**Weighted average share price (cents)**	Number of SARs exercised	Weighted average share price (cents)
Granted on 18 November 2013	**–**	**–**	538 048	1 535
Granted on 25 November 2014	**3 104 665**	**1 880**	153 125	1 509
Granted on 5 May 2015	**361 153**	**2 016**	–	–
Granted on 26 November 2015	**461 980**	**2 101**	62 500	1 506
Granted on 27 May 2016	**56 250**	**1 910**	56 667	1 490
TOTAL SARs EXERCISED DURING THE YEAR	**3 984 048**		810 340	

24.1.4 SHARE APPRECIATION RIGHTS EXPENSE RECOGNISED DURING THE YEAR

	2019 Rm	2018 Rm
The expense has been recognised in the statement of comprehensive income under employee costs	**3**	6

24 SHARE-BASED PAYMENTS *continued*

24.2 CONDITIONAL SHARE PLAN

24.2.1 DETAILS OF THE CONDITIONAL SHARE PLAN

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

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

Vesting periods range between 2 and 5 years and are based on both a retention element (subject to continued employment) and a performance element (subject to continued employment and linked to performance criteria). The performance criteria are based on the achievement of headline earnings per share in excess of prescribed CPI thresholds.

Employees are required to remain in the employ of the group to be eligible for CSP vestings (subject to standard "good leaver" rules). Employees who resign or are dismissed will forfeit any CSP awards that have not vested.

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

24.2.2 FAIR VALUE OF CONDITIONAL SHARE PLAN AWARDS GRANTED IN THE YEAR

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

		Weighted average fair value at grant date (cents)				
	Number	SA Taxi ZAR	Transaction Capital Risk Services ZAR	Transaction Capital Risk Services X ZAR	Transaction Capital Limited ZAR	Transaction Capital Risk Services Australia AUD
Granted on 22 November 2016	4 119 185	781	449	–	1 278	–
Granted on 29 May 2017	263 719	774	–	–	–	–
Granted on 22 November 2017	6 034 987	888	467	–	1 260	–
Granted on 1 January 2018	100 000	–	–	–	–	348
Granted on 25 May 2018	866 018	901	–	–	–	382
Granted on 20 November 2018	6 264 096	989	572	–	1 629	397
Granted on 25 March 2019	2 724 317	993	–	521	–	–
Granted on 19 June 2019	2 101 037	964	567	–	1 720	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

24 SHARE-BASED PAYMENTS *continued*

24.2 CONDITIONAL SHARE PLAN *continued*

24.2.2 FAIR VALUE OF CONDITIONAL SHARE PLAN AWARDS GRANTED IN THE YEAR *continued*

The value of CSPs is based on a present value methodology whereby the unconditional share value is equal to the value of the notional share of each division less the present value of estimated dividends paid prior to time of exercise. Key input assumptions are therefore expectations of dividend yields and risk-free interest rates. The issue prices of the notional shares (of SA Taxi, TCRS, TCRSX and TCRS Australia) and shares (of Transaction Capital) are disclosed below:

	SA Taxi ZAR	Transaction Capital Risk Services ZAR	Transaction Capital Risk Services X ZAR	Transaction Capital Limited ZAR	Transaction Capital Risk Services Australia AUD
Granted on 22 November 2016	814	503	–	1 380	–
Granted on 29 May 2017	814	–	–	–	–
Granted on 22 November 2017	974	563	–	1 445	–
Granted on 1 January 2018	–	–	–	–	400
Granted on 25 May 2018	974	–	–	–	400
Granted on 20 November 2018	1 125	651	–	1 816	432
Granted on 25 March 2019	1 125	–	569	–	–
Granted on 19 June 2019	1 125	651	–	1 931	–

24.2.3 MOVEMENT IN CONDITIONAL SHARE PLAN DURING THE YEAR

	2019 Number of CSPs	2018 Number of CSPs
Balance at beginning of year	**13 739 551**	6 344 716
Granted during the year	**11 604 000**	8 340 745
Exercised during the year	**(1 453 070)**	(147 487)
Cancelled during the year	**(1 417 122)**	(798 423)
BALANCE AT END OF YEAR	**22 473 359**	13 739 551

24.2.4 CONDITIONAL SHARE PLAN EXERCISED DURING THE YEAR

	2019		2018	
	Number of CSPs exercised	Weighted average share price (cents)	Number of CSPs exercised	Weighted average share price (cents)
Granted on 22 November 2016	**1 171 294**	**1 858**	134 159	1 624
Granted on 29 May 2017	**80 262**	**1 997**	13 328	1 705
Granted on 22 November 2017	**137 922**	**2 112**		
Granted on 20 November 2018	**63 592**	**2 242**		
TOTAL CSPS EXERCISED DURING THE YEAR	**1 453 070**		147 487	

There were no exercises of CSPs in the previous year.

24.2.5 CONDITIONAL SHARE PLAN EXPENSE RECOGNISED DURING THE YEAR

	2019 Rm	2018 Rm
The expense has been recognised in the statement of comprehensive income under employee costs.	**42**	25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	Notes	2019 Rm	2018 Restated Rm
25 CASH GENERATED BY OPERATIONS			
Profit before taxation		**1 080**	916
Adjusted for:			
Amortisation of intangible assets		**46**	41
Amortisation of principal book portfolio		**120**	114
Bad debts written off		**310**	277
Movement in provisions		**(2)**	3
Depreciation		**41**	37
Fair value adjustment of other financial assets		**39**	3
(Decrease)/increase in deferred lease liabilities		**(3)**	1
Impairment of loans and advances		**32**	51
Impairment of trade receivables		**2**	–
Profit on disposal of subsidiary		**(8)**	–
Movement in share appreciation rights accrual		**145**	31
Share of profit from associate		**(4)**	–
Movement in insurance contract liabilities		**(70)**	(7)
Other non-cash flow movements		**3**	(3)
CASH GENERATED BY OPERATIONS		**1 731**	1 464
25.1 CASH FLOW FROM LOANS AND ADVANCES			
The cash flow movement in loans and advances is calculated as follows:			
Increase in net loans and advances	4	**(1 399)**	(1 136)
Impairment of loans and advances	19	**(336)**	(314)
Bad debts recovered	19	**(6)**	(7)
NET INCREASE IN LOANS AND ADVANCES		**(1 741)**	(1 457)
25.2 CASH FLOW FROM PURCHASED BOOK DEBTS			
The cash flow movement in purchased book debts is calculated as follows:			
Increase in purchased book debts	5	**(1 008)**	(483)
Amortisation of principal book portfolio	21	**(120)**	(114)
Fair value adjustment of other financial assets	21	**(39)**	(3)
NET INCREASE IN PURCHASED BOOK DEBTS		**(1 167)**	(600)
26 INCOME TAXES PAID			
Amounts receivable at the beginning of the year		**12**	3
Charged in statement of comprehensive income		**(293)**	(218)
Deferred taxation charge in the income statement		**206**	150
Prior year deferred tax		**(18)**	(12)
Deferred tax charge to equity		**(5)**	(1)
Equity settled share appreciation rights		**–**	3
Amounts receivable at the end of the year		**(10)**	(12)
INCOME TAXES PAID		**(108)**	(87)
27 DIVIDENDS PAID			
Dividends paid to ordinary equity holders of the parent		**(343)**	(280)
Dividends paid to non-controlling shareholders		**(37)**	(11)
TOTAL DIVIDENDS PAID		**(380)**	(291)

An interim dividend of 27 (2018: 21) cents per share was declared on 15 May 2019 and paid on 10 June 2019.

A final dividend of 34 (2018: 29) cents per share was declared on 26 November 2019 for payment on 17 December 2019.

Refer to the directors' report on page 03 for additional information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	2019 Rm	2018 Rm
28 CONTINGENCIES AND COMMITMENTS		
CAPITAL COMMITMENTS		
Approved	**80**	49
Contracted	**32**	3
TOTAL CAPITAL COMMITMENTS	**112**	52
OPERATING LEASE COMMITMENTS		
Future minimum payments under non-cancellable operating leases		
Premises		
Year 1	**92**	87
Year 2	**93**	92
Year 3	**95**	95
Year 4	**81**	97
Year 5	**58**	80
Subsequent to year 5	**61**	102
TOTAL OPERATING LEASE COMMITMENTS FOR PREMISES	**480**	553

Future minimum payments under other operating lease commitments are in aggregate R1 million (2018: R1 million) and are therefore not separately disclosed.

Operating leases relate to property and storage facilities, with lease terms between 3 years and 7 years. All operating lease contracts contain clauses for annual rental reviews. The group does not have an option to purchase the leased asset at the expiry of the lease periods.

	2019 Rm	2018 Rm
CONTINGENT LIABILITIES		
Customer claims*	**1**	1
Guarantees issued**	**13**	13
TOTAL CONTINGENT LIABILITIES	**14**	14

* *A guarantee relating to customer claims has been issued by Company Unique Finance Proprietary Limited to Hollard Life Insurance Company Limited. This guarantee provides for the safeguarding of premiums received by independent intermediaries on behalf of the registered insurer. Uncertainty arises due to the claims only being made as and when premiums are unpaid.*

** *Recoveries Corporation has a contingent liability in respect of guarantees issued by bankers for facilities in the normal course of business to the extent that they are utilised.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

29 SHAREHOLDER SPREAD AT 30 SEPTEMBER 2019

	Number of shareholders	Number of shares (million)	Number of shares (%)
NON-PUBLIC			
Directors of Transaction Capital and its subsidiaries and their associates	**21**	**195**	**32**
Sub-total	**21**	**195**	**32**
PUBLIC			
Old Mutual Investment Group South Africa Proprietary Limited	**1**	**74**	**12**
Public Investment Corporation	**1**	**57**	**9**
Remaining institutional shareholders	**116**	**252**	**41**
Retail Investors	**946**	**35**	**6**
Sub-total	**1 064**	**418**	**68**
TOTAL	**1 085**	**613**	**100**

30 FINANCIAL RISK MANAGEMENT

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

30.1 CREDIT RISK

Credit risk is the risk of loss arising from the failure of a client or counterparty to discharge an obligation to the group. The primary credit risks that the group are exposed to arise from finance leases to minibus taxi operators, 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 customers' affordability and their ability to repay loans and advances, a customer's risk profile, employment status and stability, earnings potential in the case of taxis and collectability in the case of purchased book debts. Each of the group's lending businesses tends to have homogeneous or similar asset portfolios within their respective businesses. Impairments are monitored and provided for using statistical techniques including experiential and 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

30 FINANCIAL RISK MANAGEMENT *continued*

30.1 CREDIT RISK *continued*

CREDIT RISK MANAGEMENT AND MEASUREMENT *continued*

SA Taxi

Method of provisioning and fair valuing

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

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

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

Collections of instalments are made through a combination of cash and debit order collections, with 85% of the portfolio being cash payers.

The expected loss model is developed using statistical techniques based on actual historical data. The expected loss is calculated for each active account, using parameter estimates including the probability of default ('PD'), exposure at default ('EAD') and loss given write-offs ('LGWs') segmented using the contractual delinquency ('CD') state (aging and recency) as well as remaining term. The segmentation ensures homogenous risk buckets. The LGW is calculated on an explicit basis per account, taking into consideration the settlement balance, market value, repair cost, discount rates and discount periods. A detailed statistical analysis was performed on a multitude of macro economic factors, namely prime interest rate, unemployment rate, petrol price, USD/ZAR exchange rate, gross domestic product ('GDP') and consumer price index ('CPI'). Regression analysis shows that the economic factors do not add explanatory information to the model and hence they are not included. SA Taxi has incorporated a forward looking forecast for the mechanical repair costs as these have shown consistent trends over time.

The group determines significant increases in credit risk using both arrears aging and recency of payments for an account. Due to the nature of the business and higher risk appetite, compared to other Tier 1 financiers, it is the expectation that a client who is 30 days past due is not a significant risk. The group has therefore rebutted the 30-day past due presumption for significantly increased credit risk. This rebuttal is based on a quantitative analysis of account performance relative to expectation at initial recognition as well as alignment to operation collections processes. The group has defined default as 90 days past due, with no qualifying payment received in the past 3 months. A qualifying payment is more than 50% of the instalment raised. The 90-day presumption was rebutted based on a quantitative analysis of the PDs and alignment to operational collection processes.

The definition of credit-impaired financial assets aligns to the default definition described above. Applying this approach ensures consistency between the accounting application, impairment modelling and internal credit risk management practices.

Once a vehicle has been repossessed, refurbished and ultimately sold, any difference between the net recovery value and the outstanding amount of the underlying asset is written off. Amounts written off in the current year still subject to enforcement activity total R306 million (2018: R275 million).

Quantitative analysis has proven that the modifications do not exhibit significantly higher risk than non-modified accounts. The value of these modified accounts is immaterial, relative to the book size. Modifications (term extensions) are provided to clients who have shown proven payment performance and have had operational issues with the vehicle (e.g. mechanical breakdown or accident). Although the term of a contract can be extended, the interest rate applicable for the contract remains unchanged and therefore term extensions do not have any effect on the net present value ('NPV') of the financial asset. Due to the fact that a vehicle is an income-producing asset, the group understands that the client is unable to pay if the vehicle is out of operation, however the group does not proactively restructure distressed clients.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.1 CREDIT RISK *continued*

CREDIT RISK MANAGEMENT AND MEASUREMENT *continued*

Transaction Capital Business Solutions

Exposure to credit losses is managed by assessing customers' affordability and their ability to repay loans and advances, customers' risk profile and collectability of invoices discounted. Impairments are monitored and provided for on a customer specific basis. The realisable/fair value of the underlying security is taken into consideration in arriving at a final impairment. The credit committee assesses all applications for credit and will approve a facility based on the risk profile of the customer and an assessment of the collectability of its trade receivables. Ongoing risk management and collections are handled by experienced credit controllers.

Impairments are monitored 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.

Transaction Capital Recoveries

Investment process

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

Collections process

The business knowledge team continually develops and evolves strategies which are implemented by operations to collect the outstanding debt. Methods include tracing, letters, SMSes and direct calling both in call centres and legal operations.

Method of provisioning and fair valuing

Principal book portfolios are classified as purchased credit-impaired financial assets (stage 3) on initial recognition based on the assumption that events that have a detrimental impact on the estimated future cash flows of these financial assets have occurred before initial recognition. The classification of the debt portfolio does not change subsequent to initial recognition, even in the unlikely event of the expected cash flows returning to full contractual terms.

Transaction Capital Recoveries utilises statistical techniques to value the principal book portfolio on a monthly basis. Each matter is modelled on a 12 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 value using a credit-adjusted effective interest rate, being the amortised cost for that matter at the end of the month.

Transaction Capital Recoveries performed a detailed statistical analysis on a multitude of macro-economic factors, namely prime interest rate, unemployment rate, petrol price, USD/ZAR exchange rate, GDP and CPI. Regression analysis shows that the economic factors do not add explanatory information to the model as there is no significant correlation, hence they are not included.

The Transaction Capital Recoveries amortised cost model takes into account the lifetime of expected cash flows on the portfolio by estimating the cash flows over the lifetime of each book included in the portfolio. A loss allowance is recognised equal to the expected future credit losses, discounted at the credit-adjusted effective interest rate of the principal book portfolio.

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

Other Financial Assets include a receivables balance measured at fair value. The valuation technique calculates the present value of future expected cashflow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.1 CREDIT RISK *continued*

30.1.1 FINANCIAL ASSETS SUBJECT TO RISK

	Loans and advances* Rm	Other loans receivable Rm	Trade and other receivables** Rm	Purchased book debts Rm	Total Rm
2019					
Neither past due nor impaired	**6 214**	**45**	**756**	**2 382**	**9 397**
Past due but not impaired	**3 197**	**–**	**105**	**–**	**3 302**
Impaired	**1 949**	**–**	**4**	**–**	**1 953**
Impairment allowance	**(601)**	**–**	**(16)**	**–**	**(617)**
Performing loans and advances	**(102)**	**–**	**–**	**–**	**(102)**
Non-performing loans and advances	**(499)**	**–**	**–**	**–**	**(499)**
Non-performing trade and other receivables	**–**	**–**	**(16)**	**–**	**(16)**
CARRYING VALUE OF FINANCIAL ASSETS	**10 759**	**45**	**849**	**2 382**	**14 035**
Fair value of collateral held for loans neither past due nor impaired	**9 505**	**–**	**–**	**–**	**9 505**
2018 – Restated					
Neither past due nor impaired	5 342	39	708	1 374	7 463
Past due but not impaired	2 943	–	162	–	3 105
Impaired	1 362	–	4	–	1 366
Impairment allowance	(396)	–	(14)	–	(410)
Performing loans and advances	(102)	–	–	–	(102)
Non-performing loans and advances	(294)	–	–	–	(294)
Non-performing trade and other receivables	–	–	(14)	–	(14)
CARRYING VALUE OF FINANCIAL ASSETS	9 251	39	860	1 374	11 524
Fair value of collateral held for loans neither past due nor impaired	7 546	–	–	–	7 546

* *Loans and advances net of ECL and benefits ceded on insurance contracts to the credit provider, refer note 4. Loans and advances relating to repossessed stock of R58 million (2018: R137 million) are not financial assets and therefore have been excluded.*
** *Prepayments and VAT receivables 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

30 FINANCIAL RISK MANAGEMENT *continued*

30.1 CREDIT RISK *continued*

30.1.2 LOANS AND ADVANCES THAT ARE NEITHER PAST DUE NOR IMPAIRED

	2019 Rm	2018 Restated Rm
Carrying amount of loans and advances that are neither past due nor impaired	**6 214**	5 342
Credit quality		
High	**5 412**	3 865
Medium	**616**	622
Low	**186**	855

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

SA Taxi

SA Taxi, in conjunction with TransUnion, 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 mitigate risk.

Transaction Capital Business Solutions

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 the trade receivables and realisable value of other tangible security. Ongoing risk management and collections are handled by experienced credit controllers.

Transaction Capital Risk Services

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 100% the credit quality is assessed as high, where it is in excess of 100% the credit quality is assessed as medium.

In addition to the loans and advances disclosed above, other loans receivables have been assessed as having no significant increased credit risk based on the nature of the counterparty and the recent payment history. Similarly, trade and other receivables have been deemed to not have significant increased credit risk as all the debtors are on standard terms with minimal write-offs and limited concentration to individual debtors. Also refer note 30.1 for details on the assessment of the credit quality of the purchased book debts in the "Transaction Capital Recoveries: Method of provisioning and fair valuing" section.

30.1.3 FINANCIAL ASSETS THAT ARE PAST DUE BUT NOT IMPAIRED

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

	Past due up to 1 month Rm	Past due up to 1 – 2 months Rm	Past due up to 2 – 3 months Rm	Past due up to 3 – 4 months Rm	Past due older than 4 months Rm	Total Rm
2019						
Loans and advances	**1 236**	**704**	**307**	**251**	**699**	**3 197**
Trade and other receivables	**33**	**6**	**5**	**4**	**57**	**105**
FINANCIAL ASSETS THAT ARE PAST DUE BUT NOT IMPAIRED	**1 269**	**710**	**312**	**255**	**756**	**3 302**
2018 – Restated						
Loans and advances	1 162	693	296	196	596	2 943
Trade and other receivables	55	21	12	40	34	162
FINANCIAL ASSETS THAT ARE PAST DUE BUT NOT IMPAIRED	1 217	714	308	236	630	3 105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.1 CREDIT RISK *continued*

30.1.3 FINANCIAL ASSETS THAT ARE PAST DUE BUT NOT 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 values collateral at the expected pre-owned sales value minus costs to repair; and
- 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 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.

30.1.4 IMPAIRMENT PROVISION RECONCILIATION

LOANS AND ADVANCES	12 month expected credit losses Rm	Lifetime expected credit losses Rm	Credit impaired financial assets Rm	Total Rm
2019				
Balance at the beginning of the year	**22**	**90**	**284**	**396**
Originations	**12**	**28**	**26**	**66**
Existing book movements	**(6)**	**(11)**	**199**	**182**
Write-offs	**(5)**	**(21)**	**(16)**	**(42)**
Derecognition (settlements in the ordinary course of business)	**–**	**–**	**(1)**	**(1)**
BALANCE AT THE END OF THE YEAR*	**23**	**86**	**492**	**601**
2018 – Restated				
Balance at the beginning of the year	29	79	368	476
Originations	7	32	21	60
Existing book movements	(9)	–	114	105
Write-offs	(4)	(20)	(217)	(241)
Derecognition (settlements in the ordinary course of business)	(1)	(1)	(2)	(4)
BALANCE AT THE END OF THE YEAR*	22	90	284	396

* *Inclusive of ECL and benefits ceded on insurance contracts, refer note 4. Loans and advances relating to repossessed stock are not financial assets and therefore have been excluded.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.1 CREDIT RISK *continued*

30.1.4 IMPAIRMENT PROVISION RECONCILIATION *continued*

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

LOANS AND ADVANCES	12 month expected credit losses Rm	Lifetime expected credit losses Rm	Credit impaired financial assets Rm	Total Rm
2019				
Neither past due nor impaired	**6 193**	**21**	**–**	**6 214**
Past due not impaired	**894**	**2 303**	**–**	**3 197**
Impaired	**12**	**40**	**1 897**	**1 949**
Impairment allowance	**(23)**	**(86)**	**(492)**	**(601)**
Performing loans and advances	**(18)**	**(84)**	**–**	**(102)**
Non-performing loans and advances	**(5)**	**(2)**	**(492)**	**(499)**
CARRYING VALUE OF FINANCIAL ASSETS*	**7 076**	**2 278**	**1 405**	**10 759**
2018 – Restated				
Neither past due nor impaired	5 322	20	–	5 342
Past due not impaired	879	2 064	–	2 943
Impaired	19	57	1 286	1 362
Impairment allowance	(22)	(90)	(284)	(396)
Performing loans and advances	(12)	(90)	–	(102)
Non-performing loans and advances	(10)	–	(284)	(294)
CARRYING VALUE OF FINANCIAL ASSETS*	6 198	2 051	1 002	9 251

* *Loans and advances net of ECL and benefits ceded on insurance contracts to the credit provider, refer note 4. Loans and advances relating to repossessed stock of R58 million (2018: R137 million) are not financial assets and therefore have been excluded.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.2 INTEREST RATE RISK

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

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

30.2.1 RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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.

	Floating rate liabilities Rm	Floating rate assets Rm	Net floating rate assets Rm
2019			
TOTAL	**10 540**	**10 593**	**53**

	Floating rate liabilities Rm	Floating rate assets Rm	Net floating rate liabilities Rm
2018			
TOTAL	9 577	9 149	(428)

30.2.2 WEIGHTED AVERAGE INTEREST RATES

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

	2019		2018	
	Bank balances %	Borrowings %	Bank balances %	Borrowings %
TOTAL	6.2	11.1	6.6	11.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.2 INTEREST RATE RISK *continued*

30.2.3 INTEREST RATE SENSITIVITY ANALYSIS

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

	Effect on profit before tax of 1% change in rates Rm	Total carrying value of assets and liabilities Rm
30 SEPTEMBER 2019		
ASSETS		
Loans and advances*	106	10 759
Fixed rate loans and advances	–	166
Floating rate loans and advances	106	10 593
Purchased book debts	24	2 382
Other loans receivable	–	45
Trade and other receivables**	8	849
Cash and cash equivalents	9	919
TOTAL	147	14 954
LIABILITIES		
Interest-bearing liabilities	105	10 806
Fixed rate liabilities	–	266
Floating rate liabilities	105	10 540
Trade and other payables***	5	473
Other short-term borrowings	1	76
Bank overdrafts	4	381
TOTAL	115	11 736
NET EXPOSURE	32	3 218

* *Loans and advances net of ECL and benefits ceded on insurance contracts to the credit provider, refer note 4. Loans and advances relating to repossessed stock of R58 million (2018: R137 million) are not financial assets and therefore have been excluded.*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.2 INTEREST RATE RISK *continued*

30.2.3 INTEREST RATE SENSITIVITY ANALYSIS *continued*

	Effect on profit before tax of 1% change in rates Rm	Total carrying value of assets and liabilities Rm
30 SEPTEMBER 2018 – Restated		
ASSETS		
Loans and advances*	91	9 251
Fixed rate loans and advances	–	102
Floating rate loans and advances	91	9 149
Purchased book debts	14	1 374
Other loans receivable	–	39
Trade and other receivables**	9	860
Cash and cash equivalents	9	900
TOTAL	123	12 424
LIABILITIES		
Interest-bearing liabilities	96	9 817
Fixed rate liabilities	–	240
Floating rate liabilities	96	9 577
Trade and other payables***	5	510
Bank overdrafts	1	116
TOTAL	102	10 443
NET EXPOSURE	21	1 981

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

* *Loans and advances net of ECL and benefits ceded on insurance contracts to the credit provider, refer note 4. Loans and advances relating to repossessed stock of R58 million (2018: R137 million) are not financial assets and therefore have been excluded.*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.3 LIQUIDITY RISK MANAGEMENT

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

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

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

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

The 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**
2019					
LIABILITIES					
Bank overdrafts	**381**	**–**	**–**	**–**	**381**
Other short-term borrowings	**76**	**–**	**–**	**–**	**76**
Trade and other payables*	**214**	**268**	**–**	**–**	**482**
Interest-bearing liabilities	**41**	**3 290**	**9 327**	**193**	**12 851**
Financial liabilities	**712**	**3 558**	**9 327**	**193**	**13 790**
Non-financial liabilities	**108**	**510**	**–**	**–**	**618**
TOTAL LIABILITIES	**820**	**4 068**	**9 327**	**193**	**14 408**

	On demand Rm	Within 1 year Rm	From 1 – 5 years Rm	More than 5 years Rm	Total Rm
2018					
LIABILITIES					
Bank overdrafts	116	–	–	–	116
Trade and other payables*	216	382	–	–	598
Interest-bearing liabilities	–	5 220	6 099	336	11 655
Financial liabilities	332	5 602	6 099	336	12 369
Non-financial liabilities	410	318	–	–	728
TOTAL LIABILITIES	742	5 920	6 099	336	13 097

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

30 FINANCIAL RISK MANAGEMENT *continued*

30.4 CAPITAL RISK

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

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

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

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

CAPITAL MANAGEMENT – INSURANCE CONTRACTS

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

The SAM approach to the measurement of capital adequacy is primarily based on monitoring the relationship of the SCR to regulatory capital. The group complied with all externally imposed capital requirements during 2019 and 2018.

30.5 INSURANCE RISK

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

UNDERWRITING STRATEGY

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

PRESENTATION OF INSURANCE CONTRACT LIABILITIES

The group's exposure to the underlying portfolio consists of both credit risk (measured in accordance with IFRS 9) and insurance risk (measured in accordance with IFRS 17). With respect to the measurement of the liability for remaining coverage, credit metrics are used as indicators for the severity of claim. To the extent that the insured event affects the recovery of the underlying asset and given that the assessment of risk and exposure on the underlying portfolio is considered on a group basis, a portion of the liability for remaining coverage relating to the active financed debtors and repossessed vehicle stock portfolios, is allocated to net loans and advances or inventory (where the repossessed vehicle stock has moved into a repair/realisation channel) on the face of the statement of financial position as these insurance contract liabilities reduce the group's overall exposure on the 'default' contract sets. These allocations are also set out in notes 3, 4 and 14 of the consolidated annual financial statements.

POLICIES FOR MITIGATING THE RISK OF FRAUDULENT CLAIMS

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

CLAIMS DEVELOPMENT AND MANAGEMENT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.5 INSURANCE RISK *continued*

DISCOUNT RATES

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

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

	Portfolio duration	
	12 months	
	2019	2018
Insurance contracts issued	**6.7%**	7.1%

SENSITIVITY ASSUMPTIONS

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

30.5.1 SENSITIVITIES ON SIGNIFICANT UNOBSERVABLE PARAMETERS APPLIED INCLUDE:

Potential effect recorded directly in profit and loss

	2019			2018	
SIGNIFICANT UNOBSERVABLE PARAMETERS APPLIED*	**Change in assumption**	**Favourable Rm**	**Unfavourable Rm**	Favourable Rm	Unfavourable Rm
Short-term motor comprehensive policy – financed portfolio					
Discount rate	100bps	**<1**	**(<1)**	1	(1)
Probability of defaults	10%	**33**	**(8)**	36	(15)
Premiums charged	10%	**3**	**(3)**	4	(4)
Insurance perils	10%	**2**	**(2)**	4	(4)
Salvage recovery value	10%	**6**	**(6)**	9	(9)
Credit life portfolio					
Discount rate	100bps	**<1**	**(<1)**	<1	(<1)
Probability of defaults	10%	**<1**	**(2)**	<1	(<1)
Premiums charged	10%	**2**	**(2)**	1	(1)
Mortality rates	10%	**2**	**(3)**	2	(2)
Short-term motor comprehensive policy – financed and non-financed					
Discount rate	100bps	**<1**	**(<1)**	<1	(<1)
Ultimate loss rate gross claims	1%	**3**	**(3)**	2	(2)
Salvage value	10%	**1**	**(1)**	1	(1)
Development factor	Smoothed	**21**	**(21)**	1	(1)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.5 INSURANCE RISK *continued*

30.5.2 MATURITY ANALYSIS FOR INSURANCE CONTRACT LIABILITIES

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

	Up to 1 year Rm	**1 – 2 years Rm**	**2 – 3 years Rm**	**3 – 4 years Rm**	**4 – 5 years Rm**	**> 5 years Rm**	**Total Rm**
2019							
Short-term motor comprehensive policy – financed portfolio	**470**	**4**	**–**	**–**	**–**	**–**	**474**
Credit life portfolio	**12**	**–**	**–**	**–**	**–**	**–**	**12**
Short-term motor comprehensive policy – non-financed portfolio	**12**	**1**	**–**	**–**	**–**	**–**	**13**
TOTAL	**494**	**5**	**–**	**–**	**–**	**–**	**499**

	Up to 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	> 5 years Rm	Total Rm
2018							
Short-term motor comprehensive policy – financed portfolio	534	9	3	1	–	–	547
Credit life portfolio	7	–	–	–	–	–	7
Short-term motor comprehensive policy – non-financed portfolio	12	2	–	–	–	–	14
TOTAL	553	11	3	1	–	–	568

30.6 CURRENCY RISK

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

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

The following significant exchange rates were applied during the year:

	Average rate		Reporting date closing rate	
	2019	2018	**2019**	2018
US Dollar	**14.4**	13.1	**15.2**	14.1
Euro	**16.5**	–	**16.5**	–
Pula	**1.3**	1.3	**1.4**	1.4
Australian Dollar	**10.1**	9.9	**10.3**	10.2
Fijian Dollar	**6.7**	6.3	**6.9**	6.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.6 CURRENCY RISK

30.6.1 THE CARRYING AMOUNTS OF THE GROUP'S FOREIGN CURRENCY DENOMINATED MONETARY ASSETS AND MONETARY LIABILITIES AT THE END OF THE REPORTING PERIOD ARE AS FOLLOWS:

	Liabilities		Assets	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
Foreign amounts included in the financial statements at the end of the financial year:				
US Dollar	**1 605**	1 371	**8**	–
Pula	**1**	1	**5**	3
Australian Dollar	**126**	58	**139**	124
Fijian Dollar	**1**	4	**49**	8

Currency risk arising from exposure to US Dollars currencies has been effectively managed through cross-currency swaps that exactly hedge the contractual cash flows over the life of the foreign currency funding. Refer to note 30.8 for hedge accounting disclosure.

30.6.2 FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

	2019 Rm	2018 Rm
Profit or loss*	**(1)**	(9)
Equity	**(1)**	(7)

* *This is mainly attributable to the exposure outstanding on AUD 1.3 million (2018: AUD 6.5 million) in the group at the end of the reporting period.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.7 FAIR VALUE DISCLOSURE

	Carrying value 2019 Rm	**Fair value 2019 Rm**	Carrying value 2018 Restated Rm	Fair value 2018 Restated Rm
ASSETS				
Loans and advances*	**10 759**	**10 744**	9 251	9 246
Purchased book debts	**2 382**	**2 382**	1 374	1 374
Other loans receivable	**45**	**45**	39	39
Trade and other receivables**	**849**	**849**	860	860
Cash and cash equivalents	**919**	**919**	900	900
TOTAL	**14 954**	**14 939**	12 424	12 419
LIABILITIES				
Interest-bearing liabilities	**10 806**	**11 195**	9 817	9 870
Fixed rate liabilities	**266**	**279**	240	247
Floating rate liabilities	**10 540**	**10 916**	9 577	9 623
Trade and other payables***	**473**	**473**	510	510
Other short-term borrowings	**76**	**76**	–	–
Bank overdrafts	**381**	**381**	116	116
TOTAL	**11 736**	**12 125**	10 443	10 496
NET EXPOSURE	**3 218**	**2 814**	1 981	1 923

Valuation methods and assumptions:

Loans and advances for premium vehicles entered into at variable interest rates approximate fair value as the estimated future cash flows are already considered in the expected loss model. The fair value of loans and advances for premium vehicles at fixed interest rates, which is a small component of the loan book, is determined by adjusting the discount rate from the effective interest rate of the contract to a current effective lending rate. Loans and advances for entry-level vehicles are carried at fair value, refer "level disclosure" on note 30.1 for additional information in this regard.

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

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

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

* *Loans and advances net of ECL and benefits ceded on insurance contracts to the credit provider, refer note 4. Loans and advances relating to repossessed stock of R58 million (2018: R137 million) are not financial assets and therefore have been excluded.*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.8 HEDGE ACCOUNTING

The group applies hedge accounting to represent the economic effects of its interest and currency risk management strategies. Derivatives are used to hedge interest rate and exchange rate risk.

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

CASH FLOW HEDGES OF FOREIGN CURRENCY RISK

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

Foreign exchange risk arises when the assets and liabilities are not denominated in the functional currency of the transacting entity. The group's policy is that such exposures should be hedged subject to a review of the specific circumstances of the exposure. The currency exposure under such funding has been hedged through a series of cross-currency swaps that match the timing and amount of each periodic cash flow obligation in terms of the currency funding.

The ineffective portion of fair value movements of hedging instruments for 2019 was nil (2018: nil).

FAIR VALUE HEDGES OF INTEREST RATE RISK

The group uses interest rate swaps exchanging fixed rate interest for floating rate liabilities.

The group policy is to borrow funds at floating rates of interest as, over the longer term, this is considered by management to give a natural hedge as funds are lent to customers at floating rates. In certain circumstances, the group uses interest rate swap contracts to manage its exposure to interest rate movements on a portion of its existing debt.

During the year, the fair value hedges were determined to be effective in hedging the fair value exposure to interest rate movements. As a result of the hedging relationship, the fair value hedge movement is adjusted to the underlying liabilities to the value of R3 million (2018: R4 million). The nominal value is equal to the capital amount of the hedged item.

	2019 Rm	2018 Rm
DERIVATIVE ASSETS HELD FOR RISK MANAGEMENT		
Interest rate swaps	**4**	–
Cross-currency swaps	**190**	124
TOTAL	**194**	124
DERIVATIVE LIABILITIES HELD FOR RISK MANAGEMENT		
Interest rate swaps	**1**	4
Cross-currency swaps	**–**	1
TOTAL	**1**	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.8 HEDGE ACCOUNTING *continued*

CASH FLOW HEDGING RESERVE

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

	2019 Rm	2018 Rm
Balance at the beginning of the year	**(6)**	(8)
Loss (net of tax) arising on changes in fair value of hedging instruments entered into for cash flow hedges	**48**	58
Cross-currency swaps	**48**	58
Gain (net of tax) arising on changes in fair value of hedging instruments reclassified to profit or loss	**(47)**	(56)
Cross-currency swaps	**(47)**	(56)
BALANCE AT THE END OF THE YEAR	**(5)**	(6)

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

	< 1 Year Rm	**1 – 5 years Rm**	**>5 years Rm**	**Total Rm**
2019				
Cash outflows	**–**	**–**	**–**	**–**
Cash inflows	**74**	**117**	**5**	**196**
TOTAL CASH FLOWS*	**74**	**117**	**5**	**196**

	< 1 Year Rm	1 – 5 years Rm	>5 years Rm	Total Rm
2018				
Cash outflows	<1	<1	–	<1
Cash inflows	48	83	–	131
TOTAL CASH FLOWS*	48	83	–	131

* *In line with IFRS 7 paragraph 23B(a), the disclosure reflects the timing of the nominal amount of the hedging instrument only.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.9 STATEMENT OF FINANCIAL POSITION CATEGORIES

	At fair value through profit and loss* Rm	At fair value through other comprehensive income Rm	Financial assets carried at amortised cost Rm	Financial liabilities carried at amortised cost Rm	Non-financial liabilities or non-financial assets Rm	Equity Rm	Total Rm
2019							
ASSETS							
Cash and cash equivalents	–	–	919	–	–	–	919
Tax receivables	–	–	–	–	26	–	26
Trade and other receivables	4	190	655	–	438	–	1 287
Inventories**	–	–	–	–	778	–	778
Loans and advances**	19	–	10 740	–	58	–	10 817
Purchased book debts	99	–	2 283	–	–	–	2 382
Other loans receivable	–	–	45	–	–	–	45
Equity accounted investments	–	–	–	–	92	–	92
Intangible assets	–	–	–	–	294	–	294
Property and equipment	–	–	–	–	172	–	172
Goodwill	–	–	–	–	1 152	–	1 152
Deferred tax assets	–	–	–	–	271	–	271
TOTAL ASSETS	122	190	14 642	–	3 281	–	18 235
EQUITY AND LIABILITIES							
LIABILITIES							
Bank overdrafts	–	–	–	381	–	–	381
Other short-term borrowings	–	–	–	76	–	–	76
Tax payables	–	–	–	–	16	–	16
Trade and other payables	1	–	–	472	236	–	709
Provisions	–	–	–	–	53	–	53
Insurance contract liabilities**	–	–	–	–	309	–	309
Interest-bearing liabilities	–	–	–	10 806	–	–	10 806
Deferred tax liabilities	–	–	–	–	413	–	413
TOTAL LIABILITIES	1	–	–	11 735	1 027	–	12 763
EQUITY							
Ordinary share capital	–	–	–	–	–	1 103	1 103
Other reserves	–	–	–	–	–	179	179
Retained earnings	–	–	–	–	–	3 614	3 614
Equity attributable to ordinary equity holders of the parent	–	–	–	–	–	4 896	4 896
Non-controlling interest	–	–	–	–	–	576	576
TOTAL EQUITY	–	–	–	–	–	5 472	5 472
TOTAL EQUITY AND LIABILITIES	1	–	–	11 735	1 027	5 472	18 235

* *Loans and advances and purchased book debts at fair value through profit and loss have been designated as at fair value through profit and loss at initial recognition. Trade and other payables at fair value through profit and loss have been mandatorily designated as at fair value through profit and loss.*
** *Presented net of IFRS 17 insurance contract liabilities allocation, refer to the statement of financial position and notes 3, 4 and 14.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.9 STATEMENT OF FINANCIAL POSITION CATEGORIES *continued*

	At fair value through profit and loss* Rm	At fair value through other comprehensive income Rm	Financial assets carried at amortised cost Rm	Financial liabilities carried at amortised cost Rm	Non-financial liabilities or non-financial assets Rm	Equity Rm	Total Rm
2018 – Restated							
ASSETS							
Cash and cash equivalents	–	–	900	–	–	–	900
Tax receivables	–	–	–	–	17	–	17
Trade and other receivables	–	124	736	–	266	–	1 126
Inventories**	–	–	–	–	417	–	417
Loans and advances**	23	–	9 228	–	137	–	9 388
Purchased book debts	49	–	1 325	–	–	–	1 374
Other loans receivable	–	–	39	–	–	–	39
Intangible assets	–	–	–	–	283	–	283
Property and equipment	–	–	–	–	167	–	167
Goodwill	–	–	–	–	1 142	–	1 142
Deferred tax assets	–	–	–	–	368	–	368
TOTAL ASSETS	72	124	12 228	–	2 797	–	15 221
EQUITY AND LIABILITIES							
LIABILITIES							
Bank overdrafts	–	–	–	116	–	–	116
Tax payables	–	–	–	–	5	–	5
Trade and other payables	4	1	–	539	193	–	737
Provisions	–	–	–	–	55	–	55
Insurance contract liabilities**	–	–	–	–	342	–	342
Interest-bearing liabilities	–	–	–	9 817	–	–	9 817
Deferred tax liabilities	–	–	–	–	326	–	326
TOTAL LIABILITIES	4	1	–	10 472	921	–	11 398
EQUITY							
Ordinary share capital	–	–	–	–	–	1 056	1 056
Other reserves	–	–	–	–	–	52	52
Retained earnings	–	–	–	–	–	2 656	2 656
Equity attributable to ordinary equity holders of the parent	–	–	–	–	–	3 764	3 764
Non-controlling interest	–	–	–	–	–	59	59
TOTAL EQUITY	–	–	–	–	–	3 823	3 823
TOTAL EQUITY AND LIABILITIES	4	1	–	10 472	921	3 823	15 221

* *Loans and advances and purchased book debts at fair value through profit and loss have been designated as at fair value through profit and loss at initial recognition. Trade and other payables at fair value through profit and loss have been mandatorily designated as at fair value through profit and loss.*
** *Presented net of IFRS 17 insurance contract liabilities allocation, refer to the statement of financial position and notes 3, 4 and 14.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.10 LEVEL DISCLOSURE

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2019				
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Loans and advances: entry-level vehicles	**–**	**–**	**19**	**19**
Other Financial Assets	**–**	**–**	**99**	**99**
Derivatives	**–**	**4**	**–**	**4**
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Derivatives	**–**	**190**	**–**	**190**
TOTAL FINANCIAL ASSETS	**–**	**194**	**118**	**312**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
Derivatives	**–**	**1**	**–**	**1**
TOTAL FINANCIAL LIABILITIES	**–**	**1**	**–**	**1**

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2018				
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Loans and advances: entry-level vehicles	–	–	23	23
Other Financial Assets	–	–	49	49
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Derivatives	–	124	–	124
TOTAL FINANCIAL ASSETS	–	124	72	196
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
Derivatives	–	4	–	4
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Derivatives	–	1	–	1
TOTAL FINANCIAL LIABILITIES	–	5	–	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.10 LEVEL DISCLOSURE *continued*

VALUATION METHODS AND ASSUMPTIONS:

Loans and advances for entry-level vehicles: The fair value was calculated using an income approach (estimating and discounting future cashflow) as well as the average collateral value. These represent the significant unobservable parameters applied in the fair value model. The expected cash flows were estimated using a lifetime expected loss model which is consistent with the IFRS 9 provision methodology. The expected cashflows were then discounted at the market related discount rate of 25% to yield a fair value of the total loans and advances for entry level-vehicles.

Other Financial Assets: The valuation of Other Financial Assets is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. These represent the significant unobservable parameters applied in the fair value model. The group estimates the expected cash flows by considering all the contractual terms of the financial instrument. The discount rate applied to the expected future cash flows reflects specific risk premiums relating to the asset. This includes government risk, single project customer, no previous experience with client and small stock premium for valuations less than R250 million. The discount rate applied to the additional purchase price is based on the current South African prime interest rate.

Derivatives: The group enters into derivative financial instruments with respective counterparties. Interest rate swaps and cross-currency swaps are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves.

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS

	Fair value through profit or loss Rm	**Fair value through other comprehensive income Rm**	**Total Rm**
2019			
Opening balance	**72**	**–**	**72**
Total gains or losses			**–**
In profit or loss	**(39)**	**–**	**(39)**
Other movements*	**85**	**–**	**85**
CLOSING BALANCE OF FAIR VALUE MEASUREMENT	**118**	**–**	**118**

	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
2018			
Opening balance	88	–	88
Total gains or losses			–
In profit or loss	(3)	–	(3)
Other movements*	(13)	–	(13)
CLOSING BALANCE OF FAIR VALUE MEASUREMENT	72	–	72

* *Other movements include charges on accounts less collections received and write-offs on loans for entry-level vehicles as well as movements in Other Financial Assets.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

30 FINANCIAL RISK MANAGEMENT *continued*

30.10 LEVEL DISCLOSURE *continued*

SENSITIVITY ANALYSIS OF VALUATIONS USING UNOBSERVABLE INPUTS

As part of the group's risk management processes, stress tests are applied on the significant unobservable parameters to generate a range of potentially possible alternative valuations. The financial instruments that are most impacted by this sensitivity analysis are those with the more illiquid and/or structured portfolios. The stresses are applied independently and do not take account of any cross correlation between separate asset classes that would reduce the overall effect on the valuations. A significant parameter has been deemed to be one which may result in a change in the fair value of the asset or liability of more than 10%. This is demonstrated by the following sensitivity analysis, which includes a reasonable range of possible outcomes.

MOVEMENT IN FAIR VALUE GIVEN THE 10% CHANGE IN SIGNIFICANT ASSUMPTIONS

	2019		2018	
LOANS AND ADVANCES: ENTRY-LEVEL VEHICLES	**10% Favourable Rm**	**10% Unfavourable Rm**	10% Favourable Rm	10% Unfavourable Rm
SIGNIFICANT UNOBSERVABLE INPUT AND DESCRIPTION OF ASSUMPTION				
Average collateral value	**1**	**(1)**	1	(1)
Discount rate: the rate used to discount projected future cash flows to present value	**1**	**(1)**	1	(1)
TOTAL	**2**	**(2)**	2	(2)

	2019		2018	
OTHER FINANCIAL ASSETS	**10% Favourable Rm**	**10% Unfavourable Rm**	10% Favourable Rm	10% Unfavourable Rm
SIGNIFICANT UNOBSERVABLE INPUT AND DESCRIPTION OF ASSUMPTION				
Cash flows: change in the expected revenue	**4**	**(4)**	1	(1)
Cash flows: change in expected costs	**<1**	**(<1)**	<1	(<1)
Discount rate: the rate used to discount projected future cash flows to present value	**2**	**(2)**	1	(1)
TOTAL	**6**	**(6)**	2	(2)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	2019 Rm	2018 Rm

31 RELATED PARTIES*

31.1 Blend Properties 17 Proprietary Limited (Blend) owns properties occupied by certain group subsidiaries. JM Jawno, MP Mendelowitz and R Rossi, who are directors of Transaction Capital Limited, are directors of Blend. Their family trusts each own 19.4% (2018: 18.93%) of the issued share capital of Blend (58.1% in aggregate).

TRANSACTIONS DURING THE YEAR

	2019 Rm	2018 Rm
Rent paid	**31**	34

31.2 LOANS TO KEY MANAGEMENT

Terry Kier (CEO of SA Taxi) holds a direct investment in SA Taxi Holdings Proprietary Limited. Terry disposed of 0.5% of his shareholding to Transaction Capital on 1 December 2018 for total proceeds of R28 million. Terry's shareholding was further diluted following SA Taxi's ownership transaction with SANTACO.

At 30 September 2019, Terry Kier held a direct investment of 1.2% (2018: 2%) in SA Taxi Holdings Proprietary Limited.

Terry Kier owes a wholly-owned subsidiary of Transaction Capital an amount of R25 million at 30 September 2019 (2018: R26 million). The loan was granted on an interest-free basis and will be repaid from dividends and proceeds from the shares or upon certain pre-determined events. Appropriate fringe benefits tax has been levied on the interest-free loan. The loan is secured by a cession over all of Terry Kier's rights, title and interest in and to the SA Taxi Holdings Proprietary Limited shares.

	2019 Rm	2018 Rm
Loan owed by key management at year end	**25**	26

31.3 REMUNERATION OF KEY MANAGEMENT PERSONNEL

Refer to note 21 where the remuneration of all key management is disclosed.

31.4 INVESTMENT IN EQUITY ACCOUNTED INVESTMENT

During the financial year Transaction Capital, through its wholly-owned subsidiary, Transaction Capital Risk Services Holdings (Pty) Ltd, entered into an arrangement with Genki Group Limited, a company owned by the respective trusts of Transaction Capital directors, Jonathan Jawno, Michael Mendelowitz and Roberto Rossi, in order to invest in European non-performing loan portfolios and special credit situations (collectively referred to as distressed debt) through TC Global Finance Limited. Refer to note 7 where the investment has been disclosed.

	2019 Rm	2018 Rm
Value of the equity accounted investment at year end	**22**	–

31.5 Apex Partners Proprietary Limited (Apex Partners) holds a 25% interest in Transaction Capital Specialised Finance Proprietary Limited, a subsidiary of Transaction Capital.

TRANSACTIONS DURING THE YEAR

	2019 Rm	2018 Rm
Shareholder loan owing to Apex Partners	**1**	–
Interest paid to Apex Partners	**<1**	–
Management fees paid to Apex Partners	**2**	–

* *Other intercompany transactions have been eliminated upon consolidation and are therefore not disclosed above.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

32 BUSINESS COMBINATIONS

32.1 SUBSIDIARIES ACQUIRED

2019

Subsidiary	Acquirer	Principal activity	Date of acquisition	Proportion of voting equity interests acquired %	Consideration transferred Rm
Black Elite Benefits (Pty) Ltd	Taximart (Pty) Ltd	Rewards programme	01/02/2019	**90**	**8**

Taximart (Pty) Ltd, a subsidiary of SA Taxi Holdings (Pty) Ltd, acquired an additional 90% shareholding in Black Elite Benefits (Pty) Ltd on 1 February 2019, over and above the current 10% investment held. Black Elite Benefits (Pty) Ltd provides rewards to subscribed SA Taxi customers in partnership with relevant service providers.

32.2 CONSIDERATION FOR IFRS 3 PURPOSES

	Total Rm
Cash	**8**
TOTAL CONSIDERATION	**8**

32.3 ASSETS ACQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF ACQUISITION

	Total Rm
Current assets	
Cash and cash equivalents	**1**
Trade and other receivables	**<1**
Prepayments	**<1**
Non-current assets	
Property, plant and equipment	**<1**
Intangible assets	**<1**
Liabilities	
Interest-bearing liabilities	**(2)**
Trade and other payables	**<(1)**
NET ASSETS ACQUIRED AND LIABILITIES RECOGNISED	**(1)**

The initial accounting for the acquisition of Black Elite Benefits has been provisionally determined at the end of the reporting period. For tax purposes, the tax values of certain Black Elite Benefits assets are required to be reset based on market values of the assets at the date of the acquisition. At the date of finalisation of these consolidated year-end results, the necessary market valuations and other calculations from a tax perspective had not been finalised and have therefore only been provisionally determined based on the directors' best estimate of the likely tax values.

The receivables acquired in this transaction have a fair value of R0.3 million. The receivables acquired compromise principally of trade receivables with a gross contractual amount of R0.3 million. All receivables are expected to be collected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

32 BUSINESS COMBINATIONS *continued*

32.4 GOODWILL ARISING ON ACQUISITION

	Total Rm
Consideration for IFRS 3 purposes	**8**
Plus: fair value of identifiable net assets recognised	**1**
GOODWILL ARISING ON ACQUISITION	**9**

The consideration transferred for the business combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of the rewards programme. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

32.5 NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARY

	Total Rm
Consideration paid in cash	**8**
Less: cash and cash equivalents balance acquired	**(1)**
NET CASH OUTFLOW	**7**

32.1.6 IMPACT OF ACQUISITION ON THE RESULTS OF THE GROUP

Included in profit attributable to ordinary equity holders of the group for the year ended 30 September 2019, is a R0.4 million profit attributable to Black Elite Benefits (Pty) Ltd. This R0.4 million profit relates to the post acquisition period. The impact on the group is not expected to be significant for the current financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

33 ADOPTION OF NEW AND REVISED STANDARDS

for the year ended 30 September

The group has adopted the following new accounting pronouncements as issued by the International Accounting Standards Board, which was effective for the group from 1 October 2018:

- IFRS 15 – Revenue from Contracts with Customers

The group also early adopted the provisions of IFRS 17 – Insurance Contracts. IFRS 17 replaces IFRS 4 – Insurance Contracts for annual periods beginning on or after 1 January 2021, pending approval of changes proposed by IASB which provides adoption relief until 1 January 2022.

33.1 ADOPTION OF IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS – 18 Revenue, IAS – 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer.

For additional information about the group's accounting policies relating to revenue recognition, refer to accounting policy 12.

TRANSITION TO IFRS 15

In accordance with the transition provisions in IFRS 15, the group has adopted IFRS 15 retrospectively with the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings in the annual reporting period that includes the date of initial application, therefore as at 1 October 2018.

IMPACT ON THE FINANCIAL STATEMENTS

The following table shows the restatements recognised for each individual line item. Line items that were not affected by the changes have not been included.

	Note	30 September 2018 Previously reported Rm	IFRS 15 adjustment Rm	**1 October 2018 Restated Rm**
Consolidated statement of financial position (extract)				
Trade and other receivables	33.1.1	1 126	(9)	**1 117**
Retained earnings	33.1.1	(2 656)	9	**(2 647)**

33.1.1 CONTINGENT FEE INCOME

Under IFRS 15, the timing of revenue recognition from the delivery of services is based primarily on when control has transferred to the customer. IAS 18, instead, focused on the transfer of risks and rewards. While considering the impact of adopting IFRS 15, the group identified a number of contingent fee matters in respect of which the revenue recognition requirements of IFRS 15 had not been met at the time of revenue recognition under IAS18. Contingent fees in Australia are earned on successful judgements handed down by the courts. The defendant pays the settlement into escrow after which the court then determines the extent of the fee payable to the group. The group has assessed that under IFRS 15, the court's determination of the settlement quantum and timing (and subsequent release of funds from escrow) as the point at which their performance obligation is fulfilled, and revenue is recognised at that point. Under IAS 18, estimated revenue was recognised when the matter before the court was decided in their favour.

33.2 EARLY ADOPTION OF IFRS 17 – INSURANCE CONTRACTS

The group has early adopted the provisions of IFRS 17. Accordingly, the comparative information for 2018 has been retrospectively restated applying the transitional provisions in Appendix C3 to IFRS 17.

For additional information on the impact of the early adoption of IFRS 17 on the group results, refer to note 2.2 in the group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

34 DISPOSAL OF SUBSIDIARY

The group disposed of The Beancounter on 1 November 2018.

The net assets of The Beancounter at the date of disposal were as follows:

	2019 Rm	2018 Rm
NET ASSETS DERECOGNISED:		
Cash and cash equivalents	(2)	–
Trade and other receivables	(1)	–
Intangible assets	(1)	–
Property and equipment	(1)	–
TOTAL	**(5)**	–
GAIN ON DISPOSAL OF SUBSIDIARY		
Consideration received	10	
Net assets disposed of	(5)	
Non-controlling interest	3	
CASH AND CASH EQUIVALENTS	**8**	–
NET CASH INFLOW ARISING ON DISPOSAL		
Consideration received in cash and cash equivalents	10	–
Less: cash and cash equivalents disposed of	(2)	–
TOTAL CASH INFLOW	**8**	–

35 SEGMENT REPORT

The group is organised on the basis of products and services and the segments have been identified on this basis as reported to the CEO (Chief Operating Decision Maker (CODM)). The principal business units in the group are as follows:

SA TAXI

- A vertically integrated taxi platform incorporating a unique blend of vehicle procurement, retail, repossession and refurbishment capabilities with asset-backed developmental finance and insurance competencies for focused vehicle types.
- Revenue is mainly derived from interest earned on financing of vehicles and non-interest revenue streams, including revenue from the sale of vehicles, telematics services and insurance products.

TRANSACTION CAPITAL RISK SERVICES

- Transaction Capital Risk Services acts both as an agent on an outsourced contingency or fee-for-service (FFS) basis, and as a principal in acquiring and then collecting on credit-impaired loan portfolios.
- Revenue from credit-impaired loans comprises payments received from debtors including amounts in respect of interest and cost recoveries.

GROUP EXECUTIVE OFFICE

- The group executive office provides an efficient capital management and treasury function for entities within the group.
- Revenue comprises mainly of interest income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

35 SEGMENT REPORT *continued*

	SA Taxi		Transaction Capital Risk Services		Group executive office*		Group	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
SUMMARISED INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER								
Net interest income	**1 217**	979	**(13)**	51	**75**	70	**1 279**	1 100
Impairment of loans and advances	**(322)**	(306)	**(14)**	(15)	**–**	–	**(336)**	(321)
Non-interest revenue	**584**	498	**2 104**	1 837	**–**	–	**2 688**	2 335
Operating costs	**(896)**	(674)	**(1 650)**	(1 510)	**(16)**	(11)	**(2 562)**	(2 195)
Non-operating profit/(loss)	**–**	–	**7**	(3)	**–**	–	**7**	(3)
Equity accounted income	**–**	–	**4**	–	**–**	–	**4**	–
PROFIT BEFORE TAX	**583**	497	**438**	360	**59**	59	**1 080**	916
Income tax expense	**(164)**	(121)	**(111)**	(79)	**(18)**	(18)	**(293)**	(218)
PROFIT FOR THE YEAR	**419**	376	**327**	281	**41**	41	**787**	698
PROFIT FOR THE YEAR ATTRIBUTABLE TO:								
Ordinary equity holders of the parent	**365**	368	**321**	273	**41**	41	**727**	682
Non-controlling interests	**54**	8	**6**	8	**–**	–	**60**	16

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
for the year ended 30 September

35 SEGMENT REPORT *continued*

	SA Taxi		Transaction Capital Risk Services		Group executive office*		Group	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
SUMMARISED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER								
ASSETS								
Cash and cash equivalents	**693**	677	**194**	168	**32**	55	**919**	900
Trade and other receivables	**965**	769	**317**	360	**5**	(3)	**1 287**	1 126
Inventories	**831**	478	**1**	–	**–**	–	**832**	478
Loans and advances	**10 412**	9 026	**579**	566	**–**	–	**10 991**	9 592
Purchased book debts	**–**	–	**2 382**	1 374	**–**	–	**2 382**	1 374
Equity accounted investment	**–**	–	**92**	–	**–**	–	**92**	–
Other assets	**885**	933	**1 035**	1 066	**40**	17	**1 960**	2 016
TOTAL ASSETS	**13 786**	11 883	**4 600**	3 534	**77**	69	**18 463**	15 486
LIABILITIES								
Bank overdrafts	**99**	116	**282**	–	**–**	–	**381**	116
Trade and other payables	**275**	333	**396**	368	**38**	36	**709**	737
Insurance contract liabilities	**537**	607	**–**	–	**–**	–	**537**	607
Interest-bearing liabilities	**9 929**	9 503	**1 821**	1 345	**(944)**	(1 031)	**10 806**	9 817
Senior debt	**9 249**	7 650	**1 038**	1 103	**–**	–	**10 287**	8 753
Subordinated debt	**517**	683	**–**	–	**–**	377	**517**	1 060
Finance leases	**–**	–	**2**	4	**–**	–	**2**	4
Group loans	**163**	1 170	**781**	238	**(944)**	(1 408)	**–**	–
Other liabilities	**192**	56	**361**	330	**5**	–	**558**	386
TOTAL LIABILITIES	**11 032**	10 615	**2 860**	2 043	**(901)**	(995)	**12 991**	11 663
TOTAL EQUITY	**2 754**	1 268	**1 740**	1 491	**978**	1 064	**5 472**	3 823

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

GEOGRAPHICAL INFORMATION

The group operated in two principal geographical areas, South Africa and Australia. The group's total revenue by location and non-current assets by location are detailed below:

	Total revenue		Non-current assets	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
South Africa	**4 589**	3 962	**14 577**	12 292
Australia	**571**	527	**730**	529
TOTAL	**5 160**	4 489	**15 307**	12 821

36 GOING CONCERN

The annual financial statements were prepared on a going concern basis. Based on their assessment the directors have no reason to believe that the company will not continue as a going concern in the foreseeable future. The viability of the company is supported by the annual financial statements.

37 SUBSEQUENT EVENTS

No events which would have a material impact on either the financial position or operating results of the company have taken place between 30 September 2019 and the date of release of this report.

COMPANY STATEMENT OF FINANCIAL POSITION

at 30 September

	Notes	2019 Rm	2018 Rm
ASSETS			
Cash and cash equivalents	1	**1**	1
Group loans		**913**	1 404
Trade and other receivables	2	**6**	–
Investments in subsidiaries	3	**1 774**	1 634
TOTAL ASSETS		**2 694**	3 039
LIABILITIES			
Tax payables		**2**	–
Trade and other payables	4	**1**	12
Interest-bearing liabilities	5	**–**	376
Group loans		**7**	7
TOTAL LIABILITIES		**10**	395
EQUITY			
Ordinary share capital	6	**1 116**	1 069
Share based payment reserve		**78**	57
Retained earnings		**1 490**	1 518
EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**2 684**	2 644
TOTAL EQUITY AND LIABILITIES		**2 694**	3 039

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September

	Notes	2019 Rm	2018 Rm
Interest income	7	**83**	94
Interest expense	7	**(24)**	(45)
NET INTEREST INCOME	7	**59**	49
Non-interest revenue	8	**300**	223
Operating costs	9	**(33)**	(22)
PROFIT BEFORE TAX		**326**	250
Income tax expense	10	**(11)**	(11)
PROFIT FOR THE YEAR		**315**	239
Other comprehensive income		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**315**	239

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September

	Number of ordinary shares million	Share capital Rm	Share based payment reserve Rm	Retained earnings Rm	Total equity Rm
BALANCE AT 30 SEPTEMBER 2017	610.1	1 069	28	1 559	2 656
Total comprehensive income	–	–	–	239	239
Profit for the year	–	–	–	239	239
Grant of share appreciation rights and conditional share plans	–	–	31	–	31
Settlement of share appreciation rights	–	–	(2)	–	(2)
Dividends paid	–	–	–	(280)	(280)
Issue of shares	0.6	9	–	–	9
Repurchase of shares	(0.5)	(9)	–	–	(9)
BALANCE AT 30 SEPTEMBER 2018	**610.2**	**1 069**	**57**	**1 518**	**2 644**
Total comprehensive income	**–**	**–**	**–**	**315**	**315**
Profit for the year	**–**	**–**	**–**	**315**	**315**
Grant of share appreciation rights and conditional share plans	**–**	**–**	**45**	**–**	**45**
Settlement of share appreciation rights and conditional share plans	**–**	**–**	**(24)**	**–**	**(24)**
Dividends paid	**–**	**–**	**–**	**(343)**	**(343)**
Issue of shares	**3.1**	**58**	**–**	**–**	**58**
Repurchase of shares	**(0.6)**	**(11)**	**–**	**–**	**(11)**
BALANCE AT 30 SEPTEMBER 2019	**612.7**	**1 116**	**78**	**1 490**	**2 684**

COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 September

	Notes	2019 Rm	2018 Restated* Rm
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	11	**35**	35
Income taxes paid	12	**(9)**	(12)
Dividends received		**293**	217
Dividends paid	13	**(343)**	(280)
CASH FLOW UTILISED IN OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		**(24)**	(40)
CHANGES IN WORKING CAPITAL		**(17)**	–
Increase in trade and other receivables		**(6)**	–
Decrease in trade and other payables		**(11)**	–
NET CASH UTILISED IN OPERATING ACTIVITIES		**(41)**	(40)
CASH FLOW FROM INVESTING ACTIVITIES			
Settlement of group loans owing from subsidiaries		**491**	10
Proceeds on disposal of investment in subsidiaries		**–**	31
NET CASH GENERATED FROM INVESTING ACTIVITIES		**491**	41
CASH FLOW FROM FINANCING ACTIVITIES			
Settlement of interest-bearing liabilities		**(378)**	–
Additional investments in subsidiaries		**(119)**	(1)
Repurchase of shares		**(11)**	(9)
Issue of shares		**58**	9
NET CASH UTILISED IN FINANCING ACTIVITIES		**(450)**	(1)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		**–**	–
Cash and cash equivalents at the beginning of the year		**1**	1
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**1**	1

* *Reclassification of prior year cash flows arising from the movement in group loans from financing activities to investing activities as well as cash flows as a result of additional investments in subsidiaries from investing activities to financing activities to align to IAS 7 – Statement of Cash Flows requirements.*

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 30 September

		2019 Rm	2018 Rm
1	**CASH AND CASH EQUIVALENTS**		
	Bank balances	**1**	1
	TOTAL CASH AND CASH EQUIVALENTS	**1**	1
2	**TRADE AND OTHER RECEIVABLES**		
	Prepayments	**6**	–
	TOTAL TRADE AND OTHER RECEIVABLES	**6**	–
	The carrying value of trade and other receivables approximates fair value as they are short-term in nature and not subject to material changes in credit risk and fair value.		
3	**INVESTMENT IN SUBSIDIARIES**		
	Shares at carrying value	**1 774**	1 634
	TOTAL INVESTMENTS IN SUBSIDIARIES	**1 774**	1 634
	Refer to note 15 for a schedule of subsidiaries, detailing movement in investments in subsidiaries from prior year.		
4	**TRADE AND OTHER PAYABLES**		
	Trade payables and accruals	**1**	12
	TRADE AND OTHER PAYABLES	**1**	12
	The carrying value of trade and other payables approximates fair value as they are short-term in nature and not subject to material changes in fair value.		
5	**INTEREST-BEARING LIABILITIES**		
	TYPE OF LOAN		
	Subordinated debt*	**–**	376
	TOTAL INTEREST-BEARING LIABILITIES	**–**	376
	MATURITY PROFILE		
	Payable within 12 months	**–**	–
	Payable thereafter	**–**	376
	TOTAL INTEREST-BEARING LIABILITIES	**–**	376

* *The subordinated debt was early settled during the current financial year on 29 March 2019.*

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value Rm
2018						
LOANS						
Structurally subordinated	Bullet	2016/07/01	3 Month JIBAR plus 4.50%	2021/07/01	ZAR	**376**
TOTAL INTEREST-BEARING LIABILITIES						**376**

The company's exposure to interest rate risk is disclosed in note 16.2.

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*
for the year ended 30 September

		2019 Rm	2018 Rm
6	**ORDINARY SHARE CAPITAL**		
	AUTHORISED		
	1 000 000 000 ordinary shares		
	ISSUED		
	612 654 644 (2018: 610 212 448) ordinary shares		
	Ordinary share capital	**1 116**	1 069
	ORDINARY SHARE CAPITAL	**1 116**	1 069
	Refer to note 16 in the consolidated financial statements for a detailed reconciliation of movement in ordinary share capital during the year.		
	PREFERENCE SHARE CAPITAL		
	AUTHORISED		
	10 000 000 cumulative, non-participating, non-convertible preference shares of no par value*		
	ISSUED		
	Nil (2018: nil) preference shares		
	* *Created by a special resolution passed on 14 January 2013.*		
7	**INTEREST**		
	INTEREST INCOME IS EARNED FROM:		
	Cash and cash equivalents	**5**	–
	Group loans	**78**	94
	TOTAL INTEREST INCOME	**83**	94
	INTEREST EXPENSE IS PAID ON:		
	Interest-bearing liabilities	**(22)**	(44)
	Other	**(2)**	(1)
	TOTAL INTEREST EXPENSE	**(24)**	(45)
	Interest income	**83**	94
	Interest expense	**(24)**	(45)
	NET INTEREST INCOME	**59**	49
8	**NON-INTEREST REVENUE**		
	NON-INTEREST REVENUE COMPRISES:		
	Fee income	**7**	6
	Dividends received – subsidiaries	**293**	217
	TOTAL NON-INTEREST REVENUE	**300**	223
9	**OPERATING COSTS**		
	OPERATING COSTS COMPRISE:		
	Audit fees	**(1)**	(1)
	Non-executive directors' fees**	**(6)**	(5)
	Management fees – Intergroup***	**(16)**	(13)
	Other operating costs	**(10)**	(3)
	TOTAL OPERATING COSTS	**(33)**	(22)

** *Refer to note 21 in the group annual financial statement for additional information.*
*** *Management fees paid to group companies are based on certain costs and services incurred by subsidiary companies on behalf of the company.*

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*
for the year ended 30 September

		2019 Rm	2018 Rm
10	**INCOME TAX EXPENSE**		
	South African normal taxation:		
	Current taxation	**(11)**	(11)
	TOTAL INCOME TAX EXPENSE	**(11)**	(11)
	TAX RATE RECONCILIATION		
	South African tax rate	**28.0%**	28.0%
	Tax effects of:		
	Income not subject to tax*	**(25.2%)**	(24.4%)
	Expenses not deductible for tax purposes**	**0.6%**	0.8%
	EFFECTIVE TAX RATE	**3.4%**	4.4%

* Income not subject to tax consists of dividends received.
** Expenses not deductible for tax purposes consist of funding costs and expenses incurred in the production of non-taxable income.

		2019 Rm	2018 Rm
11	**CASH GENERATED BY OPERATIONS**		
	Profit before taxation	**326**	250
	Adjusted for:		
	Dividends received	**(293)**	(217)
	Other non-cash flow movements	**2**	2
	CASH GENERATED BY OPERATIONS	**35**	35
12	**INCOME TAXES PAID**		
	Amounts payable at the beginning of the year	**–**	(1)
	Charged in statement of comprehensive income	**(11)**	(11)
	Amounts payable at the end of the year	**2**	–
	INCOME TAXES PAID	**(9)**	(12)
13	**DIVIDENDS PAID**		
	Ordinary dividends for the year	**(343)**	(280)
	TOTAL DIVIDENDS PAID	**(343)**	(280)

An interim dividend of 27 (2018: 21) cents per share was declared on 15 May 2019 and paid on 10 June 2019.
A final dividend of 34 (2018: 27) cents per share was declared on 26 November 2019 for payment on 17 December 2019.

14 RELATED PARTIES

14.1 SUBSIDIARIES

Details of share ownership and loan balances are disclosed in note 15.

The loans bear interest at rates agreed from time to time and are repayable on demand.

	2019 Rm	2018 Rm
THE FOLLOWING INCOME WAS RECEIVED FROM SUBSIDIARIES:		
INTEREST		
TC Treasury Proprietary Limited	**62**	49
TC Corporate Support Proprietary Limited	**15**	45
Transaction Capital Specialised Finance Proprietary Limited	**1**	–
FEES		
TC Corporate Support Proprietary Limited	**7**	6
THE FOLLOWING FEES WERE PAID TO SUBSIDIARIES:		
TC Corporate Support Proprietary Limited	**(16)**	(13)

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	Nature of business and status	Effective percentage held		Investment at cost		Loans at carrying value	
		2019 %	2018 %	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
15 SUBSIDIARIES AND ASSOCIATES							
TRANSACTION CAPITAL LIMITED	H/T						
SA TAXI							
SA Taxi Holdings Proprietary Limited[1]	*/H/T	**73.9**	98.0	**775**	741	**–**	–
Taximart Proprietary Limited	T	**100.0**	100.0				
Black Elite Benefits Proprietary Limited[2]	T	**100.0**	10.0				
SA Taxi Securitisation Proprietary Limited	#/T	**100.0**	100.0				
SA Taxi Finance Solutions Proprietary Limited	#/T	**100.0**	100.0				
SA Taxi Development Finance Proprietary Limited	T	**100.0**	100.0				
SA Taxi Protect Proprietary Limited	T	**100.0**	100.0				
Bompas Collections Proprietary Limited	D	**100.0**	100.0				
SA Taxi Finance Insurance Brokers Proprietary Limited	D	**100.0**	100.0				
SA Forklifts Proprietary Limited	D	**100.0**	100.0				
Potpale Investments (RF) Proprietary Limited	#/T	**100.0**	100.0				
SA Taxi Warehouse Company Security (RF) Proprietary Limited	#/D	**100.0**	–				
SA Taxi Impact Fund (RF) Proprietary Limited	#/T	**100.0**	100.0				
Transsec Proprietary Limited	#/T	**100.0**	100.0				
Transsec 2 (RF) Limited	#/T	**100.0**	100.0				
Transsec 3 (RF) Limited	#/T	**100.0**	100.0				
Transsec 4 (RF) Limited	#/T	**100.0**	100.0				
Keywood (RF) Proprietary Limited	#	**–**	100.0				
Keywood 2 (RF) Proprietary Limited	#/T	**100.0**	100.0				
Zebra Cabs Proprietary Limited	^	**100.0**	100.0				
Transflow (Pty) Ltd	#/T	**100.0**	–				
TRANSACTION CAPITAL RISK SERVICES							
Transaction Capital Risk Services Holdings Proprietary Limited	*/H	**100.0**	100.0	**988**	881	**7**	–
Transaction Capital Property Mezz Partners Proprietary Limited	T	**100.0**	–				
Transaction Capital Risk Services Proprietary Limited	T	**100.0**	100.0				
Transaction Capital Recoveries Proprietary Limited	T	**100.0**	100.0				
Transaction Capital Payment Solutions Proprietary Limited	T	**100.0**	100.0				
Accsys Proprietary Limited	T	**100.0**	100.0				
Principa Decisions Proprietary Limited	T	**100.0**	100.0				
Transaction Capital Business Solutions Proprietary Limited	T	**100.0**	100.0				
Dubrovnik Properties Proprietary Limited	D	**100.0**	100.0				
Rand Trust Securitisation Proprietary Limited	D	**100.0**	100.0				
MBD Legal Collections Proprietary Limited	T	**100.0**	100.0				
Transaction Capital Credit Health Proprietary Limited	T	**100.0**	100.0				
Origin Eight Financial Services Proprietary Limited	T	**100.0**	100.0				
Transaction Capital Recoveries Proprietary Limited (Botswana)	T	**100.0**	100.0				
Capital Data Asset Recovery Management Proprietary Limited	^	**100.0**	100.0				
Asset Solutions Company Proprietary Limited	^	**100.0**	100.0				
Mortgage Capital Proprietary Limited	D	**100.0**	100.0				
Specialised Mortgage Capital Proprietary Limited	^	**100.0**	100.0				
Company Unique Finance Proprietary Limited	T	**100.0**	100.0				
Afribrokers Proprietary Limited	T	**100.0**	100.0				
Collection and Financial Services Proprietary Limited	D	**100.0**	100.0				
RC Value Added Services Holdings Proprietary Limited	T	**75.0**	75.0				
RC Value Added Services Proprietary Limited	T	**100.0**	100.0				

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*
for the year ended 30 September

	Nature of business and status	Effective percentage held 2019 %	Effective percentage held 2018 %	Investment at cost 2019 Rm	Investment at cost 2018 Rm	Loans at carrying value 2019 Rm	Loans at carrying value 2018 Rm
15 SUBSIDIARIES AND ASSOCIATES *continued*							
TRANSACTION CAPITAL LIMITED *continued*							
TRANSACTION CAPITAL RISK SERVICES *continued*							
RC VAS Direct Proprietary Limited	T	**100.0**	100.0				
The Beancounter Financial Services Proprietary Limited[3]		**–**	51.0				
Transaction Capital Risk Services International Proprietary Limited	H/T	**100.0**	100.0				
Transaction Capital Risk Services Australia Holdings 2 Proprietary Limited	T	**100.0**	–				
TC Global Finance Limited[4] (British Virgin Islands)	T	**50.0**	–				
Transaction Capital Risk Services (Mauritius)	H	**100.0**	100.0				
Transaction Capital Risk Services Australia Holdings Proprietary Limited	H	**100.0**	100.0				
Transaction Capital Risk Services Australia Services Proprietary Limited	T	**100.0**	–				
Lanyana Financial Group Proprietary Limited (Australia)	T	**25.0**	–				
DLJ Holdings Co Proprietary Limited (Australia)	H	**100.0**	100.0				
IRA Holdings Co Proprietary Limited (Australia)	H	**100.0**	100.0				
Recoveries Corporation Group Limited (Australia)	H	**100.0**	100.0				
Transaction Capital Finance Australia Proprietary Limited	T	**100.0**	100.0				
SN Law Services Proprietary Limited ATF (Australia)	T	**100.0**	100.0				
Recoveries Corporation Proprietary Limited (Australia)	T	**100.0**	100.0				
Advanced Collections Systems Proprietary Limited (Australia)	T	**100.0**	100.0				
RCL Services Proprietary Limited (Australia)	D	**100.0**	100.0				
RCL Law Proprietary Limited (Australia)	T	**100.0**	100.0				
Mason Black Lawyers Proprietary Limited (Australia)	T	**100.0**	100.0				
RCL Services PTE Limited (Fiji)	T	**100.0**	100.0				
GROUP EXECUTIVE OFFICE							
TC Corporate Support Proprietary Limited	*/T	**100.0**	100.0	**7**	8	**–**	–
TC Treasury Proprietary Limited	*/T	**100.0**	100.0	**<1**	<1	**901**	1 401
Bayport Financial Services Proprietary Limited	*/D	**100.0**	100.0	**4**	4	**–**	–
TC Executive Holdings Proprietary Limited	*/D	**100.0**	100.0	**<1**	<1	**–**	–
Transaction Capital Business Partners Proprietary Limited	*/D	**100.0**	100.0	**<1**	<1	**–**	–
Transcapital Investments Limited	*/T	**100.0**	100.0	**<1**	<1	**3**	2
Transaction Capital Specialised Finance Proprietary Limited	*/T	**75.0**	75.0	**<1**	<1	**2**	<1
Red Sky Finance Proprietary Limited	*/D	**100.0**	100.0	**<1**	<1	**–**	–
Ellehove Investments Proprietary Limited	D	**100.0**	100.0	**–**	–	**(7)**	(7)
TOTAL				**1 774**	1 634	**906**	1 397

** Directly held*
 # Consolidated special purpose entity
H Holding company
T Trading company
D Dormant company
^ Deregistered/in the process of being deregistered

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

1. *Refer to the non-controlling interest note 17 in the group annual financial statements for further details in relation to the change in shareholding.*
2. *An additional 90% shareholding was acquired on 1 February 2019. Refer to the business combinations note 32 in the group annual financial statements for further details in this regard.*
3. *This entity was disposed of on 1 November 2018. Refer to the disposal of subsidiary note 34 in the group annual financial statements for further details in this regard.*
4. *Refer to the equity accounted investment note 7 in the group annual financial statements for further details in this regard.*

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*
for the year ended 30 September

16 FINANCIAL RISK MANAGEMENT

The board is responsible for risk management and the setting of the risk management framework. Oversight of risk management is the responsibility of two board subcommittees; the asset and liability committee ('ALCO') and the audit, risk and compliance ('ARC') committee. ALCO monitors risks associated with liquidity and funding, interest rates, counterparties, currency exposures and capital adequacy. The ARC committee monitors risks associated with financial reporting, accounting policies, internal control and IT governance. The ARC 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.

16.1 CREDIT RISK

Credit risk is the risk of loss arising from the failure of a client or counterparty to discharge an obligation to the company. It is not the company's strategy to avoid credit risk, but rather to manage credit risk within the company's risk appetite and to earn an appropriate risk-adjusted return. The company does not consider there to be any significant concentration of credit risk which has not been adequately provided for.

16.1.1 FINANCIAL ASSETS SUBJECT TO RISK

	Group loans* Rm	**Total Rm**
2019		
Neither past due nor impaired	**913**	**913**
CARRYING VALUE OF FINANCIAL ASSETS	**913**	**913**

	Group loans* Rm	Total Rm
2018		
Neither past due nor impaired	1 404	1 404
CARRYING VALUE OF FINANCIAL ASSETS	1 404	1 404

* *Group loans have been assessed as having no significant increased credit risk based on the nature of the counterparty and continued engagements. As a result group loans are all considered to be of a high credit quality.*

16.2 INTEREST RATE RISK

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

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

16.2.1 RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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.

	Floating rate liabilities Rm	**Floating rate assets Rm**	**Net floating rate assets Rm**
2019	**8**	**914**	**906**
TOTAL	**8**	**914**	**906**

	Floating rate liabilities Rm	Floating rate assets Rm	Net floating rate liabilities Rm
2018	383	1 405	1 022
TOTAL	383	1 405	1 022

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*
for the year ended 30 September

16 FINANCIAL RISK MANAGEMENT *continued*

16.2 INTEREST RATE RISK *continued*

16.2.2 WEIGHTED AVERAGE INTEREST RATES

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

	2019		2018	
	Bank balances %	Borrowings %	Bank balances %	Borrowings %
TOTAL	**6.3**	**11.6**	6.3	11.5

16.2.3 INTEREST RATE SENSITIVITY ANALYSIS

The company's exposure to interest rate risk is set out below:

	Effect on profit before tax of 1% change in rates Rm	Total carrying value of assets and liabilities Rm
30 SEPTEMBER 2019		
ASSETS		
Cash and cash equivalents	**<1**	1
Group loans	**9**	913
TOTAL	**9**	914
LIABILITIES		
Group loans	**<1**	7
Trade and other payables	**<1**	1
TOTAL	**<1**	8
NET EXPOSURE	**9**	906
30 SEPTEMBER 2018		
ASSETS		
Cash and cash equivalents	**<1**	1
Group loans	**14**	1 404
TOTAL	**14**	1 405
LIABILITIES		
Interest-bearing liabilities	**4**	376
Group loans	**<1**	7
Trade and other payables	**<1**	12
TOTAL	**4**	395
NET EXPOSURE	**10**	1 010

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

Refer to note 30.2.3 in the consolidated financial statements for a detailed description of the technique used to measure an instantaneous change in the market interest rates.

Trade and other receivables consist of prepayments which are not financial assets and therefore have been excluded from the above analysis.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*
for the year ended 30 September

16 FINANCIAL RISK MANAGEMENT *continued*

16.3 LIQUIDITY RISK MANAGEMENT

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

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

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

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

The 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**
2019					
LIABILITIES					
Trade and other payables	**1**	**–**	**–**	**–**	**1**
Group loans	**7**	**–**	**–**	**–**	**7**
Financial liabilities	**8**	**–**	**–**	**–**	**8**
Non-financial liabilities	**2**	**–**	**–**	**–**	**2**
TOTAL LIABILITIES	**10**	**–**	**–**	**–**	**10**

	On demand Rm	Within 1 year Rm	From 1 – 5 years Rm	More than 5 years Rm	Total Rm
2018					
LIABILITIES					
Trade and other payables	12	–	–	–	12
Group loans	7	–	–	–	7
Interest-bearing liabilities	–	55	472	–	527
Financial liabilities	19	55	472	–	546
Non-financial liabilities	–	–	–	–	–
TOTAL LIABILITIES	19	55	472	–	546

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*
for the year ended 30 September

16 FINANCIAL RISK MANAGEMENT *continued*

16.4 FAIR VALUE DISCLOSURE

	Carrying value 2019 Rm	Fair value 2019 Rm	Carrying value 2018 Rm	Fair value 2018 Rm
ASSETS				
Cash and cash equivalents	**1**	**1**	1	1
Group loans	**913**	**913**	1 404	1 404
TOTAL	**914**	**914**	1 405	1 405
LIABILITIES				
Interest-bearing liabilities	**–**	**–**	376	385
– Floating rate liabilities[1]	**–**	**–**	376	385
Trade and other payables	**1**	**1**	12	12
Group loans	**7**	**7**	7	7
TOTAL	**8**	**8**	395	404
NET EXPOSURE	**906**	**906**	1 010	1 001

1. *Refer to note 30.7 in the consolidated financial statements for a detailed description of the valuation techniques used to determine the fair value.*

Trade and other receivables consist of prepayments which are not financial assets and therefore have been excluded from the above analysis.

16.5 STATEMENT OF FINANCIAL POSITION CATEGORIES

	Financial assets carried at amortised cost Rm	Financial liabilities carried at amortised cost Rm	Non-financial liabilities or non-financial assets Rm	Equity Rm	Total Rm
2019					
ASSETS					
Cash and cash equivalents	**1**	**–**	**–**	**–**	**1**
Group loans	**913**	**–**	**–**	**–**	**913**
Trade and other receivables	**–**	**–**	**6**	**–**	**6**
Investments in subsidiaries	**–**	**–**	**1 774**	**–**	**1 774**
TOTAL ASSETS	**914**	**–**	**1 780**	**–**	**2 694**
EQUITY AND LIABILITIES					
LIABILITIES					
Tax payables	**–**	**–**	**2**	**–**	**2**
Trade and other payables	**–**	**1**	**–**	**–**	**1**
Group loans	**–**	**7**	**–**	**–**	**7**
TOTAL LIABILITIES	**–**	**8**	**2**	**–**	**10**
EQUITY					
Ordinary share capital	**–**	**–**	**–**	**1 116**	**1 116**
Share based payment reserve	**–**	**–**	**–**	**78**	**78**
Retained earnings	**–**	**–**	**–**	**1 490**	**1 490**
TOTAL EQUITY	**–**	**–**	**–**	**2 684**	**2 684**
TOTAL EQUITY AND LIABILITIES	**–**	**8**	**2**	**2 684**	**2 694**

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*
for the year ended 30 September

16 FINANCIAL RISK MANAGEMENT *continued*

16.5 STATEMENT OF FINANCIAL POSITION CATEGORIES *continued*

	Financial assets carried at amortised cost Rm	Financial liabilities carried at amortised cost	Non-financial liabilities or non-financial assets	Equity	Total
2018					
ASSETS					
Cash and cash equivalents	1	–	–	–	1
Group loans	1 404	–	–	–	1 404
Investments in subsidiaries	–	–	1 634	–	1 634
TOTAL ASSETS	1 405	–	1 634	–	3 039
EQUITY AND LIABILITIES					
LIABILITIES					
Trade and other payables	–	12	–	–	12
Interest-bearing liabilities	–	376	–	–	376
Group loans	–	7	–	–	7
TOTAL LIABILITIES	–	395	–	–	395
EQUITY					
Ordinary share capital	–	–	–	1 069	1 069
Share based payment reserve	–	–	–	57	57
Retained earnings	–	–	–	1 518	1 518
TOTAL EQUITY	–	–	–	2 644	2 644
TOTAL EQUITY AND LIABILITIES	–	395	–	2 644	3 039

17 GOING CONCERN

The annual financial statements were prepared on a going concern basis. Based on their assessment the directors have no reason to believe that the company will not continue as a going concern in the foreseeable future. The viability of the company is supported by the annual financial statements.

18 SUBSEQUENT EVENTS

No events which would have a material impact on either the financial position or operating results of the company have taken place between 30 September 2019 and the date of release of this report.

FORMULAE AND DEFINITIONS

ITEM	DEFINITION
Asset turnover ratio	Gross principal book revenue expressed as a percentage of average carrying value of purchased book debts.
Average equity attributable to ordinary equity holders	Sum of equity attributable to ordinary equity holders at the end of each month from September to September divided by 13.
Average gross loans and advances	Sum of gross loans and advances at the end of each month from September to September divided by 13.
Average interest-bearing liabilities	Sum of interest-bearing liabilities at the end of each month from September to September divided by 13.
Average assets	Sum of assets at the end of each month from September to September divided by 13.
Average cost of borrowing	Interest expense expressed as a percentage of average interest-bearing liabilities.
Capital adequacy ratio	Total equity plus subordinated debt capital less goodwill expressed as a percentage of total assets less goodwill and cash and cash equivalents.
Core cost-to-income ratio	Core operating costs expressed as a percentage of total income.
Core headline earnings	Headline earnings excluding once-off transaction costs.
Core headline earnings per share	Core headline earnings divided by weighted average number of ordinary shares in issue.
Core operating costs	Operating costs excluding once-off transaction costs.
Core profit for the year	Profit for the year excluding once-off transaction costs.
Core return on average assets	Core profit for the year expressed as a percentage of average assets.
Core return on average equity	Core profit for the year attributable to ordinary equity holders expressed as a percentage of average equity attributable to ordinary equity holders.
Core return on sales	Core profit for the year expressed as a percentage of total income.
Cost-to-income ratio	Total operating costs expressed as a percentage of total income.
Credit loss ratio	Impairment of loans and advances expressed as a percentage of average gross loans and advances.
EBITDA	Profit before net interest income, tax, depreciation and amortisation of intangible assets (specifically excluding amortisation of purchased book debts) excluding Transaction Capital Business Solutions.
Effective tax rate	Income tax expense expressed as a percentage of profit before tax.
Estimated remaining collections	Estimated undiscounted value of remaining gross cash collections of purchased book debts, estimated to be recovered over the next 120 months.
Gross loans and advances	Gross loans and advances 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 circular titled Headline Earnings as issued by the South African Institute of Chartered Accountants (SAICA) as amended from time to time, currently being basic earnings attributable to ordinary shareholders adjusted for goodwill impairments, capital profits and losses and other non-headline items.

ITEM	**DEFINITION**
Headline earnings per share	Headline earnings divided by weighted average number of ordinary shares in issue.
Leverage	Total assets divided by total equity expressed in times.
Net asset value per share	Equity attributable to ordinary equity holders of the parent divided by number of ordinary shares in issue.
Net interest margin	Net interest income as a percentage of average gross loans and advances.
Non-performing loan coverage	Impairment provision expressed as a percentage of non-performing loans.
Non-performing loan ratio	Non-performing loans expressed as a percentage of gross loans and advances.
Non-performing loans	a) The balance outstanding of loans and advances where the applicable obligor is: ■ at least 3.5 monthly instalments in arrears; ■ in respect of which a qualifying payment/s has not been made during the reference period; and where such arrears is due to obligor delinquency. *Qualifying payment: a payment made which is more than 50% of the cumulative instalments due during the reference period.* *Reference period: The preceding three month period ending at the reporting date.* b) The value of repossessed stock on hand that has not yet entered the refurbishment facilities.
Pre-provision profit	Profit before tax excluding impairment of loans and advances.
Provision coverage	Impairment provision expressed as a percentage of gross loans and advances.
Return on average assets	Profit for the year expressed as a percentage of average assets.
Return on average equity	Profit for the year attributable to ordinary equity holders expressed as a percentage of average equity attributable to ordinary equity holders.
Return on sales	Profit for the year expressed as a percentage of total income.
Risk-adjusted net interest margin	Net interest margin less credit loss ratio.
Structurally subordinated debt	Senior debt issued by a holding company within the group.
Subordinated debt	Debt subordinated by agreement with the lender plus structurally subordinated debt.
Total income	Net interest income plus non-interest revenue.
Weighted average interest rate at origination	Interest rate at origination weighted on initial capital advanced for the year.
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

Sean Doherty (chief financial officer)
Mark Herskovits (executive director: capital management)
David Hurwitz (chief executive officer)
Jonathan Jawno (executive director)
Michael Mendelowitz (executive director)

INDEPENDENT NON-EXECUTIVE

Buhle Hanise
Phumzile Langeni
Kuben Pillay (lead independent non-executive director)
Diane Radley
Christopher Seabrooke (chairman)

NON-EXECUTIVE

Paul Miller
Roberto Rossi

COMPANY SECRETARY AND REGISTERED OFFICE

Theresa Palos
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