Transaction Capital

AUDITED CONSOLIDATED AND COMPANY ANNUAL FINANCIAL STATEMENTS

2021

For the year ended 30 September

CONTENTS

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

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

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

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

The auditors are responsible for reporting on whether the consolidated and company annual financial statements are fairly presented in accordance with the applicable financial reporting framework, and their unmodified report appears on pages 13 to 16.

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

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

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

- the annual financial statements set out on pages 17 to 147, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Approval of consolidated and company annual financial statements

The annual financial statements on pages 17 to 147 were approved by the board of directors on 16 November 2021, and are signed on their behalf by:

D Hurwitz

DAVID HURWITZ
Chief executive officer

S Doherty

SEAN DOHERTY
Chief financial officer

COMPANY SECRETARY'S CERTIFICATE

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 2021, and that all such returns and notices appear to be true, correct and up to date.

S Nayger

SHARON NAYGER
Company secretary

16 November 2021

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

Nature of business

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

The group operates in three market verticals: SA Taxi, Transaction Capital Risk Services (TCRS) and the WBC group (WeBuyCars). 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 42 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

Suresh Kana was appointed as an independent non-executive director with effect from 1 November 2020. He was also appointed as lead independent director of the board, chairman of the asset and liability committee (ALCO), member of the nominations committee, member of the audit committee and member of the social and ethics committee on the same date. He was appointed as chairman of the social and ethics committee on 1 October 2021. He is also a member of the newly formed risk and technology committee established on 2 September 2021.

Ian Kirk was appointed as an independent non-executive director with effect from 1 November 2020. He was also appointed as a member of the audit committee, ALCO and remuneration committee on the same date. He is also the chairman of the newly formed risk and technology committee established on 2 September 2021.

Christopher Seabrooke resigned as a member of the audit committee with effect from 1 November 2020 but remains a permanent invitee.

Kuben Pillay resigned as lead independent director of the board with effect from 1 November 2020. Kuben Pillay continues as an independent non-executive director on the board, as chair of the remuneration committee, as a member of the social and ethics committee and nominations committee.

Buhle Hanise resigned as a member of ALCO with effect from 1 November 2020. Buhle Hanise continues as a member of the audit committee.

Sharon Wapnick was appointed as a member of the nominations committee with effect from 1 November 2020 and was appointed as a member of the remuneration committee with effect from 30 September 2021.

Theresa Palos resigned as company secretary with effect from 1 November 2020. Sharon Nayger was appointed as company secretary from the same date.

Paul Miller resigned as an alternate non-executive director to Roberto Rossi with effect from 1 April 2021.

Albertinah Kekana was appointed to the board as an independent non-executive director with effect from 1 April 2021 and appointed as a member of the social and ethics committee with effect from 1 October 2021.

Phumzile Langeni resigned as a non-executive director and as chair of the social and ethics committee with effect from 30 September 2021.

Roberto Rossi was appointed as an executive director with effect from 30 September 2021. He resigned as a member of the remuneration committee on the same date. Roberto Rossi continues as a member of the social and ethics committee and the nominations committee.

No further appointments or resignations occurred during the year.

DIRECTORS' REPORT *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

Interest of directors in the company's shares

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

	2021		2020	
	Number of shares '000	Shareholding %	Number of shares '000	Shareholding %
Indirect beneficial holdings of directors				
Dovie Trust[1]	**3 597**	**<1**	4 877	<1
Pilatucom Holdings Limited[2]	**72 667**	**10.26**	36 333	5.49
Rutland Trust[3]	**36 333**	**5.13**	36 333	5.49
Sabvest Limited[4]	**8 000**	**1.13**	10 000	1.51
Direct beneficial holdings of directors				
Mark Herskovits	**1 603**	**<1**	1 547	<1
Albertinah Kekana	**8**	**<1**	–	–
Roberto Rossi[5]	**–**	**–**	36 333	5.49
Diane Radley	**10**	**<1**	10	<1
Sharon Wapnick[6]	**82**	**<1**	82	<1
TOTAL	**122 300**		125 515	
Percentage of issued shares	**17.26%**		18.97%	

1 David Hurwitz is a discretionary beneficiary of Dovie Trust. The shares have been pledged as security for a finance facility.
2 Jonathan Jawno and Roberto Rossi are discretionary contingent beneficiaries of Pilatucom Holdings Limited. The shares have been pledged as security for a finance facility.
3 Michael Mendelowitz is a trustee and discretionary contingent beneficiary of Rutland Trust. The shares have been pledged as security for a finance facility.
4 Christopher Seabrooke is the chief executive officer of Sabvest Limited.
5 Roberto Rossi was a trustee and contingent discretionary beneficiary of the Sugar Tube Trust which held 36 333 334 shares at 30 September 2020.
6 Of these, 21 800 shares are held by associates of Sharon Wapnick.

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

CHANGES IN INTERESTS OF DIRECTORS

In November 2020, the Dovie Trust (of which David Hurwitz is a discretionary beneficiary) sold 450 000 shares. An additional 830 000 were sold in March 2021.

Roberto Rossi disposed of 36 333 334 shares to Pilatucom Holdings Limited ('Pilatucom'). Mr. Rossi is a contingent discretionary beneficiary of Pilatucom.

In March 2021, Sabvest Limited (of which Christopher Seabrooke is the chief executive) sold 2 000 000 shares.

In March 2021, Mark Herskovits received 78 287 shares as part of Transaction Capital's conditional share plan. He exercised an additional 21 867 shares, which he sold during June 2021.

Albertinah Kekana was appointed to Transaction Capital's board of directors as an independent non-executive director with effect from 1 April 2021. Ms. Kekana holds 7 500 shares.

There have been no changes in the interests of the directors between 23 September 2021 and the date of approval of these annual financial statements.

DIRECTORS' REPORT *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

Dividends

In light of the group's strong financial performance, robust balance sheet and medium-term prospects, the board resolved to declare a final gross cash dividend to shareholders of 33 cents per share, at a rate of 2.5 times cover based on the second half's earnings. This brings the total dividend per share for FY2021 to 52 cents per share following the interim dividend of 19 cents per share (2020: nil) at a rate of 3.4 times cover.

Consolidated share capital

The authorised and issued share capital is detailed in note 24 of the annual financial statements.

The following changes took place during the year under review:

	2021		2020	
	Number of shares '000	Value of shares R'000	Number of shares '000	Value of shares R'000
Balance at the beginning of the year	**661 496**	**2 014 897**	612 655	1 103 493
Shares issued in settlement of the Transaction Capital Limited Share Schemes (Conditional Share Plan obligations)*	**906**	**22 303**	3 596	73 756
Equity raised through the open market**	**12 400**	**248 000**	–	–
Equity raised through accelerated bookbuild***	**33 093**	**1 159 263**	30 754	550 491
Shares issued to subsidiaries****	**536**	**20 000**	16 467	329 097
Shares repurchased in the open market and cancelled	**–**	**–**	(1 976)	(41 940)
BALANCE AT THE END OF THE YEAR	**708 431**	**3 464 463**	661 496	2 014 897

* *In terms of specific authority received from shareholders on the adoption of the Transaction Capital Conditional Share Plan, a total of 905 693 shares were issued to participants/employees as part of respective vestings at an average price of R24.63 per share.*

** *On 14 January 2021, shareholders approved the issue of 12 400 000 shares to Royal Bafokeng Holdings at a price of R20 per share.*

*** *On 9 July 2021 Transaction Capital raised equity in the form of 33 093 389 shares through the issue of new ordinary shares to qualifying investors through an accelerated bookbuild. The ordinary shares were priced at R35.50 per share (before share issue costs), a 4.7% and 4.4% discount to the pre-launch 30 business day volume weighted average price of R37.25 and the close price of R37.15 respectively, as at the market close on 8 July 2021. The equity raise was completed under the company's general authority to issue shares for cash approved by Transaction Capital shareholders at the annual general meeting of the company held on 5 March 2021.*

**** *On 14 September 2020 Transaction Capital issued 535 906 shares to Transaction Capital Motor Holdco Proprietary Limited (TCMH) at a price of R37.32 per share (before share issue costs) in respect of the We Buy Cars (Pty) Ltd acquisition. The 535 906 shares were in turn transferred to We Buy Cars (Pty) Limited as part of the settlement of the deferred consideration relating to the 11 September 2020 purchase of the 49.9% non-controlling interest in We Buy Cars (Pty) Limited. We Buy Cars (Pty) Ltd distributed the shares to previous shareholders through a dividend which was declared prior to the acquisition of the investment.*

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

Special resolutions passed

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

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

DIRECTORS' REPORT *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 22 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 financial statements.

Subsequent events

On 5 October 2021, Transaction Capital settled the consideration which was payable for the acquisition of the additional 25% interest in the WBC group. The consideration was settled through the payment of R870 million in cash, the issue of 10 526 972 ordinary shares in Transaction Capital Limited, and vendor financing provided of R363 million. A contingent consideration fairly valued at R132 million will be settled during the 2023 financial year. Refer to note 40.1 of the consolidated financial statements.

On the same day the put option in favour of the WBC Holdings minority shareholders and call option in favour of TCMH became unconditional, which if exercised could result in TCMH acquiring, in various increments and at various intervals, additional shares in WBC Holdings up to a maximum of 25.1%, being all of the shares in WBC Holdings currently held by the minority shareholders and which, if implemented in full, will result in WBC Holdings becoming a wholly owned subsidiary of the group.

No other events which would have a material impact on either the financial position or operating results of the company have taken place between 30 September 2021 and the date of release of this report.

Employee incentive schemes

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

TRANSACTION CAPITAL CONDITIONAL SHARE PLAN ('CSP')

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

It is believed that the CSP is a superior long-term incentive for Transaction Capital's objectives. The CSP offers participants certainty in that it comprises a fixed number of conditional shares. While its ultimate value will depend on performance, CSP awards will always have a value. Further disclosure relating to the CSP is set out in note 32.2 of the consolidated financial statements.

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

Composition

At 30 September 2021, the audit committee consisted 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 four times per year, with two members of the audit committee forming a quorum.

The remit of the audit committee changed during the financial year as the Board recognised the need for increased time and focus on technology, data, and the management of the risks inherent in these items as Transaction Capital's business have become increasingly driven by fintech. This action is in line with global best practice trends for fintech businesses. This change took place on 2 September 2021 and therefore for 11 months of the 2021 financial year the audit committee had responsibility over what is now constituted through an audit committee and a risk and technology committee.

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

- Diane Radley (chairman)
- Buhle Hanise
- Suresh Kana (appointed with effect from 1 November 2020)
- Ian Kirk (appointed with effect from 1 November 2020)

Christopher Seabrooke resigned as a member of the audit committee with effect from 1 November 2020 but remains a permanent invitee.

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

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

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

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

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

Roles and responsibilities

With effect from 2 September 2021, the board resolved to rename this committee from the risk and compliance committee to the audit committee. On the same date, a new sub-committee known as the risk and technology committee was formed.

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

THE PREPARATION OF FINANCIAL REPORTING

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

COMBINED ASSURANCE

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

AUDIT COMMITTEE REPORT *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

Roles and responsibilities continued

INTERNAL AUDIT

- Review the independence, performance and effectiveness of the internal audit process and ensure that it has the necessary resources, budget, standing and authority to discharge its functions;
- Ensure that the internal audit function is periodically, but at least every six 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.

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;
- Review the performance and effectiveness of the external audit process; and
- Review the Independent Regulatory Board of Auditors (IRBA) Inspection Findings Report to evaluate the engagement team's independence, competency, capacity and risk focus of the auditors.

GOVERNANCE

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

RISK

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

ACCOUNTING

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

REQUIREMENTS OF THE ACT

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

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

AUDIT COMMITTEE REPORT *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

Annual confirmations

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

- The internal financial controls of the group have been effective in all material aspects throughout the year under review;
- These controls have ensured that the group's assets have been safeguarded;
- The chief financial officer's expertise and experience is deemed appropriate;
- Appropriate financial reporting procedures have been established and are operating effectively;
- The group has complied in all material respects with the implemented risk management policy during the year under review;
- Resources have been utilised efficiently;
- The skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and it recommends their re-appointment in 2022; 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.

During the current year, Transaction Capital acquired an effective 74.2% controlling shareholding in the WBC group (WeBuyCars). In order to confirm the operating effectiveness of the key controls, WeBuyCars completed a control self-assessment (CSA) and no deficiencies were reported through the process.

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

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

Conclusions on roles and responsibilities

FINANCE FUNCTION

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

RISK MANAGEMENT

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

EXTERNAL AUDIT

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

The audit committee, in consultation with executive management, agreed to an audit fee for the year under review. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 29 to the consolidated annual financial statements. In addition, the audit committee has approved a policy for non-audit services provided by the external auditors, is comfortable that non-audit services performed during the year have been reasonable and that this has not impacted on the independence of the external auditors.

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

INTERNAL AUDIT

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

The internal audit function will be subject to an independent quality review in 2022. The previous review was performed in 2016 and the function was found to conform generally 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.

AUDIT COMMITTEE REPORT *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

GOING CONCERN

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

ANNUAL FINANCIAL STATEMENTS

The audit committee:

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

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

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

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

CONCLUSION

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

D Radley

DIANE RADLEY
Audit committee chairman

16 November 2021

RISK AND TECHNOLOGY COMMITTEE REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

The risk and technology committee was formed on 2 September 2021.

At 30 September 2021, the risk and technology committee (the 'committee') consists of the following members who were all appointed to the committee on 2 September 2021 and are all independent:

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

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

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

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

IT governance

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

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

Risk

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

Compliance

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

I Kirk

IAN KIRK
Risk and technology committee chairman

16 November 2021

SOCIAL AND ETHICS COMMITTEE REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2021

At 30 September 2021, the social and ethics committee (the 'committee') consists of the following members:

- Suresh Kana (chairman) (appointed as committee member with effect from 1 November 2020, and appointed as chair of the committee with effect from 1 October 2021)
- David Hurwitz
- Kuben Pillay
- Roberto Rossi
- Albertinah Kekana (appointed with effect from 1 October 2021)

Phumzile Langeni resigned as a non-executive director and as chair of the social and ethics committee with effect from 30 September 2021.

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

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

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

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

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

Conclusion

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

SURESH KANA
Social and ethics committee chairman

16 November 2021

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 17 to 147, which comprise the consolidated and separate statements of financial position as at 30 September 2021, and the consolidated income statement, the consolidated and separate statements of 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 financial position of Transaction Capital Limited and its subsidiaries as at 30 September 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Significant estimates and judgements included in the SA Taxi loans and advances credit impairment model</td></tr>
<tr><td>Loans and advances, which represent 41% of total assets, and the associated impairment provisions are significant in the context of the consolidated financial statements.

The determination of impairment provisions for expected credit losses (ECL) requires significant judgement, and we have identified the audit of ECL impairment provisions to be a key audit matter.

The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus are:
▶ Determination of expected 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); and
▶ Repair cost methodologies in determining cost to repair salvaged vehicles as this impacts both the expected losses and repossessed inventory valuation.

In addition, the COVID-19 pandemic has had a major effect on the South African economy and affected the collections experience at SA Taxi. There is uncertainty as to how the COVID-19 pandemic is likely to impact the forward looking economic influence on the determination of ECL. This requires a higher level of management judgement in considering how the forward looking information (FLI) is taken into account within the models and whether any additional 'out of model adjustments' are required where the models do not cater for all of the potential impact.</td><td>With the support of our internal quantitative and credit modelling specialists, our procedures included:
▶ Assessing the design and implementation of relevant controls and assessing the governance structures in place;
▶ Assessing management's model methodology specific to PD, LGW's, TTD, TTR and repair cost methodologies;
▶ Testing the accuracy of the model by independently recalculating the input parameters;
▶ Testing completeness and accuracy of data used in the model;
▶ Assessing the reasonability of ECL adjustments applied within the base model, as well as the requirement for any potential out-of-model adjustments, taking into account the impact of COVID-19 on FLI; and
▶ Assessing the sufficiency of the disclosures.

We found the model, its inputs and methodology applied to be reasonable and the overall ECL, taking the impact of COVID-19 into account, to be appropriate.

We found the disclosures relating to the expected credit loss on loans and advances, as presented in notes 5, 9 and 38, and the key judgements and estimates applied in the determination thereof, to be appropriate and in accordance with the relevant accounting standards.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT *continued*

TO THE SHAREHOLDERS OF TRANSACTION CAPITAL LIMITED

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

KEY AUDIT MATTERS continued

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Re-calibration of the amortised cost model and fair value assumptions for Transaction Capital Risk Services</td></tr>
<tr><td>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 Financial Instruments (IFRS 9) and are disclosed in note 10. IFRS 9 requires that projected future cashflows include FLI with regard to expected, rather than just incurred, credit losses.

Management re-calibrate the amortised cost and fair value models' assumptions on an ongoing basis, incorporating the most recent available collection data and expectations on macro-economic factors which could impact on future collection levels.

There is uncertainty as to how the COVID-19 pandemic is likely to impact the forward looking macro-economic factors, which in turn will influence future collection levels. A higher level of management judgement will be required in considering how the FLI is taken into account within the models and whether any additional 'out of model adjustments' are required where the models do not cater for all of the potential impact.

The assumptions relating to the timing and extent of expected future collections, including the impact of COVID-19, are considered to be a key audit matter due to the extent of judgement and/or estimation applied.</td><td>With the support of our internal quantitative and credit modelling specialists, our procedures to assess the re-calibration of the amortised cost and fair value model assumptions included an assessment of:

▶ The design and implementation of relevant controls and assessing the governance structures in place;
▶ The model methodology in light of IFRS 9 requirements;
▶ The accuracy of the model by independently recalculating the input parameters and results;
▶ The valuation of the purchased debt portfolios by developing independent estimates using challenger models;
▶ The completeness and accuracy of data used in the models and in the out of model adjustment calculations; and
▶ The assumptions applied by management in determining the impact of forward looking macro-economic factors, including the impact of COVID-19, using probability weighted assumptions and scenarios, on the timing and extent of expected future collections.

We found the models, the inputs and methodology applied, taking the impact of COVID-19 into account, to be reasonable and appropriate. We also found the assumptions applied by management to FLI to be appropriate.

We found the disclosures relating to the financial instruments as presented in notes 5, 10, 29 and 38, and the key judgements and estimates applied in the determination thereof, to be appropriate and in accordance with the underlying accounting standards.</td></tr>
<tr><td colspan="2">Acquisition of WeBuyCars</td></tr>
<tr><td>The group acquired an additional 25% interest in WeBuyCars during the current year, thereby obtaining control and triggering the requirement to consolidate WeBuyCars in the Group financial statements.

Significant judgement is required by the directors in determining the fair value of the net assets acquired, including the identification and valuation of intangibles assets and resulting goodwill, through a purchase price allocation and valuation process.

The consideration for the acquisition of the additional 25% investment was determined to be R1 751 million, and the resulting goodwill arising from the acquisition was R2 962 million. The detail of the acquisition is disclosed in the business combinations note in note 40.

Accordingly, for the purposes of our audit, we identified a significant risk of material misstatement related to the valuation of identified intangible assets within WeBuyCars.

The assumptions with the most significant impact on the acquisition included:

▶ Determination of the consideration payable, including the contingent purchase consideration;
▶ Identification of assets and liabilities acquired, including the identification of intangible assets;
▶ Determination of the fair value at acquisition date of the identified assets and liabilities acquired; and
▶ Allocation of the purchase price to the assets and liabilities acquired, and resultant goodwill.</td><td>We involved our corporate finance specialists to assist with the audit of the purchase price allocation and valuation. Our procedures included:

▶ Assessing the nature and valuation of the purchase consideration, including the determination of the contingent purchase consideration;
▶ Assessing the identification and valuation at acquisition date of identified tangible assets and liabilities;
▶ Assessing whether the intangible assets acquired have been appropriately identified;
▶ Assessing whether the valuation methodology applied to value the identified intangibles is appropriate and based on accepted market practice;
▶ Assessing the assumptions applied and testing of inputs into the valuations of the intangible assets;
▶ Checking the mathematical accuracy of the models applied;
▶ Checking the recording of the assets and liabilities at fair value at acquisition date, as well as the determination of the goodwill raised;
▶ Assessing the identification of the cash generating unit to which the goodwill should be allocated; and
▶ Reviewed the disclosure in the annual financial statements against the IFRS 3: Business Combinations disclosure requirements.

The purchase price allocation and valuation outcomes were found to be reasonable, with the accounting standards correctly and consistently applied.

Based on the testing undertaken, the presentation and disclosures in respect of the acquisition of WeBuyCars as presented in notes 4,12, 15 and 40 are consistent with the requirements of IFRS.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT *continued*

TO THE SHAREHOLDERS OF TRANSACTION CAPITAL LIMITED

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

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the documents titled Transaction Capital Audited Consolidated and Company Annual Financial Statements for the year ended 30 September 2021, which includes the Company Secretary's Certificate, the Directors' Report and the Audit Committee's report, as required by the Companies Act of South Africa, the Risk and Technology Committee's Report and the Social and Ethics Committee's report, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and 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 will 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 the 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 the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT *continued*

TO THE SHAREHOLDERS OF TRANSACTION CAPITAL LIMITED

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Transaction Capital Limited for 13 years.

Deloitte & Touche

DELOITTE & TOUCHE
Registered Auditor
Per: Stephen Munro
Partner

16 November 2021

5 Magwa Crescent, Waterfall City, Waterfall, South Africa

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2021

	Notes	2021 Rm	2020 Restated* Rm
Assets			
Cash and cash equivalents	6	**2 236**	1 794
Tax receivables		**30**	32
Trade and other receivables	7	**1 477**	1 522
Inventories	8	**2 477**	1 032
Assets classified as held for sale	17	**98**	262
Loans and advances	9	**13 305**	11 545
Leased assets	23	**17**	–
Purchased book debts	10	**3 441**	2 520
Other loans receivable	11	**65**	55
Equity accounted investments	12	**301**	2 153
Intangible assets	13	**3 237**	491
Property and equipment	14	**1 075**	439
Goodwill	15	**4 353**	1 365
Deferred tax assets	16	**319**	344
TOTAL ASSETS		**32 431**	23 554
Liabilities			
Bank overdrafts	6	**364**	387
Other short-term borrowings	18	**81**	102
Tax payables		**41**	46
Trade and other payables	19	**2 459**	686
Provisions	20	**92**	66
Liabilities directly associated with assets held for sale	17	**14**	12
Insurance contract liabilities	21	**271**	374
Benefits ceded on insurance contracts relating to inventories	8	**46**	45
Benefits ceded on insurance contracts relating to loans and advances	9	**52**	124
Benefits accruing to insurance contract holders	21	**173**	205
Interest-bearing liabilities	22	**16 139**	14 639
Senior debt		**15 349**	13 894
Subordinated debt		**790**	745
Lease liabilities	23	**420**	417
Deferred tax liabilities	16	**1 405**	452
TOTAL LIABILITIES		**21 286**	17 181
Equity			
Ordinary share capital	24	**3 464**	2 015
Other reserves		**688**	322
Retained earnings		**5 591**	3 481
Equity attributable to ordinary equity holders of the parent		**9 743**	5 818
Non-controlling interests	25	**1 402**	555
TOTAL EQUITY		**11 145**	6 373
TOTAL EQUITY AND LIABILITIES		**32 431**	23 554

* *In terms of IFRS 3: Business Combinations, the provisional accounting applied to the acquisition of Net1 Fihrst Holdings (Pty) Ltd was finalised during the current financial year. As a result, the intangible assets identified from the business combination were reduced by R14 million, the related deferred tax liability was reduced by R3 million and goodwill increased by R11 million. The impact on the statement of comprehensive income is negligible. Comparative information has been restated accordingly.*

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 Rm	2020 Rm
Interest income	26	**2 663**	2 555
Interest expense	26	**(1 232)**	(1 291)
Net interest income	26	**1 431**	1 264
Impairment of loans and advances	27	**(563)**	(836)
Risk-adjusted net interest income		**868**	428
Non-interest revenue	28	**3 365**	2 987
Net insurance result	28	**392**	440
Insurance revenue		**1 015**	907
Insurance service expense		**(620)**	(468)
Insurance finance (expense)/income		**(3)**	1
Other non-interest revenue	28	**2 973**	2 547
Operating costs	29	**(3 122)**	(3 083)
Non-operating profit		**1 419**	5
Equity accounted income	12	**213**	32
Profit before tax		**2 743**	369
Income tax expense	30	**(325)**	(79)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**2 418**	290
Discontinued operations			
Loss for the year from discontinued operations		**(12)**	(87)
PROFIT FOR THE YEAR		**2 406**	203
Profit for the year from continuing operations attributable to:			
Ordinary equity holders of the parent		**2 302**	245
Non-controlling interests		**116**	45
Loss for the year from discontinued operations attributable to:			
Ordinary equity holders of the parent		**(12)**	(87)
Non-controlling interests		**–**	–
EARNINGS PER SHARE (CENTS)			
From continuing operations			
Basic earnings per share	31	**338.7**	39.3
Diluted basic earnings per share	31	**336.7**	39.2
From continuing and discontinued operations			
Basic earnings per share	31	**336.9**	25.3
Diluted basic earnings per share	31	**334.9**	25.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 Rm	2020 Rm
Profit for the year	**2 406**	203
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Movement in cash flow hedging reserve	**22**	(22)
Fair value gain/(loss) arising during the year	**31**	(31)
Deferred tax	**(9)**	9
Exchange (loss)/gain on translation of foreign operations	**(89)**	145
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2 339**	326
Total comprehensive income attributable to:		
Ordinary equity holders of the parent	**2 223**	281
Non-controlling interests	**116**	45

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Number of ordinary shares million	Ordinary share capital Rm	Cash flow hedging reserve Rm	Share based payment reserve Rm	Foreign currency translation reserve Rm	Other non-distributable reserve*** Rm	Retained earnings Rm	Equity attributable to ordinary equity holders of the parent Rm	Non-controlling interests Rm	Total equity Rm
BALANCE AT 30 SEPTEMBER 2019	612.7	1 103	(5)	178	6	–	3 614	4 896	576	5 472
Adjustment on initial adoption of IFRS 16*		–	–	–	–	–	(51)	(51)	–	(51)
RESTATED BALANCE AT 1 OCTOBER 2019	612.7	1 103	(5)	178	6	–	3 563	4 845	576	5 421
Total comprehensive income	–	–	(22)	–	145	–	158	281	45	326
Profit for the year	–	–	–	–	–	–	158	158	45	203
Other comprehensive income	–	–	(22)	–	145	–	–	123	–	123
Grant of conditional share plans	–	–	–	61	–	–	–	61	–	61
Settlement of conditional share plans	–	–	–	(41)	–	–	(31)	(72)	–	(72)
Dividends paid	–	–	–	–	–	–	(209)	(209)	(66)	(275)
Issue of shares	50.8	954	–	–	–	–	–	954	–	954
Repurchase of shares	(2.0)	(42)	–	–	–	–	–	(42)	–	(42)
BALANCE AT 30 SEPTEMBER 2020	**661.5**	**2 015**	**(27)**	**198**	**151**	**–**	**3 481**	**5 818**	**555**	**6 373**
Total comprehensive income	**–**	**–**	**22**	**–**	**(89)**	**–**	**2 290**	**2 223**	**116**	**2 339**
Profit for the year	**–**	**–**		**–**	**–**	**–**	**2 290**	**2 290**	**116**	**2 406**
Other comprehensive income	**–**	**–**	**22**	**–**	**(89)**	**–**	**–**	**(67)**	**–**	**(67)**
Transactions with non-controlling interests**	**–**	**–**	**–**	**–**	**–**	**–**	**(46)**	**(46)**	**765**	**719**
Grant of conditional share plans	**–**	**–**	**–**	**62**	**–**	**–**	**–**	**62**	**–**	**62**
Settlement of conditional share plans	**–**	**–**	**–**	**(15)**	**–**	**–**	**(6)**	**(21)**	**–**	**(21)**
Recognition of reserve relating to forward contract to issue shares***	**–**	**–**	**–**	**–**	**–**	**386**	**–**	**386**	**–**	**386**
Dividends paid		**–**	**–**	**–**	**–**	**–**	**(128)**	**(128)**	**(34)**	**(162)**
Issue of shares	**46.9**	**1 449**	**–**	**–**	**–**	**–**	**–**	**1 449**	**–**	**1 449**
BALANCE AT 30 SEPTEMBER 2021	**708.4**	**3 464**	**(5)**	**245**	**62**	**386**	**5 591**	**9 743**	**1 402**	**11 145**

* *The group adopted IFRS 16 – Leases during the prior financial year.*

** *Refer to note 25 for details relating to the transactions with non-controlling interests.*

*** *This reserve has been recognised in relation to the forward contract to issue Transaction Capital Limited shares in settlement of a portion of the purchase price for the acquisition of a controlling interest in the WBC group. Refer to 40.1 for further information.*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 Rm	2020 Rm
Cash flow from operating activities			
Cash generated by operations	33	**892**	610
Interest received	33	**2 064**	2 039
Interest paid	33	**(1 148)**	(1 194)
Income taxes paid	34	**(201)**	(115)
Dividends paid	35	**(162)**	(275)
Cash flow from operating activities before changes in operating assets and working capital		**1 445**	1 065
Increase in operating assets		**(2 740)**	(1 838)
Loans and advances	33.1	**(1 586)**	(1 118)
Leased assets		**5**	–
Purchased book debts	33.2	**(1 159)**	(720)
Changes in working capital		**(691)**	(462)
Increase in inventories		**(721)**	(200)
Increase in trade and other receivables		**(41)**	(76)
Increase in other loans receivable		**(37)**	(25)
Increase/(decrease) in trade and other payables		**108**	(161)
NET CASH UTILISED BY OPERATING ACTIVITIES		**(1 986)**	(1 235)
Cash flow from investing activities			
Acquisition of property and equipment		**(83)**	(57)
Proceeds on disposal of property and equipment		**1**	4
Acquisition of intangible assets		**(108)**	(214)
Investment into equity accounted investment	12	**(39)**	(1 604)
Acquisition of subsidiaries	40	**(23)**	(175)
Proceeds on disposal of subsidiary	41	**–**	30
NET CASH UTILISED BY INVESTING ACTIVITIES		**(252)**	(2 016)
Cash flow from financing activities			
Proceeds from interest-bearing liabilities		**8 648**	10 797
Settlement of interest-bearing liabilities		**(7 185)**	(7 163)
(Settlement)/proceeds in other short-term borrowings		**(21)**	26
Repayment of lease liabilities		**(61)**	(52)
Additional interest acquired in subsidiaries		**(82)**	–
Repurchase of shares		**–**	(42)
Issue of shares		**1 407**	550
NET CASH GENERATED BY FINANCING ACTIVITIES		**2 706**	4 116
NET INCREASE IN CASH AND CASH EQUIVALENTS		**468**	865
Cash and cash equivalents at the beginning of the year	6	**1 422**	538
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(16)**	19
CASH AND CASH EQUIVALENTS AT THE END OF YEAR*	6	**1 874**	1 422

* *Cash and cash equivalents are presented net of bank overdrafts and includes R2 million (2020: R15 million) of cash transferred as part of assets held for sale. Refer to note 17.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 as market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share based payment transactions that are within the scope of IFRS 2 – Share-based payments and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 – Inventories or value in use in IAS 36 – Impairment of assets.

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

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

- Property and equipment are accounted for using the cost model (note 14);
- Intangible assets are accounted for using the cost model (note 13);
- Regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting (note 38); and
- Cumulative gains and losses recognised in other comprehensive income (OCI) in terms of a cash flow hedge relationship are transferred from OCI and included in the initial measurement of the non-financial asset or liability (note 38.8).

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

2 Changes in accounting policies and disclosures

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

2.1 IMPACT OF THE INITIAL APPLICATION OF INTEREST RATE BENCHMARK REFORM AMENDMENTS TO IFRS 9 AND IFRS 7

These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The interest rate benchmark reform amendments have not had a material impact on the amounts reported in the group's consolidated financial statements.

2.2 AMENDMENTS TO IFRS 3 DEFINITION OF A BUSINESS

The group has adopted the amendments to IFRS 3 for the first time in the current financial year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

The adoption of the IFRS 3 definition of a business has not had a material impact on the amounts reported in the group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

2 Changes in accounting policies and disclosures continued

2.3 AMENDMENTS TO IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8 – ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS DEFINITION OF MATERIALITY

The group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current financial year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

The adoption of the amendments to the IAS 1 and IAS 8 definition of materiality has not had any material impact on the disclosure or on the amounts reported in the group's consolidated financial statements.

2.4 AMENDMENTS TO IFRS 16 – COVID-19 RELATED CONCESSIONS EXTENDED BEYOND 30 JUNE 2021

The group has adopted the amendment to extend the availability of the practical expedient so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. This is the only change made to the practical expedient.

The adoption of the amendment to the IFRS 16 extension of the practical expedient has not had any material impact on the disclosure or on the amounts reported in the group's consolidated financial statements.

3 New and amended accounting standards and interpretations

NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE

REFERENCE TO THE CONCEPTUAL FRAMEWORK (AMENDMENTS TO IFRS 3)

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

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

PROPERTY, PLANT AND EQUIPMENT – PROCEEDS BEFORE INTENDED USE (AMENDMENTS TO IAS 16)

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

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

3 New and amended accounting standards and interpretations continued

NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

ONEROUS CONTRACTS – COST OF FULFILLING A CONTRACT (AMENDMENTS TO IAS 37)

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

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

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

DISCLOSURE OF ACCOUNTING POLICIES (AMENDMENTS TO IAS 1 AND IFRS PRACTICE STATEMENT 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

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

DEFINITION OF ACCOUNTING ESTIMATES (AMENDMENTS TO IAS 8)

The amendments replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

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

DEFERRED TAX RELATING TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION (AMENDMENTS TO IAS 12)

The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items.

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

ANNUAL IMPROVEMENTS TO IFRS STANDARDS 2018 – 2020:

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

Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to IFRS 9)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

4 Basis of consolidation

SUBSIDIARY COMPANIES AND OTHER CONTROLLED ENTITIES

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

5 Management estimates

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

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

5.1 IMPAIRMENT OF GOODWILL

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

Factors taken into consideration include the economic viability of the asset itself and, where it is a component of a larger economic unit, the viability of the unit. Refer to note 15 of the consolidated financial statements for further disclosure around goodwill impairment testing.

5.2 BUSINESS MODEL ASSESSMENT

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

5.3 SIGNIFICANT INCREASE IN CREDIT RISK

As explained in note 38, expected credit losses are measured as an allowance equal to 12-month expected credit losses (ECL) or lifetime ECL. An asset moves to lifetime ECL when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

5 Management estimates continued

5.4 IMPAIRMENT OF FINANCIAL ASSETS

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

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

5.5 INSURANCE CONTRACTS

5.5.1 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 78 requires that the statement of financial position shall include line items that present, inter alia, groups of contracts within the scope of IFRS 17 that are liabilities.

The group's exposure to the underlying portfolio consists of both credit risk (measured in accordance with IFRS 9) and insurance risk (measured in accordance with IFRS 17). With respect to the measurement of the liability for remaining coverage, credit metrics are used as indicators for the severity of claim. To the extent that the insured event affects the recovery of the underlying asset and given that the assessment of risk and exposure on the underlying portfolio is considered on a group basis, a portion of the liability for remaining coverage relating to the active financed debtors and repossessed vehicle stock portfolios, is presented as part of net loans and advances or inventory (where the repossessed vehicle stock has moved into a repair/realisation channel) as these insurance contract liabilities reduce the group's overall exposure on the 'default' contract sets. These allocations are set out in notes 8, 9 and 21 of the consolidated annual financial statements.

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

Given that the IFRS 17 and IFRS 9 provisions are inextricably linked, the presentation of these specific insurance contract liabilities with the related loans and advances and inventory balances in note 8 and 9 to the statement of financial position is a more faithful representation of the effects of transactions. Fair presentation in compliance with IFRS 17 and IAS 1 has been achieved by providing additional disclosures, as the specific requirements in IFRS 17 paragraph 78 is insufficient to enable users to understand the impact of the group's application of the standard on the group's financial position.

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

5.5.2 FULFILMENT CASH FLOWS

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

Fulfilment cash flows comprise:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

5 Management estimates continued

5.5 INSURANCE CONTRACTS continued

5.5.3 ESTIMATES OF FUTURE CASH FLOWS

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

In the previous financial year, SA Taxi recognised a change in estimate from the probability of default assumption to a probability of repossession assumption. This was driven by the impact of COVID-19 on the probability of default curve which is more reflective of credit risk already incorporated in IFRS 9 provision models. The probability of repossession curve adequately reflects the insurance risk arising from potential claims.

5.5.4 DISCOUNT RATES

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus a liquidity premium where applicable. Risk free rates are determined by reference to the ZAR swap curve. The liquidity premium is determined by reference to observable market rates, including sovereign debt, corporate debt and market swap rates. Refer to note 38.5 of the consolidated annual financial statements for discount rates applied for discounting of future cash flows.

5.5.5 RISK ADJUSTMENT FOR NON-FINANCIAL RISK

The risk adjustment for non-financial risk represents the compensation that the group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk, lapse risk and expense risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best 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% confidence level (2020: 65%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		2021 Rm	2020 Rm
6	**Cash and cash equivalents**		
	Bank balances	**856**	458
	Call deposits	**586**	461
	Bank balances and call deposits held within securitisation special purpose vehicles*	**773**	854
	Customer clearance accounts	**–**	2
	Cash held for insurance operations	**21**	19
	TOTAL CASH AND CASH EQUIVALENTS	**2 236**	1 794
	Bank overdrafts	**(364)**	(387)
	NET CASH AND CASH EQUIVALENTS	**1 872**	1 407
	TOTAL OVERDRAFT FACILITIES	**603**	698

* *Ceded as part security for securitisation debentures and loans as shown in note 22.*

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.

		2021 Rm	2020 Rm
7	**Trade and other receivables**		
	Trade receivables*	**466**	443
	Impairment provision	**(20)**	(23)
	Net trade receivables	**446**	420
	Prepayments and other deferrals	**97**	89
	Dealer incentive commission	**276**	227
	Derivative assets (refer to note 7.1)	**101**	372
	Insurance premiums receivable	**82**	73
	Other sundry insurance claim receivables	**66**	49
	Premium debtors	**21**	23
	VAT receivable	**104**	69
	Deposits**	**66**	5
	Salvage and other sundry debtors	**215**	129
	Other	**3**	66
	TOTAL TRADE AND OTHER RECEIVABLES	**1 477**	1 522

* *R150 million (2020: R332 million) has been ceded as security for bank facilities as shown in note 22.*
** *Included in deposits are amounts of R61 million paid as deposits in transactions to acquire property to be used as warehouses for the sale of second hand vehicle stock.*

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

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

Movement in impairment provision	2021 Rm	2020 Rm
Balance at the beginning of the year	**(23)**	(16)
Impairment recognised in profit or loss	**(30)**	(9)
Utilisation of impairments	**34**	2
Reversal of impairments	**1**	–
Business combinations	**(2)**	–
BALANCE AT THE END OF THE YEAR	**(20)**	(23)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		2021 Rm	2020 Rm
7	**Trade and other receivables continued**		
	Trade and other receivables past due but not impaired		
	Amounts 30 days overdue	**16**	19
	Amounts 30 to 60 days overdue	**12**	9
	Amounts 60 to 90 days overdue	**4**	7
	Amounts 90 to 120 days overdue	**1**	10
	Amounts in excess of 120 days overdue*	**4**	51
	TOTAL TRADE AND OTHER RECEIVABLES PAST DUE BUT NOT IMPAIRED	**37**	96
	MAXIMUM EXPOSURE TO CREDIT LOSSES OF TRADE RECEIVABLES	**446**	420
	Gross trade receivables	**446**	443
	Less impairment provision	**(20)**	(23)
	Carrying value of trade receivables less impairment provision	**446**	420
	Assets held as collateral**	**(6)**	(81)
	RESIDUAL EXPOSURE	**440**	339

* *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.*

** *During the current financial year, a non affiliate dealer in SA Taxi was changed to a consignment stock model, resulting in an increase of inventory and a reduction in assets held as collateral.*

7.1 DERIVATIVE ASSETS

	2021 Rm	2020 Rm
Derivative assets held for risk management		
Interest rate swaps	**13**	24
Cross-currency swaps	**88**	348
TOTAL DERIVATIVE ASSETS	**101**	372

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 R1.8 billion (USD 130 million) (2020: R2.3 billion (USD 147 million)). The currency exposure is 100% hedged.

Refer to note 38.8 for disclosure on movements in the cash flow hedging reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

8 Inventories

Inventories comprise vehicles in possession, work in progress relating to the refurbishment of repossessed vehicles, components and spares, and hardware.

Inventories are stated at the lower of cost or net realisable value. Cost is determined using specific identification for vehicles and work in progress as the vehicles are not ordinarily interchangeable. Vehicle inventories comprise new and repossessed minibus taxis held by SA Taxi as well as secondhand vehicles held by WeBuyCars. Cost is determined using the weighted average method for components and spares, and hardware. 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. The reversals of write downs are limited to the cost of inventory.

VEHICLES

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

	2021 Rm	2020 Rm
Net hardware	**2**	2
Hardware stock	**2**	2
Impairment provision for hardware stock	**–**	–
Components and spares	**221**	132
Work in progress	**9**	7
Minibus vehicle sales stock*	**352**	118
Net minibus vehicle stock which has entered realisation channels*	**949**	728
Gross minibus vehicle stock which has entered realisation channels***	**995**	773
IFRS 17 – ceded insurance contract liabilities**	**(46)**	(45)
Second-hand motor vehicle stock****	**898**	–
INVENTORIES NET OF BENEFITS CEDED ON INSURANCE CONTRACTS	**2 431**	987
IFRS 17 provision – ceded**	**46**	45
TOTAL INVENTORIES	**2 477**	1 032

* *Minibus vehicle inventories with a value of R51 million (2020: R102 million) have been pledged to secure the floorplan facility. Refer to note 18. A further R885 million (2020: R700 million) have been ceded as part security for amortising securitising debentures and loans as shown in note 22.*

** *To the extent that the insured event affects the recovery of the underlying asset and given that the assessment of risk and exposure on the underlying portfolio is considered on a group basis, a portion of the liability for remaining coverage relating to insurance contracts that are ceded to the finance provider to cover the repair/realisation costs of the collateral relating to the repossessed vehicle stock portfolios, is presented as part of inventory where the repossessed stock has moved into a repair/realisation channel. Refer to note 21.*

*** *Includes minibus vehicle and salvage stock with a gross value of R1.2 billion (2020: R911 million) and an impairment provision of R223 million (2020: R138 million).*

**** *Second hand- motor vehicles relate to the vehicle inventory held by WeBuyCars. This includes vehicle stock with a gross value of R908 million and an impairment provision of R10 million. Two general notarial covering bonds totalling R350 million (2020: Rnil) have been registered over inventory in favour of Investec Bank as security for borrowings advanced. Refer to note 22.*

Of the total inventories of R2 477 million (2020: R1 032 million), inventories to the value of R1 411 million (2020: R809 million) are carried at net realisable value. The remainder is carried at cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 Rm	2020 Rm
9 Loans and advances		
Gross loans and advances	**14 044**	12 243
Loans and advances* (refer to note 38 for the IFRS 7 – Financial Instruments disclosure)	**13 919**	12 069
Repossessed vehicle stock on hand	**129**	179
Ceded insurance contract liabilities**	**(4)**	(5)
Impairment provision (refer to note 9.1.2)	**(791)**	(822)
Loans and advances (refer to note 38 for the IFRS 7 – Financial Instruments disclosure)	**(675)**	(624)
Repossessed vehicle stock on hand	**(68)**	(79)
Ceded insurance contract liabilities**	**(48)**	(119)
LOANS AND ADVANCES NET OF EXPECTED CREDIT LOSS AND BENEFITS CEDED ON INSURANCE CONTRACTS* **	**13 253**	11 421
IFRS 17 provision – ceded**	**52**	124
LOANS AND ADVANCES NET OF EXPECTED CREDIT LOSS	**13 305**	11 545

* *R17 million (2020: R17 million) of loans and advances relates to entry-level vehicles carried at fair value, and R25 million (R2020: Rnil) relates to the shortfall book also carried at fair value.*

** *To the extent that the insured event affects the recovery of the underlying asset and given that the assessment of risk and exposure on the underlying portfolio is considered on a group basis, a portion of the liability for remaining coverage relating to active financed debtors is presented as part of net loans and advances. Refer to note 21.*

*** *R13.3 billion (2020: R11.4 billion) ceded as part security for amortising securitising debentures and loans as disclosed in note 22 of the group consolidated financial statements.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		2021 Rm	2020 Rm
9	Loans and advances continued		
9.1	**GROSS LOANS AND ADVANCES BY ASSET TYPE**		
	Finance leases (Refer to note 9.1.1)	**14 044**	12 243
	GROSS LOANS AND ADVANCES	**14 044**	12 243
9.1.1	FINANCE LEASES		
	Gross finance leases including unearned finance charges	**20 701**	17 691
	Unearned finance charges	**(6 657)**	(5 448)
	Gross finance leases	**14 044**	12 243
	Impairment provision	**(791)**	(822)
	NET FINANCE LEASES	**13 253**	11 421
	Maturity analysis of gross finance leases		
	Amounts up to one year	**3 517**	3 054
	Amounts between one and five years	**9 786**	8 824
	Amounts in excess of five years	**741**	365
	TOTAL GROSS FINANCE LEASES	**14 044**	12 243
	Average remaining loan term (months)	**49**	50
	Average loan term at origination (months)	**71**	71
9.1.2	MOVEMENT IN IMPAIRMENT PROVISION		
	Balance at the beginning of the year	**(822)**	(556)
	Impairment recognised in profit or loss*	**(570)**	(876)
	Reversals of impairments recognised in profit and loss in prior years	**7**	–
	Utilisation of impairment provision**	**594**	553
	Disposal of subsidiary	**–**	6
	Transferred to assets held for sale	**–**	51
	BALANCE AT THE END OF THE YEAR	**(791)**	(822)

* *Includes -R13 million (2020: R13 million) related to a change in estimate on insurance contract liabilities and excludes the impact of bad debts recovered of R7 million (2020: R4 million).*

** *Includes R58 million (2020: R71 million) related to insurance contract liabilities.*

		2021 Rm	2020 Rm
9.1.3	LOANS AND ADVANCES PAST DUE BUT NOT SPECIFICALLY IMPAIRED***		
	Amounts up to 30 days overdue	**1 038**	1 234
	Amounts 30 to 60 days overdue	**425**	1 312
	Amounts 60 to 90 days overdue	**484**	1 135
	Amounts in excess of 90 days overdue	**3 738**	2 228
	TOTAL	**5 685**	5 909

*** *Refer to note 38.1 of the consolidated annual financial statements for the definition of default.*

The impact of the adverse collection experience caused by COVID-19, has been considered on our impairment model parameters. These impairment model parameters have been applied in determining expected cash shortfalls arising from non-payment in the best estimate provision on the loan book as at 30 September 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

10 Purchased book debts

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

Purchased credit-impaired financial assets reflected 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.

		2021 Rm	2020 Rm
	Principal book portfolio	**3 145**	2 350
	Other financial assets	**296**	170
	TOTAL PURCHASED BOOK DEBTS	**3 441**	2 520
10.1	**PRINCIPAL BOOK PORTFOLIO**		
	Cost	**4 891**	3 794
	Accumulated amortisation	**(1 746)**	(1 444)
	TOTAL PRINCIPAL BOOK PORTFOLIO*	**3 145**	2 350

* *R3 145 million (2020: R2 350 million) ceded as part security for loans as shown in note 22.*

		2021 Rm	2020 Rm
	Reconciliation of movements in the year		
	Balance at the beginning of the year	**2 350**	2 283
	Additions	**1 054**	633
	Additions as part of business combination	**71**	–
	Disposals of subsidiary	**–**	(16)
	Amortisation	**(314)**	(570)
	Effect of foreign currency exchange differences	**(16)**	20
	BALANCE AT THE END OF THE YEAR	**3 145**	2 350
10.2	**OTHER FINANCIAL ASSETS**		
	Cost	**336**	231
	Accumulated fair value adjustments	**(40)**	(61)
	TOTAL OTHER FINANCIAL ASSETS	**296**	170
	Reconciliation of movements in the year		
	Balance at the beginning of the year	**170**	99
	Additions	**115**	100
	Net collections received	**(10)**	(11)
	Fair value movements	**21**	(18)
	BALANCE AT THE END OF THE YEAR	**296**	170

Other financial assets relate to purchased book debt contracts where TCRS does not have title of the underlying portfolio. These purchased book debts are managed on a fair value basis. Refer to note 38.7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 Rm	2020 Rm
11 Other loans receivable		
Gross other loans receivable	**71**	70
Impairment*	**(6)**	(15)
NET OTHER LOANS RECEIVABLE**	**65**	55
Gross other loans receivable by asset type		
Loans to employees	**1**	1
Other loans receivable	**70**	69
GROSS OTHER LOANS RECEIVABLE	**71**	70
Reconciliation of movements in the year		
Balance at the beginning of the year	**55**	45
Loans advanced***	**72**	26
Impairment provision***	**(15)**	(15)
Interest	**3**	3
Loans repaid	**(50)**	(4)
BALANCE AT THE END OF THE YEAR	**65**	55
Maturity analysis		
Within one year	**4**	3
Greater than one year	**61**	52
TOTAL OTHER LOANS RECEIVABLE	**65**	55

The carrying value of other loans receivable approximates fair value.

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

* *The impairment provision of R6 million at the end of the current year (2020: R6 million of the total provision of R15 million) relates to a loan which was advanced to a related party in a previous financial year. Refer to note 39.5.*

** *The total net other loans receivable balance includes balances of R60 million (2020: R24 million) receivable from related parties. Refer to note 39.2 for further information.*

*** *Of the loans advanced in the current year, R55 million relates to related parties. Included in the amounts advanced to related parties in the current year is a loan of R7 million which was impaired and written off. Refer to note 39.5.*

12 Equity accounted investments

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

12 Equity accounted investments continued

12.1 DETAILS OF THE GROUP'S SIGNIFICANT INVESTMENTS AT 30 SEPTEMBER 2021 ARE AS FOLLOWS:

	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest held by the group % 2021	2020
We Buy Cars Pty Ltd (WeBuyCars)*	**Buying and selling of second-hand motor vehicles**	**South Africa**	*****	49.9%
TC Global Finance Limited (TC Global Finance)**	**TC Globalisation**	**Europe**	**50%**	50%
Lanyana Financial Group Pty Ltd (Lanyana)	**Debt advisory**	**Australia**	**25%**	25%

* *TCMH acquired an additional 25% interest in the WBC group on 3 August 2021, resulting in the group owning an effective controlling 74.2% shareholding in WBC Holdings (Pty) Ltd, and therefore derecognising the investment in associate. Prior to the acquisition of the controlling interest, the investment was accounted for as an associate as the group did not have substantive rights sufficient to give it the ability to control the investment. Refer to note 12.2 for details relating to the change in the group's ownership interest in the associate.*

** *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.*

12.2 CHANGE IN THE GROUP'S OWNERSHIP INTEREST IN AN ASSOCIATE

In the prior year, Transaction Capital Motor Holdco (Pty) Ltd (TCMH) acquired a 49.9% non-controlling interest in We Buy Cars (Pty) Ltd and accounted for the investment as an associate. On 3 August 2021, TCMH increased its shareholding in the WBC group (WeBuyCars) through the implementation of various transaction agreements following which TCMH holds a controlling shareholding of 74.9% in the issued shares of WBC Holdings (Pty) Ltd (WBC Holdings). Transaction Capital holds an effective 74.2% shareholding in the WBC group due to minority shareholdings in TCMH. TCMH exchanged the existing shares it held in We Buy Cars (Pty) Ltd for newly issued shares in WBC Holdings which is the parent entity of We Buy Cars (Pty) Ltd.

The fair value of Transaction Capital's interest in We Buy Cars (Pty) Ltd held prior to 3 August 2021 amounted to R3 482 million. Transaction Capital recognised a gain of R1 417 million as a result of measuring at fair value its 49.9% interest in WeBuyCars prior to TCMH acquiring the 74.9% controlling interest. The gain is included in non-operating profit in the group consolidated statement of comprehensive income. Subsequent to the acquisition of the controlling stake in WeBuyCars, Transaction Capital consolidates the WBC group into its results. Refer to note 40.1 for details on the acquisition of the subsidiary.

	2021 Rm
Fair value of investment in associate on date of acquisition of controlling interest	**3 482**
Less: carrying value of investment in associate on the date of acquisition of controlling interest	**(2 065)**
FAIR VALUE GAIN RECOGNISED	**1 417**

12.3 DETAILS OF MATERIAL ASSOCIATE

Prior to the acquisition of the controlling interest in the WBC group, Transaction Capital considered the associate investment into We Buy Cars (Pty) Ltd to be material. Summarised financial information relating to the material associate is set out below for the period from 1 October 2020 to 2 August 2021. The summarised financial information below represents amounts in associates' financial statements prepared in accordance with IFRS Standards.

	We Buy Cars (Pty) Ltd 2021 Rm	2020 Rm
Current assets	**1 031**	611
Non-current assets	**1 060**	836
Current liabilities	**(454)**	(367)
Non-current liabilities	**(639)**	(459)
Equity attributable to owners of the company	**998**	621
Non-interest revenue	**1 185**	923
PROFIT FOR THE YEAR*	**432**	302
Other comprehensive income attributable to the owners of the company	**–**	–
TOTAL COMPREHENSIVE INCOME*	**432**	302

* *Comparative information has been restated to correctly account for a consolidation entry relating to straight lining of leases. The adjustment resulted in a R4 million reduction in the comparative profit for the year.*

Dividends received from We Buy Cars (Pty) Ltd in the current year were R25 million (2020: Rnil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

12 Equity accounted investments continued

12.4 CARRYING AMOUNT OF EQUITY ACCOUNTED INVESTMENTS

	WeBuyCars*		TC Global Finance		Lanyana		Total	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Net assets of investment**	–	621	440	368	17	26	457	1 015
Proportion of the group's ownership interest in the investment	–	310	220	184	4	7	224	501
Goodwill	–	1 565	–	–	68	76	68	1 641
Shareholder loan	–	–	–	–	4	5	4	5
Other adjustments***	–	–	–	–	5	6	5	6
CARRYING AMOUNT OF THE GROUP'S INTEREST IN INVESTMENT	–	1 875	220	184	81	94	301	2 153

* *TCMH acquired an additional 25% interest in the WBC group on 3 August 2021, resulting in the group owning an effective controlling 74.2% shareholding in WBC Holdings (Pty) Ltd, and therefore derecognising the investment in associate and the subsequent consolidation of the WBC group into Transaction Capital's results. Refer to note 12.2 for the derecognition of the investment in the associate.*

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

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

12.4.1 THE CARRYING AMOUNT OF THE GROUP'S INTEREST IN THE INVESTMENT COMPRISES:

	WeBuyCars		TC Global Finance		Lanyana		Total	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Carrying amount at the beginning of the year	1 875	–	184	22	94	70	2 153	92
Investment into equity accounted investment	–	1 860	53	131	–	4	53	1 995
Share of profit after tax	215	15	(7)	8	5	9	213	32
Dividend received***	(25)	–	–	–	(9)	(3)	(34)	(3)
Effect of foreign currency exchange difference	–	–	(10)	23	(9)	14	(19)	37
Fair value gain on date of acquisition of controlling interest	1 417						1 417	–
Derecognition of investment in associate	(3 482)	–	–	–	–	–	(3 482)	–
BALANCE AT THE END OF THE YEAR	–	1 875	220	184	81	94	301	2 153

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

12 Equity accounted investments continued

12.5 CASH FLOW FROM INVESTMENT INTO EQUITY INVESTMENTS

	2021 Rm	2020 Rm
The cash flow movement in investment into equity accounted investments is calculated as follows:		
Decrease/(Increase) in equity accounted investment	**1 852**	(2 061)
Share of profit after tax	**213**	32
Ordinary shares in Transaction Capital Limited	**–**	329
Deferred consideration	**(20)**	37
Derivative liability	**–**	22
Fair value gain on date of acquisition of controlling interest	**1 417**	–
Derecognition of investment in associate on date of acquisition of controlling interest	**(3 482)**	–
Effect of foreign currency exchange difference	**(19)**	37
NET INVESTMENT INTO EQUITY ACCOUNTED INVESTMENTS	**(39)**	(1 604)

13 Intangible assets

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

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

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

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

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

Customer relationships	20%

Useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in 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. This is done by comparing the recoverable amounts (higher of value in use and fair value less costs to sell) of the intangible assets to their carrying amounts. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised immediately in profit and loss.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

13 Intangible assets continued

	Computer and telephony software* Rm	Brands and trademarks** Rm	Customer relationships Rm	Total Rm
Intangible assets				
Cost				
AT 30 SEPTEMBER 2019	346	51	67	464
Additions	214	–	–	214
Additions through business combinations***	–	–	64	64
Disposals	(1)	–	–	(1)
Disposal of subsidiary	(47)	–	–	(47)
Effect of foreign currency exchange difference	7	4	3	14
Transferred to assets held for sale	(9)	–	–	(9)
AT 30 SEPTEMBER 2020 (RESTATED)* **	**510**	**55**	**134**	**699**
Additions	**108**	**–**	**–**	**108**
Additions through business combinations	**1**	**2 757**	**69**	**2 827**
Disposals	**–**	**–**	**–**	**–**
Impairment****	**(113)**	**–**	**–**	**(113)**
Effect of foreign currency exchange difference	**(7)**	**(3)**	**(2)**	**(12)**
AT 30 SEPTEMBER 2021	**499**	**2 809**	**201**	**3 509**
Accumulated amortisation				
AT 30 SEPTEMBER 2019	(139)	–	(31)	(170)
Disposals	1	–	–	1
Amortisation expense	(38)	–	(16)	(54)
Disposal of subsidiary	14	–	–	14
Impairments	(2)	–	–	(2)
Effect of foreign currency exchange difference	(2)	–	(2)	(4)
Transferred to assets held for sale	7	–	–	7
AT 30 SEPTEMBER 2020	**(159)**	**–**	**(49)**	**(208)**
Amortisation expense	**(47)**	**–**	**(20)**	**(67)**
Effect of foreign currency exchange difference	**2**	**–**	**1**	**3**
AT 30 SEPTEMBER 2021	**(204)**	**–**	**(68)**	**(272)**
Net carrying value				
Cost	510	55	134	699
Accumulated amortisation	(159)	–	(49)	(208)
NET CARRYING VALUE AT 30 SEPTEMBER 2020 (RESTATED)* **	**351**	**55**	**85**	**491**
Cost	**499**	**2 809**	**201**	**3 509**
Accumulated amortisation	**(204)**	**–**	**(68)**	**(272)**
NET CARRYING VALUE AT 30 SEPTEMBER 2021	**295**	**2 809**	**133**	**3 237**

* *Included in computer and telephony software is IT software still under development of R27 million (2020: R170 million) which will start amortising in accordance with the accounting policy when the software becomes operational.*

** *Brands and trademarks with indefinite useful lives were acquired through business combinations during the current and prior financial years. Brands and trademarks of R2 757 million (2020: Rnil) were acquired in the current year. 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.*

*** *In terms of IFRS 3: Business Combinations, the provisional accounting applied to the acquisition of Net1 Fihrst Holdings (Pty) Ltd was finalised during the current financial year. As a result, the intangible assets identified from the business combination were reduced by R14 million (being a decrease of R21 million in the identified brands, and an increase of R7 million in the identified customer relationships), the related deferred tax liability was reduced by R3 million and goodwill increased by R11 million. The impact on the statement of comprehensive income is negligible. Comparative information has been restated accordingly.*

**** *An impairment of R113 million (2020: Rnil) was recognised in the current financial year and relates to the Sapiens (insurance software) development that was expected to go live during current year but due to operational integration issues its use has been discontinued.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

14 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.

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	6 – 7 years
Furniture and fittings	4 – 9 years
Right-of-use assets	Shorter period of lease term and useful life of underlying asset
Leasehold improvements	Lesser of lease period or useful life
Leasehold rights	Lesser of lease period or 25 years
Buildings	20 years

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

14 Property and equipment continued

	Vehicles Rm	Machinery Rm	Office and computer equipment Rm	Right of use assets – Buildings* Rm	Land** Rm	Buildings Rm	Total Rm
PROPERTY AND EQUIPMENT							
Cost							
AT 30 SEPTEMBER 2019	55	26	220	56	–	–	357
Additions	4	5	43	20	–	–	72
Disposals	(1)	–	(2)	(1)	–	–	(4)
Disposal of subsidiary	–	–	(12)	(3)	–	–	(15)
Adoption of IFRS 16	–	–	–	428	–	–	428
Remeasurement***	–	–	–	(105)	–	–	(105)
Effect of foreign currency exchange difference	–	–	7	21	–	–	28
Transferred to assets held for sale	–	–	(4)	(13)	–	–	(17)
AT 30 SEPTEMBER 2020	**58**	**31**	**252**	**403**	**–**	**–**	**744**
Additions	**9**	**9**	**27**	**32**	**–**	**6**	**83**
Disposals	**(2)**	**–**	**(1)**	**–**	**–**	**–**	**(3)**
Remeasurement***	**–**	**–**	**–**	**6**	**–**	**–**	**6**
Additions through business combinations	**–**	**3**	**35**	**41**	**178**	**442**	**699**
Effect of foreign currency exchange difference	**–**	**–**	**(5)**	**(12)**	**–**	**–**	**(17)**
AT 30 SEPTEMBER 2021	**65**	**43**	**308**	**470**	**178**	**448**	**1 512**
Accumulated depreciation							
AT 30 SEPTEMBER 2019	(21)	(9)	(128)	(27)	–	–	(185)
Depreciation expense	(5)	(4)	(28)	(76)	–	–	(113)
Disposals	1	–	1	1	–	–	3
Disposal of subsidiary	–	–	8	2	–	–	10
Impairment losses	–	–	(6)	(20)	–	–	(26)
Remeasurement***	–	–	–	(4)	–	–	(4)
Effect of foreign currency exchange difference	–	–	(3)	(2)	–	–	(5)
Transferred to assets held for sale	–	–	5	10	–	–	15
AT 30 SEPTEMBER 2020	**(25)**	**(13)**	**(151)**	**(116)**	**–**	**–**	**(305)**
Depreciation expense	**(6)**	**(4)**	**(34)**	**(69)**	**–**	**(2)**	**(115)**
Disposals	**1**	**–**	**1**	**–**	**–**	**–**	**2**
Impairment losses	**–**	**–**	**(8)**	**(14)**	**–**	**–**	**(22)**
Reclassification	**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**
Effect of foreign currency exchange difference	**–**	**–**	**2**	**2**	**–**	**–**	**4**
AT 30 SEPTEMBER 2021	**(30)**	**(17)**	**(190)**	**(198)**	**–**	**(2)**	**(437)**
Net carrying value							
Cost	58	31	252	403	–	–	744
Accumulated depreciation	(25)	(13)	(151)	(116)	–	–	(305)
NET CARRYING VALUE AT 30 SEPTEMBER 2020	33	18	101	287	–	–	439
Cost	**65**	**43**	**308**	**470**	**178**	**448**	**1 512**
Accumulated depreciation	**(30)**	**(17)**	**(190)**	**(198)**	**–**	**(2)**	**(437)**
NET CARRYING VALUE AT 30 SEPTEMBER 2021	**35**	**26**	**118**	**272**	**178**	**446**	**1 075**

* *Comparative information has been restated for the reallocation of leasehold improvements from office and computer equipment to right of use assets – buildings.*

** *Freehold land and buildings with a carrying amount of R578 million have been pledged to secure borrowings of the group (see note 22). The group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

15 Goodwill

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

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

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

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

	2021 Rm	2020 Restated* Rm
Balance at the beginning of the year	**1 365**	1 152
Impairment expense	**(5)**	(3)
Additions recognised from business combinations:	**3 033**	156
WBC Holdings (Pty) Ltd	**2 962**	–
Prushka group of entities	**47**	–
Botha and Sutherland (Pty) Ltd	**24**	–
Net1 Fihrst Holdings (Pty) Ltd*	**–**	156
Disposal of subsidiary	**–**	(5)
Effect of foreign currency exchange differences	**(40)**	65
CARRYING VALUE AT THE END OF THE YEAR	**4 353**	1 365
Composition of goodwill per cash-generating unit		
SA Taxi components		
SA Taxi	**503**	508
Value Added Services**	**100**	–
Transaction Capital Risk services (TCRS) components:		
TCRS – South Africa	**341**	317
TCRS – Australia	**447**	440
Value Added Services**	**–**	100
WeBuyCars	**2 962**	–
TOTAL GOODWILL	**4 353**	1 365

* *In terms of IFRS 3: Business Combinations, the provisional accounting applied to the acquisition of Net1 Fihrst Holdings (Pty) Ltd was finalised during the current financial year. As a result, the intangible assets identified from the business combination were reduced by R14 million, the related deferred tax liability was reduced by R3 million and goodwill increased by R11 million. The impact on the statement of comprehensive income is negligible. Comparative information has been restated accordingly.*

** *Value Added Services (Road Cover), previously reported as part of the Transaction Capital Risk Services CGU, is now reported as part of the SA Taxi CGU. Value Added Services generate a stable source of subscription income, whilst providing access to greater market depth. SA Taxi has the potential to unlock further value synergies with Road Cover to be realised from cost efficiencies and revenue uplift, gaining access to SA Taxi's client base.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

15 Goodwill continued

When testing goodwill for impairment, the recoverable amounts of 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 prepared five year cash flow forecasts for each CGU. Terminal values were calculated based on a long-term growth rates of 6.7% (2020: 6.7%) for SA Taxi, 5% (2020: 5%) for TCRS South Africa, 3% (2020: 2.65%) for TCRS Australia and 5% (2020: 5%) for Value Added Services. These rates do not exceed the average long-term growth rate for the relevant markets. The values in use of the CGUs which are lending businesses are determined based on free cash flow to equity, discounted with a cost of equity, and the value in use of CGUs which operate as service businesses are determined based on free cash flows to the firm, discounted with a weighted average cost of capital. The post-tax discount rates used in the value in use calculations at year end were 14.3% (2020: 14.3%) for SA Taxi, 17.9% (2020: 17.9%) for TCRS South Africa, 13% (2020: 12.5%) for TCRS Australia and 22.5% (2020: 22.5%) for Value Added Services. The pre-tax discount rates used in the value in use calculations at year end were 17.4% (2020: 17.7%) for SA Taxi, 23.9% (2020: 24.9%) for TCRS South Africa, 18.5% (2020: 18.8%) for TCRS Australia and 27.1% (2020: 29.8%) for Value Added Services. The valuation method applied is consistent with that of the prior year.

The valuation of the insurance CGU within SA Taxi has been calculated applying a free cashflow model, discounted with a weighted average cost of capital. The post-tax discount rate used in the value in use calculation at year end was 14.5% (2020: 14.3%). The pre-tax discount rate used in the value in use calculation at year end was 21.02% (2020: 21.15%). The valuation method applied is consistent with that of the prior year. No terminal value has been calculated.

The goodwill relating to WeBuyCars has been reflected at transaction value due to the business combination having taken place just before year end. No separate impairment test has been performed on the WeBuyCars CGU, and there have been no indications of impairment between transaction date and year end. The initial accounting for the acquisition of WeBuyCars has been provisionally determined at the end of the financial year.

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

GOODWILL IMPAIRMENT

No indications of impairment were identified, with the exception of Black Elite (Pty) Ltd, which forms part of the SA Taxi CGU. The valuation method applied is consistent with that of the prior period. The goodwill associated with Black Elite (Pty) Ltd arose when the business was acquired by the group in 2019.

During the year, indications of impairment relating to the business arose as a result of the uncertainties surrounding COVID-19, the adverse cash flow effects arising from COVID-19 and the continued national lockdown levels implemented that restricted travel. The recoverable amount of Black Elite was determined based on a value in use calculation which used cash flow projections based on approved financial budgets covering a five-year period, a post-tax discount rate of 12.7% per annum (2020: 14.3% per annum) and a pre-tax discount rate of 14.3% (2020: 16.7%). The recoverable amount of the Black Elite cash-generating unit did not support the goodwill value recognised and hence a portion of the goodwill value directly associated to Black Elite (Pty) Ltd, amounting to R4.8 million, was written off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

16 Deferred tax

Deferred tax is calculated using the liability method.

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

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

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

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

Deferred tax is calculated using taxation rates that have been enacted or 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 and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and deferred 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.

	2021 Rm	2020 Restated* Rm
Deferred tax is presented in the statement of financial position as follows:		
Deferred tax assets	**319**	344
Deferred tax liabilities	**(1 405)**	(452)
NET DEFERRED TAX LIABILITIES	**(1 086)**	(108)
The movements during the year are analysed as follows:		
Balance at the beginning of the year	**(108)**	(142)
Recognised in the income statement for the year	**(194)**	31
Recognised in equity for the year	**(12)**	35
Business combinations	**(771)**	(17)
Prior year adjustment	**1**	(12)
Translation of foreign operations	**(2)**	4
Transferred to assets held for sale	**–**	(7)
NET DEFERRED TAX LIABILITIES AT THE END OF THE YEAR	**(1 086)**	(108)

* *In terms of IFRS 3: Business Combinations, the provisional accounting applied to the acquisition of Net1 Fihrst Holdings (Pty) Ltd was finalised during the current financial year. As a result, the intangible assets identified from the business combination were reduced by R14 million, the related deferred tax liability was reduced by R3 million and goodwill increased by R11 million. The impact on the statement of comprehensive income is negligible. Comparative information has been restated accordingly.*

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 Rnil (2020: R2 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 2021

16 Deferred tax continued

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

16 Deferred tax continued

	Opening balance Rm	Charged to income statement Rm	Charged to equity Rm	Business combinations Restated* Rm	Prior year adjustment Rm	Effect of foreign currency exchange differences Rm	Disposal of subsidiary Rm	Transfer to assets held for sale Rm	Closing balance Restated* Rm
2020									
TEMPORARY DIFFERENCE									
Assessed loss unutilised	560	82	8	–	(9)	–	–	–	641
Provision for impairment of loans and advances	2	–	–	–	–	–	(1)	(8)	(7)
Prepayments	(67)	(13)	–	–	–	–	–	–	(80)
Creditor provisions	39	(20)	–	–	–	–	–	–	19
Property and equipment	(13)	(4)	–	–	–	–	–	–	(17)
Intangible assets	(2)	2	–	–	–	(1)	–	–	(1)
Deferred income	2	3	–	–	–	(2)	–	–	3
Right of use asset	–	37	(56)	–	–	–	–	–	(19)
Lease liability	2	(28)	76	–	–	–	–	–	50
Leased assets									
Timing difference of expenditure	13	–	–	–	–	–	–	–	13
Purchased book debts	(598)	(13)	–	–	–	–	–	–	(611)
Loans and advances	(113)	33	–	–	(13)	–	–	–	(93)
Share appreciation rights	12	6	(1)	–	–	–	–	1	18
Insurance provisions	125	(40)	–	–	–	–	–	–	85
Other provisions	(5)	3	(1)	–	–	3	–	–	–
Other temporary differences	7	–	–	(17)	–	4	–	–	(6)
Cross-currency swap	(10)	–	9	–	11	–	1	–	11
Interest-bearing liabilities	(33)	(3)	–	–	(1)	–	–	–	(37)
Undistributed insurance income	(57)	(14)	–	–	–	–	–	–	(71)
Other	(6)	–	–	–	–	–	–	–	(6)
TOTAL	(142)	31	35	(17)	(12)	4	–	(7)	(108)

* *In terms of IFRS 3: Business Combinations, the provisional accounting applied to the acquisition of Net1 Fihrst Holdings (Pty) Ltd was finalised during the current financial year. As a result, the intangible assets identified from the business combination were reduced by R14 million, the related deferred tax liability was reduced by R3 million and goodwill increased by R11 million. The impact on the statement of comprehensive income is negligible. Comparative information has been restated accordingly.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

17 Discontinued operations

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

In the previous financial year the group also entered into a sale agreement to dispose of Principa Decisions (Pty) Ltd (Principa) with an effective date of 17 April 2020. A sale agreement to sell Company Unique Finance (Pty) Ltd (CUF) was signed on 24 March 2020, subject to standard conditions precedents that were met on 1 July 2020. The disposals were effected in order to generate cash flow for the expansion of the group's other businesses.

The results of the discontinued operations, which have been included in the profit for the year were as follows:

	2021 Rm	2020 Rm
Risk-adjusted net interest income	**(9)**	12
Non-interest revenue	**5**	43
Operating costs	**(10)**	(141)
Loss on disposal of discontinued operations	**–**	(25)
Loss before tax	**(14)**	(111)
Income tax benefit	**2**	24
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**(12)**	(87)

The gain or loss on the measurement to fair value less costs to sell is immaterial as the majority of the assets are carried at amortised cost as per IFRS 9, which falls outside the cope of the IFRS 5 measurement provisions.

During the current year, TCBS contributed R160 million (2020: TCBS, Principa and CUF contributed R301 million) to the group's net operating cash flows, paid Rnil (2020: TCBS, Principa and CUF paid R7 million) in respect of investing activities and paid R2 million (2020: TCBS, Principa and CUF paid R2 million) in respect of financing activities.

The group disposed of Principa and CUF in the previous financial year, resulting in a loss of R9 million on the disposal of Principa and a loss R16 million on the disposal of CUF, being the difference between the proceeds of disposal and the carrying amount of the subsidiaries' net assets.

The major classes of assets and liabilities comprising the discontinued operations classified as held for sale are as follows:

	2021 Rm	2020 Rm
Cash and cash equivalents	**2**	15
Trade and other receivables	**–**	1
Loans and advances	**60**	218
Intangible assets	**1**	1
Property and equipment	**–**	2
Deferred tax assets	**35**	25
TOTAL ASSETS CLASSIFIED AS HELD FOR SALE	**98**	262
Trade and other payables	**6**	5
Provisions	**–**	1
Lease liabilities	**–**	6
Deferred tax liabilities	**8**	–
TOTAL LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**14**	12
NET ASSETS OF DISPOSAL GROUP	**84**	250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		2021 Rm	2020 Rm
18	**Other short term borrowings**		
	SA Taxi floor plan facility*	**51**	102
	Other loan payable**	**30**	–
	TOTAL OTHER SHORT TERM BORROWINGS	**81**	102

* Secured by a cession of inventories.

** The other loan payable is payable to a related party. Refer to note 39 for further information.

		2021 Rm	2020 Rm
19	**Trade and other payables**		
	Trade payables and accruals	**763**	472
	Contingent consideration from business combination*	**142**	–
	Revenue received in advance	**55**	50
	Bonus accrual	**145**	72
	Derivative liabilities (refer to note 19.1)	**57**	19
	Deferred consideration**	**–**	38
	Put option derivative**	**–**	16
	VAT payable	**30**	11
	Payable arising from acquisition of the WBC group***	**1 233**	–
	Other	**35**	8
	TRADE AND OTHER PAYABLES	**2 459**	686

* *The contingent consideration relates to the WBC group and Prushka Debt Recovery (Pty) Ltd acquisitions in the current year. Refer to notes 40.1 and 40.2 for the details relating to the contingent consideration.*

** *The put option derivative and deferred consideration related to the 49.9% investment in We Buy Cars (Pty) Ltd made during the prior financial year. The deferred consideration was settled in the current year. Fair value adjustments relating to the put option derivative are reflected in profit and loss, whereas the deferred consideration was measured at amortised cost.*

*** *The purchase consideration relating to the acquisition of the WBC group was settled on 5 October 2021. Refer to note 40.1 for further information.*

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

		2021 Rm	2020 Rm
19.1	**DERIVATIVE LIABILITIES**		
	Derivative liabilities held for risk management		
	Interest rate swaps	**4**	–
	Cross-currency swaps	**53**	19
	TOTAL DERIVATIVE LIABILITIES	**57**	19

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 R1.8 billion (USD 130 million) (2020: R2.3 billion (USD 147 million)). The currency exposure is 100% hedged.

Refer to note 38.8 for disclosure on movements in the cash flow hedging reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

20 Provisions

	Leave pay provision* Rm	Sundry provision** Rm	Total Rm
Balance at 30 September 2020	63	3	66
Additional provision recognised	12	–	12
Utilisation of provision	(7)	(3)	(10)
Effect of foreign currency exchange differences	(5)	–	(5)
Balance acquired in business combination	26	4	30
Reduction arising from payments	(1)	–	(1)
BALANCE AT 30 SEPTEMBER 2021	88	4	92

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

** *The sundry provision relates to a provision raised for retrenchment costs raised as part of the business combination in line with IFRS 3. Refer to note 40.2.*

21 Insurance contracts

21.1 CLASSIFICATION OF INSURANCE CONTRACTS

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

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

21.2 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 offering where the policyholder could benefit from this service either on their own or with other resources that are readily available to them. Accordingly, the road cover component is accounted for separately under IFRS 15, rather than IFRS 17.

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

21.2.1 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.

21.3 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.

21.3.1 ONEROUS GROUPS OF CONTRACTS

The group considers various facts and circumstances to identify if a group of contracts is onerous taking into account the probability of all claim types in the future. An insurance contract is onerous at the date of initial recognition if the fulfilment 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

21 Insurance contracts continued

21.3 RECOGNITION OF INSURANCE CONTRACTS continued

21.3.2 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.

21.4 MEASUREMENT OF INSURANCE CONTRACTS

21.4.1 MEASUREMENT – CONTRACTS MEASURED UNDER THE PREMIUM ALLOCATION APPROACH (PAA)

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

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

21.4.2 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.

21.4.3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

21 Insurance contracts continued

21.4 MEASUREMENT OF INSURANCE CONTRACTS continued

21.4.3 SUBSEQUENT MEASUREMENT continued

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.

21.4.4 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.

21.5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

21 Insurance contracts continued

21.5 PRESENTATION OF INSURANCE CONTACTS continued

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.

21.6 INSURANCE CONTRACT LIABILITIES

Insurance contracts liabilities comprise:

	2021 Rm	2020 Rm
Short-term motor comprehensive policy – financed portfolio	**222**	333
Credit life portfolio	**31**	28
Short-term motor comprehensive policy – non financed portfolio	**18**	13
Other*	**–**	–
TOTAL INSURANCE CONTRACT LIABILITIES**	**271**	374
Insurance contracts are presented as follows:		
Benefits ceded on insurance contracts relating to inventories	**46**	45
Benefits ceded on insurance contracts relating to loans and advances	**52**	124
Benefits accruing to insurance contract holders	**173**	205
TOTAL INSURANCE CONTRACT LIABILITIES**	**271**	374

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

** *The motor comprehensive and credit life LRC models calculate the fulfilment cash flows for onerous contracts over their contract boundary of 12 months. In the prior year, a rolling 12 months of net cash flows was applied whereas in the current year the LRC only projects the net cash flows up until the date of renewal. This measurement is considered appropriate as it is based on repricing and cancellation strategies of the underlying policies in place at each point in time. The impact of this measurement change is approximately R90 million.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

21 Insurance contracts continued

21.6 INSURANCE CONTRACT LIABILITIES continued

21.6.1 RECONCILIATION OF THE NET CARRYING AMOUNTS OF INSURANCE CONTRACT LIABILITIES

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

21.6.1.1 Short-term motor comprehensive policy – Financed Portfolio

Analysis by remaining coverage and incurred claims

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

	2021					2020				
	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	–	261	68	4	333	–	404	104	3	511
Insurance revenue	(666)	–	–	–	(666)	(629)	–	–	–	(629)
Insurance service expenses	189	(133)	302	–	358	133	(140)	286	2	281
Incurred claims and other expenses*	189	(72)	302	–	419	133	(117)	286	2	304
Losses on onerous contracts and reversals of those losses**	–	(61)	–	–	(61)	–	(23)	–	–	(23)
Changes to liabilities for incurred claims	–	–	2	1	3	–	–	5	(1)	4
Insurance service result	(477)	(133)	304	1	(305)	(496)	(140)	291	1	(344)
Insurance finance expenses	–	3	(1)	–	2	–	(3)	–	–	(3)
TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS	(477)	(130)	303	1	(303)	(496)	(143)	291	1	(347)
Premium received	666	–	–	–	666	629	–	–	–	629
Claims and other expenses paid	(189)	–	(285)	–	(474)	(133)	–	(327)	–	(460)
Total cash flows	477	–	(285)	–	192	496	–	(327)	–	169
INSURANCE CONTRACT LIABILITIES AT THE END OF THE YEAR	–	131	86	5	222	–	261	68	4	333

* Incurred claims and other expenses on onerous contracts (loss component) recognised in the income statement of R72 million (2020: R117 million) is reflected in note 27 (R58 million (2020: R71 million)) and note 28.5 (R15 million (2020: R46 million)).

** Losses on onerous contracts (loss component) recognised in the income statement of R61 million (2020: R23 million) is reflected in note 27 (R13 million (2020: -R13 million)) and note 28.5 (R48 million (2020: R36 million)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

21 Insurance contracts continued

21.6 INSURANCE CONTRACT LIABILITIES continued

21.6.1 RECONCILIATION OF THE NET CARRYING AMOUNTS OF INSURANCE CONTRACT LIABILITIES continued

21.6.1.2 Credit life portfolio

Analysis by remaining coverage and incurred claims

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

	2021					2020				
	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	–	6	22	–	28	–	7	5	–	12
Insurance revenue	(193)	–	–	–	(193)	(128)	–	–	–	(128)
Insurance service expenses	(28)	(4)	132	–	100	(13)	(1)	70	–	56
Incurred claims and other expenses	(28)	–	132	–	104	(13)	–	70	–	57
Losses on onerous contracts and reversals of those losses	–	(4)	–	–	(4)	–	(1)	–	–	(1)
Changes to liabilities for incurred claims	–	–	(8)	–	(8)	–	–	–	–	–
Insurance service result	(221)	(4)	124	–	(101)	(141)	(1)	70	–	(72)
Insurance finance expenses	–	–	–	–	–	–	–	–	–	–
TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS	(221)	(4)	124	–	(101)	(141)	(1)	70	–	(72)
Premium received	193	–	–	–	193	128	–	–	–	128
Claims and other expenses paid	28	–	(117)	–	(89)	13	–	(53)	–	(40)
Total cash flows	221	–	(117)	–	104	141	–	(53)	–	88
INSURANCE CONTRACT LIABILITIES AT THE END OF THE YEAR	–	2	29	–	31	–	6	22	–	28

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

21 Insurance contracts continued

21.6 INSURANCE CONTRACT LIABILITIES continued

21.6.1 RECONCILIATION OF THE NET CARRYING AMOUNTS OF INSURANCE CONTRACT LIABILITIES continued

21.6.1.3 Short-term motor comprehensive policy – Non Financed Portfolio

Analysis by remaining coverage and incurred claims

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

	2021					2020				
	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	–	–	13	–	13	–	–	13	1	14
Insurance revenue	(144)	–	–	–	(144)	(133)	–	–	–	(133)
Insurance service expenses	13	–	65	–	78	(1)	–	60	–	59
Incurred claims and other expenses	13	–	65	–	78	(1)	–	60	–	59
Losses on onerous contracts and reversals of those losses	–	–	–	–	–	–	–	–	–	–
Changes to liabilities for incurred claims	–	–	1	–	1	–	–	1	(1)	–
Insurance service result	(131)	–	66	–	(65)	(134)	–	61	(1)	(74)
TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS	(131)	–	66	–	(65)	(134)	–	61	(1)	(74)
Premium received	144	–	–	–	144	133	–	–	–	133
Claims and other expenses paid	(13)	–	(61)	–	(74)	1	–	(61)	–	(60)
Total cash flows	131	–	(61)	–	70	134	–	(61)	–	73
INSURANCE CONTRACT LIABILITIES AT THE END OF THE YEAR	–	–	18	–	18	–	–	13	–	13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 SEPTEMBER 2021

21 Insurance contracts continued
21.6 INSURANCE CONTRACT LIABILITIES continued
21.6.1 RECONCILIATION OF THE NET CARRYING AMOUNTS OF INSURANCE CONTRACT LIABILITIES continued
21.6.1.4 Other Portfolio
Analysis by remaining coverage and incurred claims

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

	2021					2020				
	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	(12)	–	–	–	(12)	(18)	–	–	–	(18)
Insurance service expenses	–	–	6	–	6	3	–	5	–	8
Incurred claims and other expenses	–	–	6	–	6	3	–	5	–	8
Losses on onerous contracts and reversals of those losses	–	–	–	–	–	–	–	–	–	–
Changes to liabilities for incurred claims	–	–	–	–	–	–	–	–	–	–
Insurance service result	(12)	–	6	–	(6)	(15)	–	5	–	(10)
Insurance finance expenses	–	–	–	–	–	–	–	–	–	–
TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS	(12)	–	6	–	(6)	(15)	–	5	–	(10)
Premium received	12	–	–	–	12	18	–	–	–	18
Claims and other expenses paid	–	–	(6)	–	(6)	(3)	–	(5)	–	(8)
Total cash flows	12	–	(6)	–	6	15	–	(5)	–	10
INSURANCE CONTRACT LIABILITIES AT THE END OF THE YEAR	–	–	–	–	–	–	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		Notes	2021 Rm	2020 Rm
22	**Interest-bearing liabilities**			
	Type of loan			
	Securitisation notes, debentures and loans	22.1	**5 753**	4 966
	Loans	22.1	**10 386**	9 673
	TOTAL INTEREST-BEARING LIABILITIES		**16 139**	14 639
	Classes of interest-bearing liabilities			
	Senior debt	22.1	**15 349**	13 894
	Subordinated debt	22.1	**790**	745
	TOTAL INTEREST-BEARING LIABILITIES		**16 139**	14 639
	Maturity profile			
	Payable within 12 months		**4 828**	3 384
	Payable thereafter		**11 311**	11 255
	TOTAL INTEREST-BEARING LIABILITIES		**16 139**	14 639

Given the pressures caused by COVID-19 on the collections of the business' portfolios, the capital markets team took several steps during the previous financial year to strengthen the group's financial position and maintain financial liquidity and flexibility. This included the following:

- The restructuring of various debt repayments; and
- The conversion of a structure within the group to a pass-through structure.

Continuous engagements are held with funders on ongoing impacts of COVID-19, who continue to be fully supportive of management strategies.

In all cases, these amendments were assessed as modifications in terms of IFRS 9 during the previous financial year resulting in funding costs being amortised over the remaining term of the respective debt.

The group has applied IAS 20 recognition principles relating to Government Grants and as a result, has recognised a benefit of R6.2 million (September 2020: R1 million) to funding costs as a result of this grant for the year, with a cumulative gain recognised of R38.2 million (September 2020: R32 million). In terms of IAS 20, the benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on the prevailing market interest rates.

For further updates on the management of liquidity risk – refer to note 38.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

22 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.

2021

Lender	Borrower	Maturity date	Rm	Restrictive conditions
Ninety One Proprietary Limited	SA Taxi Development Finance Proprietary Limited	16/09/24	**65**	▸ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ▸ Early settlement of the loan is not permissible.
Ninety One Proprietary Limited	SA Taxi Development Finance Proprietary Limited	15/06/23	**145**	▸ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ▸ Early settlement of the loan is not permissible.
Ninety One Proprietary Limited	SA Taxi Development Finance Proprietary Limited	15/06/26	**225**	▸ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ▸ Early settlement of the loan is not permissible.
ABSA Bank Limited	Transaction Capital Limited	11/12/23	**99**	▸ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender.
Standard Bank of South Africa Limited	Transaction Capital Limited	11/12/23	**99**	▸ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender.
Investec Bank Limited	Transaction Capital Limited	11/12/23	**75**	▸ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender.

2020

Lender	Borrower	Maturity date	Rm	Restrictive conditions
Ninety One Proprietary Limited	SA Taxi Development Finance Proprietary Limited	16/09/24	**65**	▸ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ▸ Early settlement of the loan is not permissible.
Ninety One Proprietary Limited	SA Taxi Development Finance Proprietary Limited	15/06/23	**145**	▸ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and ▸ Early settlement of the loan is not permissible.
ABSA Bank Limited	Transaction Capital Limited	31/12/21	**108**	▸ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender
Standard Bank of South Africa Limited	Transaction Capital Limited	31/12/21	**108**	▸ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

22 Interest-bearing liabilities continued

22.1

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value Rm	Other comments
2021							
SECURITISATION NOTES, DEBENTURES AND LOANS							
Junior	Amortising	28/05/20	3 Month JIBAR plus 7%	28/05/25	ZAR	**85**	Loans and advances, cash and cash equivalents, purchased books debts, trade receivables and inventory are ceded as securities for the loans.
Mezzanine	Amortising	26/05/21	3 Month JIBAR plus 7.575%	22/06/26	ZAR	**60**	
Senior	Amortising	06/06/18 to 26/05/21	Fixed rate plus 7.61% to 9.225%	14/11/22 to 22/06/26	ZAR	**284**	
Senior	Amortising	08/11/17 to 22/09/21	3 Month JIBAR plus 1.48% to 6.875%	13/04/22 to 22/09/26	ZAR	**5 324**	
TOTAL						**5 753**	
LOANS							
Mezzanine	Bullet	20/02/18 to 14/06/21	3 Month JIBAR plus 4.75% to 6.5%	15/06/23 to 15/06/26	ZAR	**645**	Loans and advances, cash and cash equivalents, purchased books debts, trade receivables, inventory and land and buildings are ceded as securities for the loans.
Senior	Amortising	26/09/19	Fixed rate 11.5%	26/09/23	ZAR	**45**	
Senior	Amortising	26/07/17 to 09/06/21	3 Month JIBAR plus 3.53% to 6.827%	15/11/21 to 15/05/26	USD	**1 835**	
Senior	Amortising	20/05/16 to 15/06/21	3 Month JIBAR plus 3.5% to 5.01%	15/12/21 to 16/03/28	ZAR	**1 332**	
Senior	Amortising	27/03/17 to 23/07/21	Prime Plus 1% to 8%	15/09/22 to 15/09/24	ZAR	**47**	
Senior	Bullet	04/06/21	Fixed rate 12%	06/04/22	ZAR	**50**	
Senior	Bullet	12/03/18 to 01/06/21	3 Month JIBAR plus 3.65% to 5.4%	10/06/22 to 15/12/27	ZAR	**1 143**	
Senior	Revolving facility	20/03/20	3 Month JIBAR plus 5.94%	14/03/22	ZAR	**145**	
Senior	Revolving facility	18/11/19 to 16/09/20	Prime less 0.6% – plus 0.2%	15/12/21 to 30/01/23	ZAR	**2 079**	
Senior	Revolving facility	11/09/20	3 Month JIBAR plus 4.5% margin	11/12/23	ZAR	**272**	
Senior	Amortising	24/05/19 to 17/08/21	3 month JIBAR plus 3.1% to 3.5%	05/09/22 to 30/09/26	ZAR	**877**	
Senior	Bullet	24/05/19 to 31/05/21	3 month JIBAR plus 3.3%	28/03/24 to 28/06/24	ZAR	**150**	
Senior	Prime	29/09/21	Prime	31/05/24	ZAR	**346**	
Senior	Amortising	4/06/18 to 19/04/21	3 Month AUD BLR plus 2.95%	12/10/21 to 28/02/24	AUD	**81**	
Senior	Bullet	03/09/21	3 Month AUD BLR plus 2.95%	31/07/24	AUD	**49**	
Senior	Amortising	02/03/21 to 17/08/21	Fixed rate 8.13% to 8.8%	30/09/24 to 30/09/26	ZAR	**522**	
Senior	Revolving facility	06/12/18 to 05/03/21	Prime minus 0.5%	31/03/22 to 07/09/27	ZAR	**557**	
Senior	Bullet	30/07/20	Prime minus 0.5%	30/07/23	ZAR	**211**	
TOTAL						**10 386**	
TOTAL INTEREST-BEARING LIABILITIES						**16 139**	

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

All loans per section 22.1 are subordinated debt and senior loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

22 Interest-bearing liabilities continued

22.1

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value Rm	Other comments
2020							
SECURITISATION NOTES, DEBENTURES AND LOANS							
Junior	Amortising	28/05/20	3 Month JIBAR plus 7%	28/05/25	ZAR	**85**	Secured by a cession of loans and advances, bank accounts, trade receivables and inventories.
Mezzanine	Amortising	13/11/15 to 08/08/16	3 Month JIBAR plus 6.8%	14/12/20	ZAR	**77**	
Senior	Amortising	13/11/15 to 29/10/19	Fixed rate	14/12/20 to 15/04/24	ZAR	**247**	
Senior	Amortising	13/11/15 to 06/08/20	3 Month JIBAR plus 0.9% to 4.2%	13/10/20 to 28/05/25	ZAR	**4 207**	
Senior	Amortising	11/09/20	Prime less 0.5% multiplied by (1 – South African corporate tax rate for the first 4 years) Prime plus 3% thereafter	12/09/30	ZAR	**350**	TCMH issued 1 000 preference shares to We Buy Cars on 11 September 2020 for a consideration of R350 million. The preference shares have a mandatory redemption date of 12 September 2030. TCMH may voluntarily redeem the preference shares before this time.
TOTAL						**4 966**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

22 Interest-bearing liabilities continued

22.1

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value Rm	Other comments
2020							
LOANS							
Mezzanine	Amortising	09/03/17 to 17/08/20	3 Month JIBAR plus 10% to 13.55%	15/02/21 to 16/08/21	USD	**77**	Cash and cash equivalents, purchased book debts and trade receivables are ceded as securities for the loans.
Mezzanine	Bullet	20/02/18 to 22/01/20	3 Month JIBAR plus 4.75% to 6.5%	15/06/23 to 16/09/24	ZAR	**421**	
Mezzanine	Bullet	29/09/2020	3 Month JIBAR plus 8.19%	15/06/2021	USD	**85**	
Senior	Amortising	09/03/17 to 17/08/20	3 Month JIBAR plus 3.595% to 6.827%	16/02/21 to 16/02/26	USD	**2 185**	
Senior	Amortising	09/03/17 to 17/08/20	3 Month JIBAR plus 1% to 5.01%	16/02/21 to 16/02/26	ZAR	**1 666**	
Senior	Amortising	26/09/19	Fixed rate	26/09/2023	ZAR	**46**	
Senior	Amortising	24/08/16 to 02/07/19	Prime less 0.3% to prime plus 1%	15/09/20 to 15/09/24	ZAR	**63**	
Senior	Bullet	19/09/16 to 25/08/20	3 Month JIBAR plus 4% to 5.4%	17/05/21 to 15/12/27	ZAR	**998**	
Senior	Bullet	06/04/20	Fixed rate	06/04/21	ZAR	**50**	
Senior	Revolving facility	20/03/20 to 21/07/20	3 Month JIBAR plus 2.25% to 4.5%	19/10/20 to 14/03/22	ZAR	**236**	
Senior	Revolving facility	06/04/20	Prime	06/04/21	ZAR	**1 736**	
Senior	Amortising	24/05/19 to 24/03/20	3 Month JIBAR plus 3.1% to 3.5%	30/05/24 to 31/03/25	ZAR	**1 097**	
Senior	Amortising	21/08/20	Fixed rate	23/11/20	AUD	**97**	
Senior	Bullet	24/05/19	3 Month JIBAR plus 3.3%	05/09/22	ZAR	**50**	
Senior	Revolving facility	24/05/19 to 16/07/19	Prime minus 0.35% to 0.6%	28/05/21 to 30/05/22	ZAR	**650**	
Senior	Revolving	11/09/20	3 Month JIBAR plus 0.25% to 1.25%	31/12/21	ZAR	**216**	
TOTAL						**9 673**	
TOTAL INTEREST-BEARING LIABILITIES						**14 639**	

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

All loans per section 22.1 are subordinated debt and senior loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

23 Leases

23.1 THE GROUP AS LESSEE

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

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

LEASE PAYMENTS INCLUDED IN THE MEASUREMENT OF THE LEASE LIABILITY COMPRISE:

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

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

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

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

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

During the financial year, certain lease contracts on premises have been renegotiated within the group. The effects of these negotiations have been accounted for as lease modifications to the current lease and has not been accounted for as a separate lease.

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

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

In addition, as a result of COVID-19, the group was provided COVID-19 related rent concessions on certain operating premises. In accordance with the amendment to IFRS 16 – Leases, published by the International Accounting Standards Board (IASB) in May 2020 and subsequently amended in March 2021, titled COVID-19 related rent concessions, the group has elected not to assess whether a COVID-19 related rent concession is a lease modification, and treat such concessions as variable rental instead where the following conditions are met:

a) The change in lease payments results in a revised considered for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (as per the March 2021 amendment issued by the IASB); and

c) There is no substantive change to other terms and conditions of the lease.

The application of this practical expedient resulted in a reduction of lease liabilities and a corresponding gain in profit or loss of R7 million (2020: R6 million) for the financial year ended 30 September 2021.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

23 Leases continued

23.2 THE GROUP AS LESSOR

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

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

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

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

23.3 LEASE LIABILITIES AND LEASED ASSETS

	2021 Rm	2020 Rm
LEASE LIABILITIES		
Maturity analysis		
Year 1	**135**	99
Year 2	**121**	96
Year 3	**104**	109
Year 4	**63**	94
Year 5	**26**	59
Onwards	**24**	49
Less: unearned interest	**(53)**	(89)
TOTAL	**420**	417

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

The group leases several assets including buildings and computer equipment.

The group entered in to various lease agreements during the financial year that have not yet commenced at year end. The aggregate cash outflows to which the group is exposed to in respect of these lease contracts is R37 million.

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

The weighted average expected remaining lease term for the lease of buildings within the scope of IFRS 16 is 3.1 years (2020: 4.5 years).

The group is in the advanced stages of renegotiating an existing lease arrangement which has been accounted for as a modification in terms of IFRS 16 and resulted in the recognition of a sublease arrangement in the current financial year. The group expects to finalise the negotiations, amend the main lease and enter into the sublease imminently which will be effective from the beginning of the financial year but has not yet been signed by financial year end due to unexpected delays. The group has used the most up to date information available at year end based on the expected agreement to be signed.

The sublease has been accounted for separately as required by IFRS 16 and resulted in the recognition of the net investment in the sublease of R22 million at initial recognition representing the present value of future sublease cashflows discounted at an appropriate entity specific discount rate (R18 million represents the proportionate share of the right of use asset of the main lease which was reclassified to leased assets and the difference of R4 million has been recognised as non-interest revenue in the income statement).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

23 Leases continued

23.3 LEASE LIABILITIES AND LEASED ASSETS continued

	2021 Rm	2020 Rm
LEASED ASSETS		
Maturity analysis		
Year 1	**6**	–
Year 2	**6**	–
Year 3	**6**	–
Less: unearned interest	**(1)**	–
TOTAL	**17**	–

AMOUNTS RECOGNISED IN PROFIT AND LOSS

	2021 Rm	2020 Rm
Depreciation expense on right-of-use assets	**61**	66
Interest expense on lease liabilities	**28**	40
Expense relating to short-term leases*	**23**	18
Expense relating to variable lease payments not included in the measurement of the lease liability	**–**	1
Expense relating to leases of low value assets	**2**	2
Interest income from sub-leasing right-of-use assets	**1**	–
Sub-lease other income recognised**	**4**	–
Income from sub-leasing right-of-use-assets	**7**	3

* *Included in short-term leases expenses are storage costs of R7 million (2020: R7 million). Refer to note 29 of the group consolidated financial statements.*
** *This is income recognised on initial recognition of the sub-lease asset and modification of right of use asset.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		2021 Rm	2020 Rm
24	**Ordinary share capital**		
	Authorised		
	1 000 000 000 ordinary shares		
	Issued		
	708 431 319 (2020: 661 496 331) ordinary shares		
	Ordinary share capital	**3 464**	2 015
	ORDINARY SHARE CAPITAL	**3 464**	2 015

		2021		2020	
		Number of shares million	Share capital Rm*	Number of shares million	Share capital Rm*
24.1	**RECONCILIATION OF ORDINARY SHARE CAPITAL**				
	BALANCE AT THE BEGINNING OF THE YEAR	**661.5**	**2 015**	612.7	1 103
	Shares issued in settlement of the Conditional Share Plan (Note 24.1.1)	**0.9**	**22**	3.6	75
	Equity raised through the open market (Note 24.1.2)	**12.4**	**248**	–	–
	Equity raised through accelerated bookbuild (Note 24.1.3)	**33.1**	**1 159**	30.7	550
	Shares issued to subsidiaries (Note 24.1.4)	**0.5**	**20**	16.5	329
	Shares repurchased in the open market and cancelled	**–**	**–**	(2.0)	(42)
	BALANCE AT THE END OF THE YEAR	**708.4**	**3 464**	661.5	2 015

* *Net of share issue costs.*

24.1.1 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 905 693 shares were issued to participants/employees as part of respective vestings at an average price of R24.63 per share.

24.1.2 On 14 January 2021, shareholders approved the issue of 12 400 000 shares to Royal Bafokeng Holdings at a price of R20 per share.

24.1.3 On 9 July 2021 Transaction Capital limited raised equity in the form of 33 093 389 shares through the issue of new ordinary shares to qualifying investors through an accelerated bookbuild. The ordinary shares were priced at R35.50 per share (before share issue costs), a 4.7% and 4.4% discount to the pre-launch 30 business day volume weighted average price of R37.25 and the close price of R37.15 respectively, as at the market close on 8 July 2021. The equity raise was completed under the company's general authority to issue shares for cash approved by Transaction Capital shareholders at the annual general meeting of the company held on 5 March 2021.

24.1.4 On 14 September 2021 Transaction Capital issued 535 906 shares to Transaction Capital Motor Holdco Proprietary Limited at a price of R37.32 per share (before share issue costs) in respect of the We Buy Cars (Pty) Ltd acquisition. The 535 906 shares were in turn transferred to We Buy Cars as part of the settlement of the deferred consideration relating to the 11 September 2020 purchase of the 49.9% non-controlling interest in We Buy Cars (Pty) Ltd. We Buy Cars (Pty) Ltd distributed the shares to previous shareholders through a dividend which was declared prior to the acquisition of the investment.

PREFERENCE SHARE CAPITAL

Authorised

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

Issued

Nil (2020: nil) preference shares

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 Rm	2020 Rm
25 Non-controlling interests		
Balance at the beginning of the year	**555**	576
Dividends paid	**(34)**	(66)
Share of profit for the year	**116**	45
Purchase of shares in subsidiaries from non-controlling interests (refer to note 25.1)	**(27)**	–
Issue of shares by subsidiary to non-controlling interests (refer to note 25.2)	**31**	–
Business combination (refer to note 25.3)	**761**	–
BALANCE AT THE END OF THE YEAR	**1 402**	555

25.1 The following purchases of shares in subsidiaries from non-controlling interests took place during the financial year:

- On 1 October 2020, the group, through its subsidiary Transaction Capital Risk Services (Pty) Ltd (TCRS), acquired an additional 25% of RC VAS Holdings (Pty) Ltd (Road Cover) for a purchase consideration of R40 million. Following the transaction, the group owns 100% of Road Cover.
- On 7 December 2020, the group acquired an additional 1 990 343 ordinary shares in its subsidiary SA Taxi Holdings (Pty) Ltd (SA Taxi) from the Empire Family Trust, representing 0.67% of SA Taxi's ordinary shares, for a purchase consideration of R54 million. Following the transaction, the group owns 82.13% of the ordinary shares of SA Taxi.

25.2 The following issues of shares by subsidiaries to non-controlling interests took place during the year:

- On 1 December 2020, the group, through its subsidiary Transaction Capital Motor Holdco (TCMH), issued shares to the Empire Family Trust, representing 1% ownership equity in TCMH for a consideration of R28 million. Following the transaction, the group owns 99% of TCMH.
- On 23 September 2021, the group, through its subsidiary Transaction Capital Transactional Services (TCTS), issued shares to the CEO of TCTS, representing 5% ownership in TCTS for a consideration of R20 million. Following the transaction, the group owns 95% of TCTS.

25.3 On 3 August 2021, the group, through its subsidiary TCMH, acquired an additional 25% interest in the WBC group, following which TCMH owns 74.9% of the WBC group. Refer to note 40.1 for further information on the business combination.

	2021 Rm	2020 Rm
26 Interest		
Interest income is earned from:		
Cash and cash equivalents	**62**	80
Loans and advances – finance leases	**2 583**	2 433
Other	**18**	42
TOTAL INTEREST INCOME	**2 663**	2 555
Interest expenses are paid on:		
Bank overdrafts and other short term-borrowings	**(36)**	(21)
Interest-bearing liabilities	**(1 150)**	(1 223)
Lease liabilities	**(28)**	(40)
Interest on preference share loan	**(16)**	–
Other	**(2)**	(7)
TOTAL INTEREST EXPENSE	**(1 232)**	(1 291)
Interest income	**2 663**	2 555
Interest expense	**(1 232)**	(1 291)
NET INTEREST INCOME	**1 431**	1 264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

27 Impairment of loans and advances

	2021 Rm	2020 Rm
Impairment comprises:		
Movement in provision for impairment*	**(40)**	(358)
Fair value movement of loans and advances: shortfall financed debtors**	**25**	–
Fair value movement of loans and advances: entry-level vehicles	**–**	–
Bad debts written off***	**(542)**	(495)
Bad debts recovered	**7**	4
Impairment	**(550)**	(849)
Losses on onerous contracts and reversals of these losses (refer to note 21)	**(13)**	13
TOTAL IMPAIRMENT	**(563)**	(836)

* *Refer note 38.1.3.4 for further detail on the impairment of loans and advances.*

** *During the current year, collection agents have expressed interest and provided valuations to actively pursue the purchase of the shortfall book providing a reasonable estimate of fair value and as a result, a fair value adjustment of R25 million has been recognised and included as part of 'Impairment of loans and advances' on the income statement which adjusts the fair value of this asset to R25 million (2020: RNil). The sale is expected to take place during the 2022 financial year.*

*** *Includes the utilisations of IFRS17 insurance contracts liabilities amounting to R58 million (2020: R71 million). Refer to note 21.*

28 Revenue recognition

28.1 GENERAL POLICY

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

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

The policy for the recognition of revenue accounted for under IFRS 9 as interest income on loans and suspensive sale credit agreements, as well as purchased credit-impaired loan portfolios, is described note 38.

Interest revenue is disclosed in note 26.

28.2 PURCHASED BOOK DEBTS

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

28.3 DEBT COLLECTION ACTIVITIES AS AGENT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

28 Revenue recognition continued

28.4 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 28.5 – 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 28.5 – 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 28.5 – 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 28.5 – Revenue from sale of goods]	Revenue from direct vehicle sales is recognised at a point in time. This usually occurs when the customer signs the new contract, the group has satisfied its performance obligations in terms of the contract and the customer takes delivery of the vehicle.
Vehicle tracking, Finance and Insurance Commission [Refer note 28.5 – Commission income]	The group earns commission revenue from the following: ▶ administration and installation of tracking devices. The transaction price is a fixed percentage fee as agreed upon in the commission contract. The tracking revenue is recognised over the period of the financing vehicle agreement and the installation revenue is recognised at a point in time, when the installation is complete. ▶ fees earned from finance, insurance related and allied products (F&I products) sold on behalf of major banks providing asset-backed and unsecured vehicle finance, and leading insurance providers. Also included here is commission revenue from the sale of value-added products as well as service and maintenance plans. Revenue is recognised at a point in time when the commission has been earned.
Panel service income, new parts and salvage sales [Refer note 28.5 – 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

28 Revenue recognition continued

28.5 NON-INTEREST REVENUE

	2021 Rm	2020 Rm
Non-interest revenue comprises:		
Net insurance result (refer to note 28.6)	**392**	440
Other non-interest revenue	**2 973**	2 547
Fee-for-service revenue	**855**	960
Commission income	**101**	72
Fee income	**244**	234
Revenue from purchased book debts*	**1 383**	1 111
Revenue from sale of goods**	**338**	60
Other insurance service related income***	**1**	7
Other income	**51**	103
TOTAL NON-INTEREST REVENUE	**3 365**	2 987

* *Included in revenue from purchased book debts is notional interest income of R609 million (2020: R590 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.*

** *Includes gross revenue of R3 192 million.*

*** *Other insurance income includes roadside assist and road cover which is excluded from the net insurance result as they are not considered insurance contracts per IFRS 17.*

28.6 NET INSURANCE RESULT

The net insurance result comprises the following:

	2021 Rm	2020 Rm
Insurance revenue (refer note 28.6.1)	**1 015**	907
Insurance service expense (refer note 28.6.2)	**(620)**	(468)
Insurance finance (expense)/income (refer note 28.6.3)	**(3)**	1
NET INSURANCE RESULT	**392**	440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

28 Revenue recognition continued

28.6 NET INSURANCE RESULT continued

28.6.1 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
2021					
Contracts measured under the PAA approach	**666**	**193**	**144**	**12**	**1 015**
INSURANCE REVENUE	**666**	**193**	**144**	**12**	**1 015**

	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
2020					
Contracts measured under the PAA approach	629	128	132	18	907
INSURANCE REVENUE	629	128	132	18	907

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

28 Revenue recognition continued

28.6 NET INSURANCE RESULT continued

28.6.2 INSURANCE SERVICE EXPENSE

The insurance service expense comprises of the following:

	2021 Rm	2020 Rm
Claims and benefits*	**521**	398
Fees and commissions	**39**	30
Change in estimate – onerous insurance contracts	**(48)**	(36)
Other**	**108**	76
INSURANCE SERVICE EXPENSE	**620**	468

* *Includes the utilisations of IFRS17 insurance contracts liabilities amounting to R15 million (2020: R46 million). Refer to note 21.*

** *Includes fulfilment cashflows (including an allocation of variable and fixed overheads) as required by IFRS 17 paragraphs B65 and B66.*

28.6.3 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
2021					
INSURANCE FINANCE EXPENSE					
Interest accreted to insurance contracts	**(1)**	**–**	**–**	**–**	**(1)**
Changes in interest rates and other financial assumptions	**(2)**	**–**	**–**	**–**	**(2)**
TOTAL INSURANCE FINANCE EXPENSE	**(3)**	**–**	**–**	**–**	**(3)**

	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
2020					
INSURANCE FINANCE INCOME					
Interest accreted to insurance contracts	(2)	–	–	–	(2)
Changes in interest rates and other financial assumptions	3	–	–	–	3
TOTAL INSURANCE FINANCE INCOME	1	–	–	–	1

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		2021 Rm	2020* Rm
29	**Operating costs**		
	Operating costs comprise:		
	Advertising, marketing and public relations	**(45)**	(12)
	Amortisation of intangible assets	**(67)**	(53)
	Amortisation of purchased book debts	**(293)**	(588)
	Annual report	**(3)**	(2)
	Audit fees**	**(28)**	(22)
	Bank charges	**(29)**	(23)
	Cleaning costs	**(8)**	(9)
	Commissions paid	**(64)**	(35)
	Communication costs	**(91)**	(83)
	Consulting fees	**(49)**	(39)
	Depreciation	**(116)**	(109)
	Electricity and water	**(21)**	(29)
	Employee expenses	**(1 439)**	(1 428)
	External management fees paid	**(15)**	(15)
	Handling and logistics costs	**(182)**	(121)
	Impairment of goodwill	**(5)**	(3)
	Impairment of property plant and equipment	**(8)**	(5)
	Impairment of right of use assets	**(15)**	(16)
	Impairment of intangible assets	**(113)**	–
	Impairment of investments	**(6)**	–
	Impairment of trade and other receivables	**(30)**	(17)
	Impairment of other loans receivable	**(15)**	(15)
	Information technology	**(75)**	(62)
	Legal agency commissions	**(80)**	(70)
	Listing costs	**(3)**	(2)
	Maintenance	**(14)**	(11)
	Motor vehicle expenses	**(5)**	(10)
	Non-executive directors' fees	**(10)**	(7)
	Operating lease rentals and storage costs	**(39)**	(21)
	Property rates and taxes	**(6)**	(4)
	Origination, processing and transaction fees paid	**(31)**	(44)
	Printing and stationery	**(25)**	(24)
	Professional fees – legal	**(47)**	(29)
	Professional fees – other	**(17)**	(23)
	Recruitment fees	**(9)**	(12)
	Risk management	**(32)**	(27)
	Staff welfare	**(18)**	(26)
	Subscriptions	**(7)**	(8)
	Training and seminars	**(11)**	(6)
	Travel	**(6)**	(10)
	VAT disallowed	**(37)**	(38)
	Other operating costs	**(8)**	(25)
	TOTAL OPERATING COSTS	**(3 122)**	(3 083)

** Comparatives have been restated for the split in operating cost categories.*
*** Includes non-audit fees of R2 million (2020: R2 million).*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

29 Operating costs continued

EXECUTIVE COMPENSATION

EXECUTIVE DIRECTORS' REMUNERATION

The following table shows a breakdown of the annual remuneration of directors for the year ended 30 September 2021:

	2021					2020				
	Salary R	Short-term employee benefits* R	Present value of share-based awards** R	Annual incentive bonus R	Total R	Salary R	Short-term employee benefits* R	Present value of share-based awards** R	Annual incentive bonus R	Total R
Executive director										
Sean Doherty	2 569 551	480 966	3 059 330	2 250 000	8 359 847	2 371 092	454 409	2 267 200	–	5 092 701
Mark Herskovits	2 613 202	540 933	2 924 343	2 326 430	8 404 908	2 409 396	488 010	3 013 986	–	5 911 392
David Hurwitz	5 110 619	627 550	4 278 339	5 958 333	15 974 841	3 862 323	599 835	4 635 135	–	9 097 293
Jonathan Jawno	3 929 180	175 236	–	6 000 000	10 104 416	3 679 630	233 070	–	–	3 912 700
Michael Mendelowitz	3 913 237	177 167	–	6 000 000	10 090 404	3 667 820	244 880	–	15 000 000	18 912 700
Roberto Rossi***	–	–	–	–	–	–	–	–	–	–
Prescribed officer										
Terry Kier	3 989 116	881 399	–	4 015 134	8 885 649	3 429 954	1 781 232	–	–	5 211 186
David McAlpin	3 371 321	652 686	10 139 337	3 711 682	17 875 026	3 129 757	303 548	785 824	–	4 219 129
TOTAL	25 496 226	3 535 937	20 401 349	30 261 579	79 695 091	22 549 971	4 104 984	10 702 145	15 000 000	52 357 101

* *There were no post employment, other long-term or post termination benefits paid to executive directors.*

** *Value of the share-based awards made during the financial year.*

*** *Roberto Rossi was appointed as an executive director with effect from 30 September 2021. Therefore no remuneration has been paid to him in his capacity as executive director in the current financial year. Refer to non-executive directors fee disclosure for the fees earned as a non-executive director during the current and prior year.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

29 Operating costs continued

EXECUTIVE COMPENSATION continued

CONDITIONAL SHARE PLAN (CSP)

The following table shows the position for directors in office at 30 September 2021:

	Component	Present value of CSP R	Number of CSPs*	Vesting periods (years)	Number of CSPs exercised during the year*	Gain on CSPs exercised R
Executive director						
David Hurwitz						
Granted on 22 November 2016	Group	382 007	30 759	2 to 4	–	–
Granted on 22 November 2017	Group	1 414 535	113 680	2 to 5	–	–
Granted on 20 November 2018	Group	2 990 230	183 554	2 to 5	–	–
Granted on 26 November 2019	Group	3 632 316	191 007	3 to 5	–	–
Granted on 24 November 2020	Group	4 635 135	255 192	3 to 5	–	–
Granted on 16 November 2021	Group	4 278 339	105 638	3 to 5	–	–
Mark Herskovits						
Granted on 22 November 2016	Group	326 791	26 313	2 to 4	–	–
Granted on 29 May 2017	SA Taxi	–	–	2 to 4	164 824	2 547 166
Granted on 22 November 2017	Group	712 693	57 276	2 to 5	–	–
Granted on 20 November 2018	Group	1 493 535	91 680	2 to 5	–	–
Granted on 26 November 2019	Group	1 615 142	84 933	3 to 5	–	–
Granted on 24 November 2020	Group	3 013 986	165 938	3 to 5	–	–
Granted on 16 November 2021	Group	2 924 343	72 206	3 to 5	–	–
Sean Doherty						
Granted on 19 June 2019	Group	5 568 168	323 668	3 to 5	–	–
Granted on 26 November 2019	Group	1 634 558	85 954	3 to 5	–	–
Granted on 24 November 2020	Group	2 267 200	124 823	3 to 5	–	–
Granted on 16 November 2021	Group	3 059 330	75 539	3 to 5	–	–
Prescribed officer						
David McAlpin						
Granted on 22 November 2016	TCRS	310 817	72 283	2 to 4	–	–
Granted on 22 November 2017	TCRS	5 476 644	1 140 402	2 to 5	–	–
Granted on 25 March 2019	TCRSX	11 460 166	2 196 837	2 to 4	–	–
Granted on 24 November 2020	TCRS	785 824	142 102	3 to 5	–	–
Granted on 13 March 2021	TCRS	10 139 337	1 837 673	2 to 4	–	–

* *Jonathan Jawno, Michael Mendelowitz and Terry Kier do not participate in the CSP. The WeBuyCars management team will be brought into the Transaction Capital remuneration structures over the coming years.*

Refer to note 32.2 in the annual financial statements for further details on the CSP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

29 Operating costs continued

EXECUTIVE COMPENSATION continued

NON-EXECUTIVE DIRECTORS' FEES continued

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

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

1. *C Seabrooke is also the chairman of the nominations committee and a member of the remuneration committee and the asset and liability committee. C Seabrooke resigned as a member of the audit committee with effect from 1 November 2020.*
2. *Resigned as a non-executive director and as chair of the social and ethics committee effective 30 September 2021.*
3. *Appointed as an executive director with effect from 30 September. In addition to the fees received above, R Rossi received R9.2 million for consulting fees rendered to Transaction Capital Limited.*
4. *Resigned as lead independent director effective 1 November 2020.*
5. *In addition to the fees received above, D Radley received directors' fees of R344 200 excluding VAT for acting as an independent non-executive director of SA Taxi Holdings (Pty) Ltd and Transaction Capital Risk Services Holdings (Pty) Ltd.*
6. *Resigned as an alternate director to R Rossi effective 1 April 2021.*
7. *Resigned as a member of the assets and liabilities committee effective 1 November 2020.*
8. *Appointed as a member of the nominations committee effective 1 November 2020.*
9. *Appointed as an independent non-executive director and a member of the audit committee, assets and liabilities committee and remuneration committee effective 1 November 2020.*
10. *Appointed as lead independent director, chairman of the assets and liabilities committee and a member of the nominations committee, audit committee and the social and ethics committee effective 1 November 2020.*
11. *Appointed as an independent non-executive director effective 1 April 2021.*
12. *With effect from 2 September 2021, the board resolved to establish a new board sub-committee known as the risk and technology committee. Ian Kirk (as chairperson), Suresh Kana and Diane Radley were appointed as members of this committee. The sub-committee previously referred to as the audit, risk and compliance committee was renamed the audit committee with effect from the same date.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

29 Operating costs continued

EXECUTIVE COMPENSATION continued

NON-EXECUTIVE DIRECTORS' FEES continued

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

BOARD MEMBERS 2020	C Seabrooke[1] R	P Langeni[2] R	R Rossi[3] R	K Pillay[4] R	D Radley[5] R	P Miller[6] R	B Hanise R	S Wapnick[7] R	Total R
Board chairman (including committee attendance)	1 585 417	–	–	–	–	–	–	–	**1 585 417**
Lead independent director	–	–	–	141 667	–	–	–	–	**141 667**
Director	–	370 917	370 917	370 917	370 917	175 726	370 917	196 293	**2 226 602**
Alternate director	–	–	–	–	–	146 393	–	–	**146 393**
Audit, risk and compliance committee (chairperson)	–	–	–	–	394 875	–	–	–	**394 875**
Audit, risk and compliance committee (member)	–	114 792	–	–	–	–	158 542	–	**273 333**
Asset and liability committee (member)	–	–	–	–	127 000	–	127 000	–	**254 000**
Remuneration committee (chairperson)	–	–	–	263 667	–	–	–	–	**263 667**
Remuneration committee (member)	–	–	66 651	–	–	60 349	–	–	**127 000**
Nominations committee (member)	–	–	127 000	127 000	–	–	–	–	**254 000**
Social and ethics committee (chairperson)	–	263 667	–	–	–	–	–	–	**263 667**
Social and ethics committee (member)	–	–	82 333	127 000	–	–	–	–	**209 333**
TOTAL ANNUAL FEES	**1 585 417**	**749 375**	**646 901**	**1 030 250**	**892 792**	**382 468**	**656 458**	**196 293**	**6 139 954**

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. *Resigned as a member of the audit, risk and compliance committee effective 30 June 2020.*
3. *Appointed as a member of the social and ethics committee and the remuneration committee effective 1 February and 12 March 2020 respectively. In addition to the fees received above, Mr Rossi received R3 353 099 for consulting services rendered to Transaction Capital Limited.*
4. *Appointed as lead independent director effective 15 July 2019.*
5. *In addition to the fees received above, Ms Radley received directors' fees of R338 283 excluding VAT for acting as an independent non-executive director of SA Taxi Holdings (Pty) Ltd and Transaction Capital Risk Services Holdings (Pty) Ltd.*
6. *Resigned as a non-executive director effective 12 March 2020 and appointed as an alternate director to Mr Rossi effective the same date.*
7. *Appointed as an independent non-executive director effective 12 March 2020.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

30 Income tax

30.1 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.

		2021 Rm	2020 Rm
30.2	**INCOME TAX EXPENSE**		
	South African normal taxation:		
	Current taxation	**(127)**	(91)
	Current year	**(127)**	(108)
	Prior years	**–**	17
	Deferred taxation	**(193)**	19
	Current year	**(194)**	31
	Prior years	**1**	(12)
	Foreign taxation	**(5)**	(7)
	TOTAL INCOME TAX EXPENSE	**(325)**	(79)
	South African tax rate	**28.0%**	28.0%
	Tax effects of:		
	Income not subject to tax*	**(17.8)%**	(4.5)%
	Expenses not deductible for tax purposes**	**1.4%**	2.0%
	Prior year taxes	**0.2%**	(0.2)%
	Tax not previously recognised	**–%**	(1.0)%
	Permanent differences	**–%**	(2.4)%
	Effects of losses/(profits) taxed in different jurisdictions	**–%**	(0.5)%
	EFFECTIVE TAX RATE	**11.8%**	21.4%

* *Income not subject to tax consists of share of profits from equity accounted investments; foreign income not subject to tax at 28%, fair value adjustment on previously held equity interest in We Buy Cars (Pty) Ltd, and capital receipts that are not taxable.*

** *Expenses not deductible for tax purposes consists of expenses not incurred in the production of taxable income, depreciation on leasehold assets, interest and penalties, write off of goodwill, interest expenses on deferred consideration and preference share liability, fair value adjustment on the put option liability and other.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		Units	2021	2020
31	**Earnings per share**			
31.1	**FROM CONTINUING AND DISCONTINUED OPERATIONS**			
	Basic earnings per share	cents	**336.9**	25.3
	Diluted basic earnings per share	cents	**334.9**	25.3
	Headline earnings per share	cents	**145.5**	33.1
	Diluted headline earnings per share	cents	**144.7**	33.0
	The calculation of earnings per share is based on the following data:			
	Earnings			
	Earnings for the purposes of basic and diluted earnings per share	Rm	**2 290**	158
	Being profit for the year attributable to ordinary equity holders of the parent			
	Headline earnings adjustments:	Rm	**(1 301)**	48
	Impairment of goodwill	Rm	**4**	2
	Fair value gain on previously held interest	Rm	**(1 403)**	–
	Impairment of property, and equipment	Rm	**7**	4
	Impairment of intangibles	Rm	**67**	1
	Impairment of right of use assets	Rm	**12**	16
	Impairment of investment	Rm	**10**	–
	Loss from changes in foreign exchange rates from equity accounted investments	Rm	**2**	–
	Loss on disposal of subsidiary	Rm	**–**	25
	EARNINGS FOR THE PURPOSES OF HEADLINE AND DILUTED HEADLINE EARNINGS PER SHARE	Rm	**989**	206
	Number of shares			
	WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR THE PURPOSES OF BASIC AND HEADLINE EARNINGS PER SHARE			
	Number of ordinary shares in issue at the beginning of the year	million	**661.5**	612.7
	Effect of shares issued during the year	million	**18.2**	12.1
	Effect of shares repurchased during the year	million	**–**	(1.4)
	Weighted average number of ordinary shares for the purposes of basic and headline earnings per share	million	**679.7**	623.4
	Effect of dilutive potential ordinary shares:			
	Shares deemed to be issued for no consideration in respect of the Conditional Share Plan	million	**4.0**	0.9
	Portion of WeBuyCars deferred consideration to be settled in Transaction Capital Limited ordinary shares	million	**–**	1.0
	WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR THE PURPOSES OF DILUTED BASIC AND HEADLINE EARNINGS PER SHARE	million	**683.7**	625.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Units	2021	2020
31 Earnings per share continued			
31.2 FROM CONTINUING OPERATIONS			
Basic earnings per share	cents	**338.7**	39.3
Diluted basic earnings per share	cents	**336.7**	39.2
Headline earnings per share	cents	**147.0**	42.0
Diluted headline earnings per share	cents	**146.1**	41.9
The calculation earnings per share is based on the following data:			
Earnings			
Profit for the year attributable to ordinary equity holders of the parent	Rm	**2 290**	158
Adjustments to exclude the loss for the year from discontinued operations	Rm	**12**	87
Earnings from continuing operations for the purposes of basic and diluted earnings per share excluding discontinued operations	Rm	**2 302**	245
Headline earnings adjustments:	Rm	**(1 303)**	17
Impairment of goodwill	Rm	**4**	2
Fair value gain on previously held interest	Rm	**(1 403)**	–
Impairment of property, and equipment	Rm	**7**	4
Impairment of intangibles	Rm	**67**	–
Impairment of right of use of assets	Rm	**10**	11
Impairment of investment	Rm	**10**	–
Loss from changes in foreign exchange rates from equity accounted investments	Rm	**2**	–
Earnings from continuing operations for the purposes of headline and diluted headline earnings per share excluding discontinued operations	Rm	**999**	262

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

32 Share-based payments

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

32.1 DETAILS OF THE SHARE APPRECIATION RIGHTS PLAN

During the 2013 financial year the group implemented a share appreciation rights plan (SARs) for executives and senior employees of the company and its subsidiaries. The SAR plan allowed executives and senior managers to participate in the appreciation of Transaction Capital's share price over time. The SARs were fully exercised in the prior year. The group has discontinued the issue of SARs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

32 Share-based payments continued

32.1 SHARE APPRECIATION RIGHTS PLAN continued

32.1.2 MOVEMENT IN SHARE APPRECIATION RIGHTS DURING THE YEAR

	2021		2020	
	Number of SARs	Weighted average grant price (cents)*	Number of SARs	Weighted average grant price (cents)*
Balance at the beginning of the year	–	–	3 319 266	1 029
Exercised during the year	–	–	(3 319 266)	1 029
BALANCE AT THE END OF THE YEAR	–	–	–	–

32.1.3 SHARE APPRECIATION RIGHTS EXERCISED DURING THE YEAR

	2021		2020	
	Number of SARs exercised	Weighted average share price (cents)	Number of SARs exercised	Weighted average share price (cents)
Granted on 5 May 2015	–	–	348 205	2 109
Granted on 26 November 2015	–	–	2 834 944	2 088
Granted on 27 May 2016	–	–	136 117	1 920
TOTAL SARS EXERCISED DURING THE YEAR	–		3 319 266	

No expense has been recognised relating to SARs in the current or prior year. The SARs were fully exercised in the prior year. The group has discontinued the issue of SARs.

32.2 CONDITIONAL SHARE PLAN

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

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 from continued operations in excess of prescribed CPI thresholds. For CSPs awarded from June 2019 onwards, vesting is based on the performance element only.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

32 Share-based payments continued

32.2 CONDITIONAL SHARE PLAN

32.2.2 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	WeBuyCars ZAR
Granted on 22 November 2016	1 073 467	781	449	–	1 278	–	–
Granted on 22 November 2017	4 335 561	888	467	–	1 260	–	–
Granted on 1 January 2018	66 667	–	–	–	–	348	–
Granted on 25 May 2018	255 047	901	–	–	–	382	–
Granted on 20 November 2018	3 992 622	989	572	–	1 629	450	–
Granted on 25 March 2019	2 724 317	–	–	521	–	–	–
Granted on 19 June 2019	1 389 822	964	567		1 720	–	–
Granted on 26 November 2019	7 107 151	1 402	664	598	1 902	451	–
Granted on 29 May 2020	301 933	–	–	–	1 479	–	–
Granted on 24 November 2020	8 516 486	1 226	553	–	1 817	557	290
Granted on 31 March 2021	3 291 642	1 212	552	–	–	–	269
Granted on 27 May 2021	141 874	1 355	–	–	–	–	–

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

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

The issue prices, or prices at time of transfer, of the notional shares (of SA Taxi, TCRS, TCRSX, TCRS Australia and WeBuyCars) 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	WeBuyCars ZAR
Granted on 22 November 2016	814	503	–	1 380	–	–
Granted on 22 November 2017	974	563	–	1 445	–	–
Granted on 1 January 2018	–	–	–	–	400	–
Granted on 25 May 2018	974	–	–	–	400	–
Granted on 20 November 2018	1 125	651	–	1 816	464	–
Granted on 25 March 2019	–	–	569	–	–	–
Granted on 19 June 2019	1 125	651	–	1 931	–	–
Granted on 26 November 2019	1 609	761	685	2 181	487	–
Granted on 29 May 2020	–	–	–	1 656	–	–
Granted on 24 November 2020	1 409	653		2 103	590	368
Granted on 31 March 2021	1 409	653		–	–	368
Granted on 27 May 2021	1 509	–	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

32 Share-based payments continued

32.2 CONDITIONAL SHARE PLAN continued

32.2.3 MOVEMENT IN CONDITIONAL SHARE PLAN DURING THE YEAR

	2021 Number of CSPs	2020 Number of CSPs
Balance at beginning of year	**24 134 948**	22 473 359
Granted during the year	**12 035 323**	9 422 156
Exercised during the year	**(1 258 139)**	(3 890 055)
Conversion adjustment arising from transfer between member groups	**(108 930)**	(625 623)
Forfeited during the year	**(1 606 613)**	(2 534 211)
Cancelled during the year (arising on disposal of Principa Decisions (Pty) Ltd. Refer to note 41)	**–**	(710 678)
BALANCE AT END OF YEAR	**33 196 589**	24 134 948

At both Transaction Capital group and TCRS the vesting of LTI awards re-commenced in 2021, following the one year deferral of awards in the 2020 financial year. The remuneration committee has further resolved that the SA Taxi LTIs that only partially vested in 2021 could be deferred until November 2022, at the election of each employee, at which point performance conditions will be reassessed in accordance with clause 7.2.3 of Transaction Capital's CSP rules.

32.2.4 CONDITIONAL SHARE PLAN EXERCISED DURING THE YEAR

	2021		2020	
	Number of CSPs exercised	Weighted average share price (cents)	Number of CSPs exercised	Weighted average share price (cents)
Granted on 22 November 2016	**32 402**	**2 394**	2 833 843	2 168
Granted on 29 May 2017	**263 719**	**3 073**	–	–
Granted on 22 November 2017	**106 333**	**2 435**	663 455	2 117
Granted on 1 January 2018	**33 333**	**2 350**	–	–
Granted on 25 May 2018	**418 827**	**2 936**	127 741	2 173
Granted on 20 November 2018	**203 740**	**2 674**	265 016	1 782
Granted on 19 June 2019	**56 819**	**1 857**	–	–
Granted on 26 November 2019	**133 254**	**2 412**	–	–
Granted on 24 November 2020	**9 712**	**2 804**	–	–
TOTAL CSPS EXERCISED DURING THE YEAR	**1 258 139**		3 890 055	

32.2.5 CONDITIONAL SHARE PLAN EXPENSE RECOGNISED DURING THE YEAR

	2021 Rm	2020 Rm
The expense has been recognised in the income statement under employee costs	**62**	61

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 SEPTEMBER 2021

33 Cash generated by operations

	2021 Rm	2020 Rm
Profit before taxation from continuing operations:	**2 743**	369
Adjusted for:		
Interest income	**(2 663)**	(2 555)
Interest expense	**1 204**	1 251
Interest expense (lease liabilities)	**28**	40
Amortisation of intangible assets	**67**	53
Amortisation of principal book portfolio	**314**	570
Impairment of goodwill	**5**	3
Impairment of property plant and equipment	**8**	5
Impairment of right of use assets	**15**	16
Impairment of intangible assets	**113**	–
Impairment of investments	**6**	–
Bad debts written off	**542**	495
Movement in provisions	**2**	8
Depreciation (including right-of-use assets)	**116**	109
Fair value adjustment of other financial assets	**(21)**	18
Lease concessions	**(7)**	(5)
Movement in impairment of loans and advances	**53**	345
Impairment of trade receivables	**30**	7
Impairment of other loans receivable	**15**	15
Movement in conditional share plan accrual	**62**	61
Share of profit from associate	**(213)**	(32)
Movement in insurance contract liabilities	**(103)**	(163)
Fair value on previously held interest	**(1 417)**	–
Profit on disposal of property and equipment	**(1)**	–
Gain on loan write off	**(2)**	–
Other income on recognition of sublease	**(5)**	–
CASH GENERATED BY OPERATIONS	**892**	610

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		Notes	2021 Rm	2020 Rm
33	Cash generated by operations continued			
33.1	**CASH FLOW FROM LOANS AND ADVANCES**			
	The cash flow movement in loans and advances is calculated as follows:			
	Increase in net loans and advances	9	**(1 760)**	(554)
	Movement in loans and advances classified as assets held for sale	17	**158**	(225)
	Disposal of subsidiary	41	**–**	(10)
	Impairment of loans and advances	27	**(563)**	(836)
	Bad debts recovered	27	**(7)**	(4)
	Accrued interest		**586**	511
	CASH FLOW FROM LOANS AND ADVANCES		**(1 586)**	(1 118)
33.2	**CASH FLOW FROM PURCHASED BOOK DEBTS**			
	The cash flow movement in purchased book debts is calculated as follows:			
	Increase in purchased book debts	10	**(921)**	(138)
	Amortisation of purchased book debts*	29	**(293)**	(588)
	Effect of foreign currency exchange difference	17	**(16)**	22
	Business combinations	40.2	**71**	–
	Disposal of subsidiary	41	**–**	(16)
	CASH FLOW FROM PURCHASED BOOK DEBTS		**(1 159)**	(720)

* *Comparative information has been restated in line with the updated split for operating costs categories. Refer to note 29.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		2021 Rm	2020 Rm
34	**Income taxes paid**		
	Amounts (payable)/receivable at the beginning of the year	**(14)**	10
	Charged in statement of comprehensive income	**(325)**	(79)
	Deferred taxation charge in the income statement	**194**	(31)
	Business combinations	**(68)**	(3)
	Prior year deferred tax	**(1)**	12
	Deferred tax charge to equity	**–**	(35)
	Effects of foreign exchange rates	**2**	(3)
	Amounts payable at the end of the year	**11**	14
	INCOME TAXES PAID	**(201)**	(115)
35	**Dividends paid**		
	Dividends paid to ordinary equity holders of the parent	**(128)**	(209)
	Dividends paid to non-controlling shareholders	**(34)**	(66)
	TOTAL DIVIDENDS PAID	**(162)**	(275)

In light of the group's strong financial performance, robust balance sheet and medium-term prospects, the board resolved to declare a final gross cash dividend to shareholders of 33 cents per share, at a rate of 2.5 times cover based on the second half's earnings. This brings the total dividend per share for the current financial year to 52 cents per share following the interim dividend of 19 cents per share (2020: nil) at a rate of 3.4 times cover.

		2021 Rm	2020 Rm
36	**Contingencies and commitments**		
	Capital commitments		
	Approved	**368**	72
	Contracted	**443**	27
	TOTAL CAPITAL COMMITMENTS*	**811**	99
	Operating lease commitments		
	Future minimum payments under non-cancellable operating leases		
	Premises		
	Year 1	**20**	8
	Year 2	**1**	–
	TOTAL OPERATING LEASE COMMITMENTS FOR PREMISES	**21**	8
	Future minimum payments under other operating lease commitments are in aggregate R1million (2020: R1 million) and are therefore not separately disclosed.		
	Contingent liabilities		
	Guarantees issued**	**235**	17
	TOTAL CONTINGENT LIABILITIES	**235**	17

* *Total capital commitments relate to either approved or contractual commitments that the group has entered into in relation to the acquisition of property and equipment.*

** *The following guarantees have been provided:*

- *Recoveries Corporation has a contingent liability of R16 million (2020: R17 million) in respect of guarantees issued by bankers for facilities in the normal course of business to the extent that they are utilised.*
- *We Buy Cars (Pty) Ltd has guaranteed the obligations of its wholly owned subsidiary WBC Properties (Pty) Ltd in favour of Investec Limited to R169 million plus interest and costs. The guarantee will remain in place, as continuing security for the obligations due to Investec Bank Limited until such time that the mortgage loans in WBC Properties (Pty) Ltd are repaid in full.*
- *We Buy Cars (Pty) Ltd is party to a R50 million (plus interest and costs) cross suretyship agreement signed in favour of FirstRand Bank Limited. In terms of this agreement the company and its wholly-owned subsidiary, WBC Properties (Pty) Ltd, each individually bind themselves in favour of FirstRand Bank Limited as sureties and as co-principal debtors, jointly and severally, until such time that the mortgage loan with FirstRand Bank Limited (in WBC Properties (Pty) Ltd) is repaid in full.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Number of shareholders	Number of shares (million)	Number of shares (%)
37 Shareholder spread at 30 September 2021*			
Non-public			
Directors of Transaction Capital and its subsidiaries and their associates	34	124	17
Sub-total	34	124	17
Public			
Public Investment Corporation	1	108	15
Coronation Fund Managers	1	64	9
Old Mutual Investment Group	1	56	8
Remaining institutional shareholders	156	325	46
Retail investors	1 375	31	5
Sub-total	1 534	584	83
TOTAL	**1 568**	**708**	**100**

* *Based on information as at 23 September 2021.*

38 Financial risk management

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

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

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.

FINANCIAL INSTRUMENTS

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

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

INITIAL RECOGNITION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

CLASSIFICATION

A financial asset is measured at amortised cost if:

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

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

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

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

Financial liabilities

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

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

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

FINANCIAL ASSETS

Financial assets at fair value through profit or loss

Financial assets that are held at fair value through profit and loss include loans and advances for entry-level vehicles and the shortfall book, and certain purchased credit-impaired loan portfolios that are either managed on a fair value basis or that do not meet the requirements to be measured at amortised cost (refer to other financial assets in note 10 of the consolidated annual financial statements).

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

Financial assets at fair value through comprehensive income

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

Amortised cost and effective interest method

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

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

Purchased credit-impaired loan portfolios are portfolios of written-off consumer debts purchased at prices below the nominal receivable amounts. Purchased credit-impaired loan portfolios, other than those at fair value through profit and loss (referred to as other financial assets in note 10.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

FINANCIAL ASSETS continued

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.

Interest income is recognised in profit or loss and is included in the interest income line item (note 26 of the consolidated annual financial statements).

Impairment

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

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.1 CREDIT RISK

Credit risk is the risk of loss arising from the failure of a client or counterparty to discharge an obligation to the group. The primary credit risks that the group is exposed to arise from finance leases to minibus taxi operators. SA Taxi has strict policies for granting credit. Loans and advances comprise a large number of accounts which are secured by minibus taxis. Collections of instalments are made through a combination of cash and debit order collections, with 87.3% (2020: 86%) of the portfolio being cash payers. The nature of SA Taxi's services does not result in significant concentration risks in unsecured credit. The portfolio of purchased book debts exposes the group to credit risk if they fail to perform in accordance with estimated net future cash flows. It is not the group's strategy to avoid credit risk, but rather to manage credit risk within the group's risk appetite and to earn an appropriate risk-adjusted return.

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

CREDIT RISK MANAGEMENT AND MEASUREMENT

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

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

Measurement of expected credit losses (ECL)

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

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

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

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

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

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

Modified financial assets

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).

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 in the normal course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.1 CREDIT RISK 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.

The expected loss model is developed using statistical techniques based on actual historical data. The expected loss is calculated for each active account, using parameter estimates including the probability of default (PD), exposure at default (EAD) and loss given write-off's (LGWs). The segmentation ensures homogenous risk buckets. The LGW is calculated on an explicit basis per account, taking into consideration the settlement balance, market value, repair cost, discount rates and discount periods. The group determines whether the credit risk of financial instruments has increased significantly since initial recognition based on the contractual delinquency (CD) state (aging and recency). If the account is in stage 1 then the 12-month expected credit loss is calculated, otherwise, for stage 2 & 3, the lifetime expected loss is calculated.

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. Most of the SA Taxi clients are cash payers because the taxi industry collects fares in cash from commuters. Recency is included in the definition of default as it is an indicator that the minibus taxi is operational as a cash generating unit and therefore indicative of a customers' ability to make payment on the underlying loan. 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 rebuttal is on segments that are never expected to be very large but which are appropriate for the business. The group has therefore defined stage 2 as an account in arrears that did make a qualifying payment in the last month. A qualifying payment is defined as a payment made which is more than 50% of the instalments due during the reference period.

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

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

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 R542 million (2020: R495 million). Refer to note 27 of the group consolidated financial statements.

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

Transaction Capital Recoveries

Investment process

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

Collections process

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.1 CREDIT RISK continued

Transaction Capital Recoveries continued

Method of provisioning and fair valuing

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

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

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

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

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

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

IMPACTS OF COVID-19

SA Taxi

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 outbreak of COVID-19 (first wave of COVID-19) had a significant impact on the collections performance across all portfolios during the prior financial year. Given the restriction on public movement and public transport operation, a large portion of our clients were placed under both operational and financial strain regarding their ability to generate income and service instalment payments on their loans. In light of this strain, during the prior year, the group gave payment relief covering a one-month period (April 2020) to the majority of its client base provided that the clients account was in good standing and their vehicles had a fully functioning telematics device. Additional payment relief measures were provided over the months of May, June, July and August of 2020 – however these were provided on an ad hoc basis and affected a small number of accounts of the portfolio (those affected by ongoing restrictions).

These relief measures, at the time they were provided, extended the term of the contracts, as it resulted in a partial capitalisation of arrears for the affected accounts in the month where the respective client qualified for payment relief (capitalisation applied to the instalments that were raised during the relief time and did not include all arrears). The interest rate remained unchanged and the term extension did not change the present value of the remaining cash flows.

The second and third waves of COVID-19, which occurred during the closing months of 2020 and throughout the 2021 calendar year, also resulted in restrictions on public movement and public transport operations and placed further pressure on a large portion of our client base. This in turn slowed the expected recovery of the overall book to normalised levels. Despite tough macro-economic conditions, a portion of the portfolio has continued to demonstrate payment performance over the past year, albeit not at normalised levels or insufficient to rehabilitate underlying arrear balances. Management therefore took the decision to modify these accounts through term extension and or the capitalisation of arrears. The impact of these modifications is not material to overall operating performance or impairment provisioning.

The collections performance of the portfolio has a significant impact on several of the assumptions driving the loan book provisioning which include the PD, EAD, and LGW. The impact of the adverse collection experienced since April 2020 which continued into the current financial year (apart from the part capitalisation discussed above), has been considered on our impairment model parameters – (ie. we have not modified arrears and as a result have allowed accounts to age and roll forward without modification). These impairment model parameters have been applied in determining expected cash shortfalls arising from non-payment in the best estimate provision on the loan book as at 30 September 2021. Adverse payment collection performance is expected to continue until the end of the 2021 calendar year, but this impact will depend on the duration and severity of future waves experienced, which are highly uncertain and cannot be predicted with confidence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.1 CREDIT RISK continued

IMPACTS OF COVID-19 continued

SA Taxi continued

Credit impaired financial assets are determined considering both the ageing and recency of payments. Our customers are mostly cash payers given that they earn their fares from commuters in cash. Recency enables us to understand the cashflow that is generated from the underlying asset which is indicative of a customers' ability to make payment on the underlying loan. The shape of the book and stage distribution of the portfolio has shifted due to the impact of the lockdowns on underlying collections activity. COVID-19 had no impact on the rebuttals of the 30- and 90- day presumptions or the collateral values applied in the modelling.

Historically, SA Taxi has not applied a curing mechanism in measuring the expected credit loss expected off the portfolio. As disclosed in the 2020 annual financial statements, a curing mechanism would only be implemented once management are comfortable that customers can demonstrate an extended period of corrective payment behaviour. These assessments will continue into 2022 financial year.

We will continue to assess the extent to which COVID-19 has further impacts on our credit losses going forward. If the strain on the underlying collections of the portfolio extends past the end of the 2021 calendar year, the estimated credit losses and overall results of operations will be adversely affected. In contrast, if the impact on the underlying collections of the portfolio is better than expectation, the estimated credit losses and overall results of operations will be favourably affected.

Transaction Capital Risk Services

The outbreak of COVID-19 had a significant impact on the operations of the business and the debtors from which we collect. In anticipation of the medium-term effects of COVID-19, TCRS implemented world-class work-from-home capabilities and proactively recalibrated its staff complement, which largely comprises call centre agents. The work-from-home operating model is yielding higher productivity per agent due to more flexible working hours.

TCRS's business model continues to gain relevance as the protracted effects of COVID-19 drive up indebtedness and impair consumers' ability to service their debt. This will leave consumer facing entities with significantly larger NPL portfolios to manage. To illustrate the pressure on these entities, the July 2021 BA900 Regulatory Returns submitted by South African banks show that provisions were 7.2% higher year on year, while total credit extension grew only 2%. As their balance sheets come under pressure, we believe their appetite to sell NPL portfolios will increase significantly.

TCRS's collection revenue grew 8% for the year, with collection rates recovering in line with levels anticipated and provided for in out prior year results. TCRS will continue to amortise the carrying value of its purchased book debts at a more conservative rate then before COVID-19, further strengthening its balance sheet and improving its quality of earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.1 CREDIT RISK continued

38.1.1 FINANCIAL ASSETS

38.1.1.1 Financial assets subject to risk

	Loans and advances* Rm	Other loans receivable Rm	Trade and other receivables** Rm	Purchased book debts Rm	Total Rm
2021					
Neither past due nor impaired	5 517	65	899	–	6 481
Past due but not impaired	5 685	–	37	–	5 722
Impaired	2 717	6	23	–	2 746
Purchased credit-impaired financial assets	–	–	–	3 441	3 441
Impairment allowance	(675)	(6)	(20)	–	(701)
Performing loans and advances	(348)	–	–	–	(348)
Non-performing loans and advances	(327)	–	–	–	(327)
Non-performing other loans receivable	–	(6)	–	–	(6)
Non-performing trade and other receivables	–	–	(20)	–	(20)
CARRYING VALUE OF FINANCIAL ASSETS	13 244	65	939	3 441	17 689

	Loans and advances* Rm	Other loans receivable Rm	Trade and other receivables** Rm	Purchased book debts Rm	Total Rm
2020					
Neither past due nor impaired	3 015	55	1 039	–	4 109
Past due but not impaired	5 908	–	95	–	6 003
Impaired	3 146	–	26	–	3 172
Purchased credit-impaired financial assets	–	–	–	2 520	2 520
Impairment allowance	(624)	–	(23)	–	(647)
Performing loans and advances	(119)	–	(1)	–	(120)
Non-performing loans and advances	(505)	–	–	–	(505)
Non-performing trade and other receivables	–	–	(22)	–	(22)
CARRYING VALUE OF FINANCIAL ASSETS	11 445	55	1 137	2 520	15 157

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Refer to note 9 for more detail.*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.1 CREDIT RISK continued

38.1.1 FINANCIAL ASSETS continued

38.1.1.2 Valuation of collateral

The group typically holds vehicles (taxis) as collateral against secured advances. Any security taken as part of the credit decision is valued according to the applicable credit policies at the time of credit approval and at regular intervals thereafter. The market value of collateral over the secured debt is calculated with reference to the selling prices achieved in the active second hand taxi market minus costs to repair.

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

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

The outbreak of COVID-19 has had no impact on our average collateral values applied. 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.

	2021 Rm	2020 Rm
Related credit risk exposure and enhancements*		
Maximum exposure to credit risk of loans and advances	**13 919**	12 069
Impairment allowance	**(675)**	(624)
Maximum exposure to credit losses of loans and advances	**13 244**	11 445
Ceded insurance contract liabilities	**(52)**	(124)
Maximum exposure to credit losses of loans and advances (after the effect of ceded insurance contract liabilities)	**13 192**	11 321
Credit risk exposure mitigated through unguaranteed residual asset values held as collateral		
Total	**18 306**	16 324
Vehicles	**18 306**	16 324
Total	**18 306**	16 324
Fair value of collateral held for impaired financial assets	**2 676**	3 263
Fair value of collateral held for financial assets past due but not specifically impaired	**7 059**	8 294
Fair value of collateral held for financial assets neither past due nor impaired	**8 509**	4 667
Fair value of collateral held for impaired non financial assets	**62**	100
Collateral attached comprises vehicles.		

* *Collateral values are shown excluding the impact of ceded insurance contract liabilities, repossessed vehicles on hand and discontinued operations. The associated collateral value has been provided on a consistent basis. Comparatives have been restated to exclude the impact of discontinued operations in order to show comparability with the current period.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.1 CREDIT RISK continued

38.1.1 FINANCIAL ASSETS continued

38.1.1.3 Loans and advances that are neither due nor impaired

	2021 Rm	2020* Rm
Carrying amount of loans and advances that are neither past due nor impaired	**5 517**	3 015
Credit quality*		
High	**1 945**	1 002
Medium	**1 411**	635
Low	**2 161**	1 378

* *During the prior year, the credit application scorecard was redeveloped. In line with best practice, application scorecards were recalibrated to ensure the scorecards remain statistically accurate at ranking and predicting default risk. The change in scorecard had no impact on the CD state distribution of the portfolio, it simply represents management's view of credit quality. The credit quality disclosures above exclude discontinued operations. Comparatives have been restated to exclude the impact of discontinued operations disclosed in the prior year.*

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

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.

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

38.1.1.4 Financial assets that are past due but not impaired

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

Credit impaired financial assets are determined considering both ageing and recency of payments. SA Taxi customers are mostly cash payers given that they earn their fares from commuters in cash. Recency enables us to understand the cashflow that is generated from the underlying asset which is indicative of a customers' ability to make payment on the underlying loan. The impairment provision calculated on loans and advances disclosed as past due but not impaired are measured applying lifetime expected credit losses. Of the R3.2 billion (2020: R1.46 million) reflected as part of past due but not impaired, a qualifying payment was received on accounts reflecting an exposure balance of R1.7 billion (53%) (2020: R1.0 billion (68%)) in the most recent month.

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

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
2021						
Loans and advances*	**1 038**	**425**	**484**	**531**	**3 207**	**5 685**
Trade and other receivables	**16**	**12**	**4**	**1**	**4**	**37**
FINANCIAL ASSETS THAT ARE PAST DUE BUT NOT IMPAIRED	**1 054**	**437**	**488**	**532**	**3 211**	**5 722**
2020						
Loans and advances*	1 234	1 312	1 135	763	1 465	5 909
Trade and other receivables	19	9	7	10	51	96
FINANCIAL ASSETS THAT ARE PAST DUE BUT NOT IMPAIRED	1 253	1 321	1 142	773	1 516	6 005

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Refer to note 9 for more detail.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.1 CREDIT RISK continued

38.1.1 FINANCIAL ASSETS continued

38.1.1.5 Impairment provision reconciliation

LOANS AND ADVANCES	12 month expected credit losses Rm	Lifetime expected credit losses Rm	Credit impaired financial assets Rm	Total Rm
2021				
Balance at the beginning of the year	**33**	**85**	**506**	**624**
Originations	**5**	**7**	**20**	**32**
Existing book movements	**(24)**	**274**	**(58)**	**192**
Write-offs	**(2)**	**(19)**	**(133)**	**(154)**
Derecognition (settlements in the ordinary course of business)	**(7)**	**(5)**	**(7)**	**(19)**
BALANCE AT THE END OF THE YEAR*	**5**	**342**	**328**	**675**
2020				
Balance at the beginning of the year	24	84	228	336
Originations	15	37	59	111
Existing book movements	4	26	261	291
Write-offs	(3)	(12)	(41)	(56)
Derecognition (settlements in the ordinary course of business)	(1)	–	(1)	(2)
Transferred to assets held for sale	–	(50)	–	(50)
Disposal of subsidiary	(6)	–	–	(6)
BALANCE AT THE END OF THE YEAR*	33	85	506	624

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Refer to note 9 for more detail.*

For the purposes of the 30 September 2021 financial year end, the impact of COVID-19 is embedded into the underlying impairment provision built on the portfolio and reflected across the stages to which they relate. In the prior year, in addition to the impairment provision built on the portfolio, management included a R35 million COVID-19 additional provision which represented management's best estimate of the expected future losses to be incurred at that point in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.1 CREDIT RISK continued

38.1.1 FINANCIAL ASSETS continued

38.1.1.6 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
2021				
Neither past due nor impaired	**5 517**	**–**	**–**	**5 517**
Past due not impaired	**679**	**5 006**	**–**	**5 685**
Impaired	**–**	**–**	**2 717**	**2 717**
Impairment allowance	**(8)**	**(339)**	**(328)**	**(675)**
Performing loans and advances	**(8)**	**(339)**	**–**	**(347)**
Non-performing loans and advances	**–**	**–**	**(328)**	**(328)**
CARRYING VALUE OF FINANCIAL ASSETS*	**6 188**	**4 667**	**2 389**	**13 244**
2020				
Neither past due nor impaired	3 004	11	–	3 015
Past due not impaired	1 065	4 843	–	5 908
Impaired	–	–	3 146	3 146
Impairment allowance	(36)	(83)	(505)	(624)
Performing loans and advances	(36)	(83)	–	(119)
Non-performing loans and advances	–	–	(505)	(505)
CARRYING VALUE OF FINANCIAL ASSETS*	4 033	4 771	2 641	11 445

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Refer to note 9 for more detail.*

38.2 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.

38.2.1 RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

	Floating rate liabilities Rm	Floating rate assets Rm	Net floating rate liabilities Rm
2021			
TOTAL	**15 238**	**13 185**	**(2 053)**
2020			
TOTAL	14 198	11 372	(2 826)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 FINANCIAL RISK MANAGEMENT continued

38.2 INTEREST RATE RISK continued

38.2.2 WEIGHTED AVERAGE INTEREST RATES

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

	2021		2020	
	Bank balances %	Borrowings %	Bank balances %	Borrowings %
TOTAL	3.1	7.8	4.0	9.6

38.2.3 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 2021		
Assets		
Loans and advances*	132	13 244
Fixed rate loans and advances	–	59
Floating rate loans and advances	132	13 185
Purchased book debts	34	3 441
Leased assets	<1	17
Other loans receivable	–	65
Trade and other receivables**	9	939
Cash and cash equivalents	22	2 236
TOTAL	197	19 942
Liabilities		
Interest-bearing liabilities	152	16 139
Fixed rate liabilities	–	901
Floating rate liabilities	152	15 238
Lease liabilities	4	420
Trade and other payables***	22	2 229
Other short-term borrowings	1	81
Bank overdrafts	4	364
TOTAL	183	19 233
NET EXPOSURE	14	709

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Refer to note 9 for more detail.*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 FINANCIAL RISK MANAGEMENT continued

38.2 INTEREST RATE RISK continued

38.2.3 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 2020		
Assets		
Loans and advances*	114	11 445
Fixed rate loans and advances	–	73
Floating rate loans and advances	114	11 372
Purchased book debts	25	2 520
Other loans receivable	–	55
Trade and other receivables**	11	1 137
Cash and cash equivalents	18	1 794
TOTAL	168	16 951
Liabilities		
Interest-bearing liabilities	142	14 639
Fixed rate liabilities	–	441
Floating rate liabilities	142	14 198
Lease liabilities****	4	417
Trade and other payables***	6	553
Other short-term borrowings	1	102
Bank overdrafts	4	387
TOTAL	157	16 098
NET EXPOSURE	11	853

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Refer to note 9 for more detail.*

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 FINANCIAL RISK MANAGEMENT continued

38.3 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.

Given the pressures caused by COVID-19 on the collections of the businesses' portfolios, the capital markets team took several steps during the prior financial year to strengthen the group's financial position and maintain financial liquidity and flexibility which included the restructuring of various debt repayments and the conversion of a structure within the group to a pass-through structure. Continuous engagements are held with funders on ongoing impacts, who continue to be fully supportive of management strategies.

In all cases, amendments were assessed as modifications in terms of IFRS 9 during FY20 resulting in funding costs being amortised over the remaining term of the respective debt. No further amendments have been made during the current financial year.

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

The group's capital strategy remains appropriately conservative in the current conditions, with available facilities at holding company level of approximately R870 million (at 30 September 2021) to be allocated to the accelerated acquisition of NPL Portfolios in South Africa, Australia and selected international markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.3 LIQUIDITY RISK MANAGEMENT continued

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

	On demand Rm	Within 1 year Rm	From 1 – 5 years Rm	More than 5 years Rm	Total Rm
2021					
Liabilities					
Bank overdrafts	**364**	**–**	**–**	**–**	**364**
Other short-term borrowings	**81**	**–**	**–**	**–**	**81**
Trade and other payables*	**381**	**1 706**	**142**	**–**	**2 229**
Interest-bearing liabilities	**–**	**5 780**	**13 297**	**193**	**19 270**
Lease liabilities (refer to note 23)	**–**	**135**	**315**	**24**	**473**
Financial liabilities	**826**	**7 621**	**13 754**	**217**	**22 417**
Non-financial liabilities	**1 421**	**631**	**–**	**–**	**2 052**
TOTAL LIABILITIES	**2 247**	**8 252**	**13 754**	**217**	**24 469**

	On demand Rm	Within 1 year Rm	From 1 – 5 years Rm	More than 5 years Rm	Total Rm
2020					
Liabilities					
Bank overdrafts	387	–	–	–	387
Other short-term borrowings	102	–	–	–	102
Trade and other payables*	185	427	16	–	628
Interest-bearing liabilities	50	4 050	11 694	978	16 772
Lease liabilities (refer to note 23 in the group consolidated financial statements)	–	99	358	49	506
Financial liabilities	724	4 576	12 068	1 027	18 395
Non-financial liabilities	369	769	5	–	1 143
TOTAL LIABILITIES	1 093	5 345	12 073	1 027	19 538

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

The group has access to financing facilities as described below, of which R4 441 million were unused as at 30 September 2021 (2020: R3 597 million). The group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

	2021 Rm	2020 Rm
Unsecured bank overdraft facility, reviewed annually and payable on demand:		
Amount used	**232**	185
Amounts unused	**88**	15
TOTAL	**320**	200
Secured bank overdraft and other short term facilities:		
Amount used	**183**	305
Amounts unused	**217**	246
TOTAL	**400**	551
Secured bank loan facilities which may be extended by mutual agreement:*		
Amount used	**16 139**	14 639
Amounts unused	**4 136**	3 336
TOTAL	**20 275**	17 975

* *Comparative information has been restated to show all used and unused secured bank loan facilities. The group previously disclosed information relating only to short term facilities.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.4 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 2021 and 2020.

38.5 INSURANCE RISK

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

UNDERWRITING STRATEGY

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

PRESENTATION OF INSURANCE CONTRACT LIABILITIES

The group's exposure to the underlying portfolio consists of both credit risk (measured in accordance with IFRS 9) and insurance risk (measured in accordance with IFRS 17). With respect to the measurement of the liability for remaining coverage, credit metrics are used as indicators for the severity of claim. To the extent that the insured event affects the recovery of the underlying asset and given that the assessment of risk and exposure on the underlying portfolio is considered on a group basis, a portion of the liability for remaining coverage relating to the active financed debtors and repossessed vehicle stock portfolios, is allocated to net loans and advances or inventory (where the repossessed vehicle stock has moved into a repair/realisation channel) in the notes to the statement of financial position as these insurance contract liabilities reduce the group's overall exposure on the 'default' contract sets. These allocations are also set out in notes 8, 9 and 21 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 and previous financial year.

IMPACT OF COVID-19

Estimation methodologies and reserving processes remained consistent for the year ended 30 September 2021. The ultimate costs of claims are always uncertain, increasingly so at present within the credit life portfolio given the impact of the COVID-19 pandemic. Materially different outcomes to those assumed are possible. Current year claims and related loss ratios have been adversely affected and exhibit different characteristics to those normally observed. We expect this impact to continue until the end of the 2021 calendar year.

Management continue to assess the underlying increased risk of the portfolio in a stressed COVID-19 economic climate and ensure that premiums remain appropriate for the insurance risk being underwritten.

Furthermore, the pandemic has had no impact on our assessment of onerous contracts recognised as part of LRC IFRS 17 provisions on the credit life portfolio, as age remains the highest risk factor even in a COVID-19 environment. The group will continue to assess the extent to which the virus has further impacts on our credit portfolio going forward.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.5 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	
	2021	**2020**
Insurance contracts issued	**4.2%**	3.3%

The liquidity premium that is added to the risk free rate is 83 bps at 30 September 2021 (83 bps at 30 September 2020).

38.5.1 SENSITIVITIES ON SIGNIFICANT UNOBSERVABLE PARAMETERS APPLIED INCLUDE:

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

Potential effect recorded directly in profit and loss

	2021			2020	
Significant unobservable parameters applied*	**Change in assumption**	**Favourable Rm**	**Unfavourable Rm**	**Favourable Rm**	**Unfavourable Rm**
Short-term motor comprehensive policy – financed portfolio					
Discount rate	100bps	**<1**	**(<1)**	<1	(<1)
Probability of repossession	10%	**8**	**(5)**	20	(13)
Premiums charged	10%	**1**	**(1)**	3	(4)
Insurance perils	10%	**1**	**(1)**	3	(3)
Salvage recovery value	10%	**1**	**(1)**	3	(3)
Credit life portfolio					
Discount rate	100bps	**<1**	**(<1)**	<1	(<1)
Probability of defaults	10%	**<1**	**(<1)**	<1	(<1)
Premiums charged	10%	**<1**	**(<1)**	<1	(<1)
Mortality rates	10%	**<1**	**(<1)**	<1	(<1)
Short-term motor comprehensive policy – financed and non-financed					
Discount rate	100bps	**<1**	**(<1)**	<1	(<1)
Ultimate loss rate gross claims	1%	**3**	**(3)**	3	(3)
Salvage value	10%	**<1**	**(<1)**	<1	(<1)
Development factor	Smoothed	**2**	**(2)**	<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 2021

38 Financial risk management continued

38.5 INSURANCE RISK continued

38.5.2 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:

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

2020	Up to 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	> 5 years Rm	Total Rm
Short-term motor comprehensive policy – financed portfolio	329	4	1	<1	–	–	334
Credit life portfolio	27	–	-	-	–	–	27
Short-term motor comprehensive policy – non financed portfolio	13	1	-	-	–	–	14
TOTAL	369	5	1	–	–	–	375

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

38.6 CURRENCY RISK

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

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

The following significant exchange rates were applied during the year:

	Average rate		Reporting date closing rate	
	2021	**2020**	**2021**	**2020**
US Dollar	**14.9**	16.2	**15.1**	17.0
Euro*	**17.7**	18.2	**17.6**	19.6
Pula	**1.3**	1.3	**1.3**	1.4
Australian Dollar	**11.1**	11.0	**10.9**	12.1
Fijian Dollar	**7.0**	7.2	**7.1**	7.8

* *Comparative information has been restated for the Euro exchange rates.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.6 CURRENCY RISK continued

38.6.1 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	
	2021 Rm	**2020 Rm**	**2021 Rm**	**2020 Rm**
Foreign amounts included in the financial statements at the end of the financial year:				
US Dollar	**1 835**	2 127	**–**	–
Euro	**2**	–	**7**	–
Pula	**1**	–	**1**	4
Australian Dollar	**143**	186	**98**	353
Fijian Dollar	**2**	2	**6**	7

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 38.8 for hedge accounting disclosure.

38.6.2 FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

	2021 Rm	**2020 Rm**
Profit or loss*	**5**	(16)
Equity	**5**	(16)

* *Attributable to the net monetary liabilities of AUD 3.8 million (2020: net monetary assets of AUD 13.7 million) in TCRS Australia, providing a natural hedge due to its denomination in the local currency.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.7 FAIR VALUE DISCLOSURE

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

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

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

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

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

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

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

Level 2 Valuation techniques using market observable inputs, including:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.7 FAIR VALUE DISCLOSURE continued

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or a reasonable approximation of the fair value.

	2021					2020**				
	Carrying value Rm	Total fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Carrying value Rm	Total fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Assets										
Loans and advances*	13 244	13 244	–	–	13 244	11 445	11 436	–	–	11 436
Purchased book debts	3 441	3 441	–	–	3 441	2 520	2 520	–	–	2 520
FINANCIAL ASSETS AT AMORTISED COST	16 685	16 685	–	–	16 685	13 965	13 956	–	–	13 956
Liabilities										
Interest-bearing liabilities	16 139	16 220	–	–	16 220	14 639	14 858	–	–	14 858
Fixed rate liabilities	904	933	–	–	933	441	351	–	–	351
Floating rate liabilities	15 235	15 287	–	–	15 287	14 198	14 507	–	–	14 507
FINANCIAL LIABILITIES AT AMORTISED COST	16 139	16 220	–	–	16 220	14 639	14 858	–	–	14 858

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Refer to note 9 for more detail.*

** *Comparatives have been restated to exclude financial assets and liabilities for which fair value disclosures are not required as their carrying value is a reasonable approximation of fair value, and to ensure consistent presentation of fair value categories with the current year.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.7 FAIR VALUE DISCLOSURE continued

VALUATION METHODS AND ASSUMPTIONS:

Loans and advances for premium vehicles entered into at variable interest rates approximate fair value as the estimated future cash flows are already considered in the expected loss model. The fair value of loans and advances for premium vehicles at fixed interest rates, which is a small component of the loan book, is determined by adjusting the discount rate from the effective interest rate of the contract to a current effective lending rate. Loans and advances for entry-level vehicles and the shortfall book are carried at fair value, refer "level disclosure" on note 38.10 for additional information in this regard.

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

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

The 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.

38.8 HEDGE ACCOUNTING

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

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

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.

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

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Where the forecast transaction or a foreign currency firm commitment results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset. Hedge accounting is discontinued when the group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

The ineffective portion of fair value movements of hedging instruments for 2021 was nil (2020: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.8 HEDGE ACCOUNTING CONTINUED

FAIR VALUE HEDGES OF INTEREST RATE RISK

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

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

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

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

During the year, the fair value hedges were determined to be effective in hedging the fair value exposure to interest rate movements. As a result of the hedging relationship, the fair value hedge movement is adjusted to the underlying liabilities to the value of R15 million (2020: R25 million). The nominal value is equal to the capital amount of the hedged item.

	2021 Rm	2020 Rm
Derivative assets held for risk management		
Interest rate swaps	**13**	24
Cross-currency swaps	**88**	348
TOTAL	**101**	372
Derivative liabilities held for risk management		
Interest rate swaps	**4**	–
Cross-currency swaps	**53**	19
TOTAL	**57**	19

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.

	2021 Rm	2020 Rm
Balance at the beginning of the year	**(27)**	(5)
Loss (net of tax) arising on changes in fair value of hedging instruments entered into for cash flow hedges	**234**	100
Cross-currency swaps	**234**	100
Gain (net of tax) arising on changes in fair value of hedging instruments reclassified to profit or loss	**(211)**	(122)
Cross-currency swaps	**(211)**	(122)
BALANCE AT THE END OF THE YEAR	**(4)**	(27)

Gains and losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year are included in operating costs in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.8 HEDGE ACCOUNTING continued

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
2021				
Cash outflows	(9)	(43)	–	(52)
Cash inflows	41	52	–	93
TOTAL CASH FLOWS*	32	9	–	41

	< 1 Year Rm	1 – 5 years Rm	>5 years Rm	Total Rm
2020				
Cash outflows	–	–	–	–
Cash inflows	137	224	5	366
TOTAL CASH FLOWS*	137	224	5	366

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

HEDGING INSTRUMENTS PER RISK CATEGORY

	Notional amount*		Carrying amount of hedging instrument		
2021	Nominal amount (USD-millions)	Local currency (ZAR-millions)	Assets Rm	Liabilities Rm	Hedge ineffectiveness Rm
Cash flow hedges					
Foreign exchange risk					
Cross-currency swaps	130	1 835	88	(53)	–
Fair value hedges					
Interest rate risk					
Interest rate swaps	n/a	352	13	(4)	–

	Notional amount**		Carrying amount of hedging instrument		
2020	Nominal amount (USD-millions)	Local currency (ZAR-millions)	Assets Rm	Liabilities Rm	Hedge ineffectiveness Rm
Cash flow hedges					
Foreign exchange risk					
Cross-currency swaps	147	2,127	348	(19)	–
Fair value hedges					
Interest rate risk					
Interest rate swaps	n/a	433	24	<1	–

* *This represents the gross notional amounts of all outstanding contracts at year end.*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.9 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
2021							
ASSETS							
Cash and cash equivalents	–	–	2 236	–	–	–	2 236
Tax receivables	–	–	–	–	30	–	30
Trade and other receivables	13	88	838	–	538	–	1 477
Inventories	–	–	–	–	2 477	–	2 477
Loans and advances	42	–	13 201	–	62	–	13 305
Leased assets	–	–	17	–	–	–	17
Purchased book debts	296	–	3 145	–	–	–	3 441
Other loans receivable	–	–	65	–	–	–	65
Equity accounted investments	–	–	–	–	301	–	301
Intangible assets	–	–	–	–	3 237	–	3 237
Property and equipment	–	–	–	–	1 075	–	1 075
Goodwill	–	–	–	–	4 353	–	4 353
Deferred tax assets	–	–	–	–	319	–	319
Assets classified as held for sale	–	–	–	–	98	–	98
TOTAL ASSETS	**351**	**88**	**19 502**	**–**	**12 490**	**–**	**32 431**
Equity and liabilities							
Bank overdrafts	–	–	–	364	–	–	364
Other short-term borrowings	–	–	–	81	–	–	81
Tax payables	–	–	–	–	41	–	41
Trade and other payables	4	53	–	2 172	230	–	2 459
Provisions	–	–	–	–	92	–	92
Insurance contract liabilities	–	–	–	–	271	–	271
Interest-bearing liabilities	–	–	–	16 139	–	–	16 139
Lease liabilities	–	–	–	420	–	–	420
Deferred tax liabilities	–	–	–	–	1 405	–	1 405
Liabilities directly associated with assets held for sale	–	–	–	–	14	–	14
TOTAL LIABILITIES	**4**	**53**	**–**	**19 176**	**2 053**	**–**	**21 286**
Equity							
Ordinary share capital	–	–	–	–	–	3 464	3 464
Other reserves	–	–	–	–	–	688	688
Retained earnings	–	–	–	–	–	5 591	5 591
Equity attributable to ordinary equity holders of the parent	–	–	–	–	–	9 743	9 743
Non-controlling interest		–	–	–	–	1 402	1 402
TOTAL EQUITY	**–**	**–**	**–**	**–**	**–**	**11 145**	**11 145**
TOTAL EQUITY AND LIABILITIES	**4**	**53**	**–**	**19 176**	**2 053**	**11 145**	**32 431**

* *Loans and advances and purchased book debts at fair value through profit and loss have been designated as at fair value through profit and loss at initial recognition. Trade and other payables at fair value through profit and loss have been mandatorily designated as at fair value through profit and loss.*

** *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Refer to note 9 for more detail.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.9 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
2020							
ASSETS							
Cash and cash equivalents	–	–	1 794	–	–	–	1 794
Tax receivables	–	–	–	–	32	–	32
Trade and other receivables	24	348	765	–	385	–	1 522
Inventories**	–	–	–	–	1 032	–	1 032
Loans and advances**	17	–	11 428	–	100	–	11 545
Purchased book debts	170	–	2 350	–	–	–	2 520
Other loans receivable	–	–	55	–	–	–	55
Equity accounted investments	–	–	–	–	2 153	–	2 153
Intangible assets***	–	–	–	–	491	–	491
Property and equipment	–	–	–	–	439	–	439
Goodwill***	–	–	–	–	1 365	–	1 365
Deferred tax assets	–	–	–	–	344	–	344
Assets classified as held for sale	–	–	–	–	262	–	262
TOTAL ASSETS	211	348	16 392	–	6 603	–	23 554
Equity and liabilities							
Bank overdrafts	–	–	–	387	–	–	387
Other short-term borrowings	–	–	–	102	–	–	102
Tax payables	–	–	–	–	46	–	46
Trade and other payables	16	19	–	518	133	–	686
Provisions	–	–	–	–	66	–	66
Insurance contract liabilities**	–	–	–	–	374	–	374
Interest-bearing liabilities	–	–	–	14 639	–	–	14 639
Lease liabilities	–	–	–	417	–	–	417
Deferred tax liabilities***	–	–	–	–	452	–	452
Liabilities directly associated with assets held for sale	–	–	–	5	7	–	12
TOTAL LIABILITIES	16	19	–	16 068	1 078	–	17 181
Equity							
Ordinary share capital	–	–	–	–	–	2 015	2 015
Other reserves	–	–	–	–	–	322	322
Retained earnings	–	–	–	–	–	3 481	3 481
Equity attributable to ordinary equity holders of the parent	–	–	–	–	–	5 818	5 818
Non-controlling interest	–	–	–	–	–	555	555
TOTAL EQUITY	–	–	–	–	–	6 373	6 373
TOTAL EQUITY AND LIABILITIES	16	19	–	16 068	1 078	6 373	23 554

* *Loans and advances and purchased book debts at fair value through profit and loss have been designated as at fair value through profit and loss at initial recognition. Trade and other payables at fair value through profit and loss have been mandatorily designated as at fair value through profit and loss.*

** *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Refer to note 9 for mote detail.*

*** *Comparatives have been restated for the adjustments resulting from the finalisation of the provisional accounting for the Net1 Fihrst acquisition.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.10 LEVEL DISCLOSURE

2021	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets at fair value through profit and loss				
Loans and advances: entry-level vehicles	–	–	17	17
Loans and advances: shortfall book	–	–	25	25
Other Financial Assets	–	–	296	296
Derivatives*	–	13	–	13
Financial assets at fair value through other comprehensive income				
Derivatives*	–	88	–	88
TOTAL FINANCIAL ASSETS	–	101	338	439
Financial liabilities at fair value through profit and loss				
Derivatives*	–	4	–	4
Contingent consideration**	–	–	142	142
Financial liabilities at fair value through other comprehensive income				
Derivatives*	–	53	–	53
TOTAL FINANCIAL LIABILITIES	–	57	142	199

2020	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets at fair value through profit and loss				
Loans and advances: entry-level vehicles	–	–	17	17
Other Financial Assets	–	–	170	170
Derivatives*	–	24	–	24
Financial assets at fair value through other comprehensive income				
Derivatives*	–	348	–	348
TOTAL FINANCIAL ASSETS	–	372	187	559
Financial liabilities at fair value through profit and loss* **				
Derivatives*	–	16	–	16
Financial liabilities at fair value through other comprehensive income				
Derivatives*	–	19	–	19
TOTAL FINANCIAL LIABILITIES	–	35	–	35

* *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.*

** *The contingent consideration relates to the investments into the VWBC group and the Prushka group of entities. Refer to notes 40.1 and 40.2.*

*** *Comparative information has been restated to exclude liabilities at amortised cost inadvertently shown as liabilities at fair value through profit and loss in the prior year.*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.10 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. The outbreak of COVID-19 has had no impact on the average collateral values applied.

Loans and advances for the shortfall book: the fair value is based on the valuation reports received from potential debt collection agents as the value will only be recovered through a sales transaction.

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

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS AND LIABILITIES

2021	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
Financial assets			
Opening balance	187	–	187
Total gains or losses			
In profit or loss	46	–	46
Other movements*	105	–	105
CLOSING BALANCE OF FAIR VALUE MEASUREMENT FOR FINANCIAL ASSETS	338	–	338
Financial liabilities			
Total gains or losses			
Other movements*	142	–	142
CLOSING BALANCE OF FAIR VALUE MEASUREMENT FOR FINANCIAL LIABILITIES	142	–	142

2020	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
Opening balance	118	–	118
Total gains or losses			
In profit or loss	(18)	–	(18)
Other movements*	87	–	87
CLOSING BALANCE OF FAIR VALUE MEASUREMENT	187	–	187

* *Other movements include the following:*
– charges on accounts less collections received and write-off's on loans for entry-level vehicles as well as movements in other financial assets;
– the recognition of contingent liabilities resulting from business combinations in terms of IFRS 3: Business Combinations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

38 Financial risk management continued

38.10 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.

	2021		2020	
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	**1**	**–**	1	(1)

	2021		2020	
Loans and advances: shortfall book*	**10% Favourable Rm**	**10% Unfavourable Rm**	**10% Favourable Rm**	**10% Unfavourable Rm**
Significant unobservable input and description of assumption				
Cent in the Rand	**(3)**	**3**	–	–
TOTAL	**(3)**	**3**	–	–

* *The fair value is based on the valuation reports received from potential debt collection agents as the value will only be recovered through a sales transaction.*

SENSITIVITY ANALYSIS OF VALUATIONS USING UNOBSERVABLE INPUTS

	2021		2020	
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	**8**	**(11)**	9	(9)
Cash flows: change in expected costs	**1**	**(1)**	1	(1)
Discount rate: the rate used to discount projected future cash flows to present value	**4**	**(4)**	4	(4)
TOTAL	**13**	**(16)**	14	(14)

	2021		2020	
Contingent consideration	**10% Favourable Rm**	**10% Unfavourable Rm**	**10% Favourable Rm**	**10% Unfavourable Rm**
Significant unobservable input and description of assumption				
Cash flows: change in the earnings growth on which the contingent consideration is based	**19**	**(19)**	–	–
TOTAL	**19**	**(19)**	–	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		2021 Rm	2020 Rm
39	**Related parties***		
39.1	**TRANSACTIONS WITH KEY MANAGEMENT**		
	Blend Properties 17 (Pty) Ltd (Blend) owns properties occupied by certain group subsidiaries. Jonathan Jawno, Michael Mendelowitz and Roberto Rossi, who are directors of Transaction Capital Limited, are directors of Blend. Their family trusts each own 19.4% (2020: 19.4%) of the issued share capital of Blend (58.1% in aggregate). There was a significant decrease in the rental paid to Blend Properties during the current year due to the fact a property was sold and rent was paid to a new lessor from January 2021.		
	The Group is in the advanced stages of renegotiating an existing lease arrangement with Blend. This has been accounted for as a modification in terms of IFRS 16 and resulted in the recognition of a sublease arrangement in the current financial year – refer to the Leased Asset note 23. As a result, a monthly sub lease rebate rental income has been received from Blend since January 2021.		
	Transactions during the year		
	Rent paid	**(8)**	(23)
	Rent received from sublease arrangement	**7**	–
39.2	**LOANS TO KEY MANAGEMENT**		
39.2.1	Terry Kier (CEO of SA Taxi) holds a direct investment in SA Taxi Holdings (Pty) Ltd of 0.57% as at 30 September 2021 (2020: 1.2%).		
	Terry owes a wholly-owned subsidiary of Transaction Capital an amount of R12 million as at 30 September 2021 (2020: R24 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.		
	Loan owed by key management at period end	**12**	24
39.2.2	Terry Kier (CEO of SA Taxi) holds a direct investment in TC Motor Holdco (Pty) Ltd of 1% as at 30 September 2021 (2020: 0%)		
	Terry owes a wholly-owned subsidiary of Transaction Capital an amount of R28 million in 2021 (2020: Rnil). The loan was granted on an interest-free basis and will be repaid from dividends and proceeds from the shares or upon certain pre-determined events. Appropriate fringe benefits tax has been levied on the interest-free loan. The loan is secured by a cession over all of Terry Kier's rights, title and interest in and to the TC Motor Holdco (Pty) Ltd shares.		
	Loan owed by key management at period end	**28**	–
39.2.3	Craig Bayford (CEO of TCTS) holds a direct investment in Transaction Capital Transactional Services (Pty) Ltd of 5% as at 30 September 2021 (2020: 0%)		
	Craig owes a wholly-owned subsidiary of Transaction Capital an amount of R20 million in 2021 (2020: Rnil). The loan was granted on an interest-free basis and will be repaid from dividends and proceeds from the shares or upon certain pre-determined events. Appropriate fringe benefits tax has been levied on the interest-free loan. The loan is secured by a cession over all of Craig Bayford's rights, title and interest in and to the Transaction Capital Transactional Services (Pty) Ltd shares.		
	Loan owed by key management at period end	**20**	–
39.3	**REMUNERATION OF KEY MANAGEMENT PERSONNEL**		
	Refer to note 29 where the remuneration of all key management is disclosed.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		2021 Rm	2020 Rm
39	**Related parties* continued**		
39.4	**INVESTMENT IN EQUITY ACCOUNTED INVESTMENT**		
	During the 2019 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 through TC Global Finance Limited. Refer to note 12.	**220**	184
39.5	**TRANSACTIONS WITH MINORITY SHAREHOLDERS**		
39.5.1	SANTACO holds a 17.3% effective interest in SA Taxi. In the prior year a loan was advanced to SANTACO. Further loan advances were made in the current year, which were impaired and written off. In addition to this, payments were made for services related to the verification of operating licenses.		
	Transactions during the year		
	Loans advanced	**7**	6
	Impairment provision (Refer to note 11)	**–**	(6)
	Loans impaired and written off (Refer to note 11)	**(7)**	–
	Fees paid for verification of operating licenses	**(1)**	–
39.5.2	I VDW Holdco (Pty) Ltd holds a 25.1% interest in the WBC Holdings (Pty) Ltd. During the current year I VDW Holdco through its wholly owned subsidiary We Prop (Pty) Ltd advanced a loan to WBC Holdings. The loan owing to I VDW Holdco bears interest at prime, and is repayable from excess funds accruing to WBC Holdings, on demand and prior to the payment of any dividends by WBC Holdings.		
	Transactions during the year		
	Loan received	**(30)**	–

Refer to note 15 of the company financial statements for further detail on shareholding.

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

40 Business combinations

Business combinations are accounted for in accordance with the acquisition method of accounting. Subsidiaries are consolidated from the date on which the group acquires effective control of the entity. Consolidation ceases from the date control no longer exists. On acquisition the identifiable assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values. The cost of an acquisition is the fair value of the assets given, liabilities incurred or assumed and equity instruments issued. Any costs directly relating to the acquisition are expensed to profit and loss.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

40 Business combinations continued

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

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

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

SUBSIDIARIES ACQUIRED

Subsidiary	Acquirer	Principal activity	Date of acquisition	Proportion of voting equity interests held %	Consideration transferred Rm
WBC Holdings (Pty) Ltd (WBC Holdings) (Refer to note 40.1)	Transaction Capital Motor Holdco (Pty) Ltd (TCMH)	Buying and selling of second-hand motor vehicles	03/08/2021	**74.9**	**1 751***
Prushka group of entities (Prushka) (Refer to 40.2)	Recoveries Corporation Holdings Pty Ltd (Recoveries Corp)	Debt recovery	30/09/2021	**100**	**109**
Botha and Sutherland Inc (Botha & Sutherland) (Refer to 40.3)	Transaction Capital Recoveries (Pty) Ltd (TCR)	Legal firm	31/08/2021	**n/a**	**22**

* *This is the consideration for the purchase of the additional 25% investment in the WBC group in the current year.*

40.1 ACQUISITION OF WBC HOLDINGS (PTY) LTD

TCMH, a wholly-owned subsidiary of Transaction Capital Limited acquired 74.9% of the issued shares of WBC Holdings on 3 August 2021. The Transaction Capital Limited group holds an effective 74.2% shareholding in WBC Holdings due to minority shareholdings in TCMH. The acquisition was concluded through a subscription agreement and a sale agreement which enabled TCMH to:

- subscribe for shares in WBC Holdings and acquire shares from certain of the then existing minority shareholders in WBC Holdings;
- exchange the 49.9% shareholding that TCMH previously held in We Buy Cars (Pty) Ltd for newly issued shares in WBC Holdings. The investment in We Buy Cars (Pty) Ltd was classified as an investment in associate until 2 August 2021 when TCMH acquired the controlling stake in WBC Holdings. Refer to note 12 for the derecognition of the previously held investment in We Buy Cars (Pty) Ltd.

The WBC group is a business with exceptional growth prospects and is a leader in the market segment. The acquisition allows the group to consolidate a greater proportion of the WBC group's high growth earnings, enhancing the group's future value and earnings growth trajectory.

	2021 Rm
Fair value of consideration to be paid in cash on 5 October 2021	**870**
Fair value of consideration to be settled in Transaction Capital Limited ordinary shares on 5 October 2021 (Refer to 40.1.1.1)	**386**
Consideration to be settled through vendor finance on 5 October 2021 (Refer to 40.1.1.2)	**363**
Contingent consideration (Refer to 40.1.1.3)	**132**
TOTAL CONSIDERATION	**1 751**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

40 Business combinations continued

40.1 ACQUISITION OF WBC HOLDINGS (PTY) LTD continued

40.1.1.1 10 526 972 ordinary shares in Transaction Capital Limited were issued to WBC Holdings and the previous minority shareholders on 5 October 2021:

- 5 347 933 shares were issued to WBC Holdings valued at the suspensive condition fulfillment date 30 day VWAP of R37.54;
- 5 179 039 shares were issued to the previous minority shareholders of WBC Holdings valued at an agreed share price in terms of the sale agreement of R30.

The amount of the consideration raised at 30 September 2021 represents the fair value of the Transaction Limited share price on the date of the business combination, being 3 August 2021. At 30 September 2021, this amount has been recognised in an equity reserve for the forward contract to issue Transaction Capital Limited shares.

40.1.1.2 8 000 class B preference shares were issued by TCMH to the previous minority shareholders of WBC Holdings on 5 October 2021. The preference shares will bear interest which is payable semi-annually (on 31 May and 30 November). The preference shares have a mandatory redemption date of 5 October 2031, although TCMH may voluntarily redeem the preference shares before this time. The preference shareholders hold a put option to sell all the preference shares which have not been redeemed to Transaction Capital Limited in respect of 50% of the shares after the first anniversary of the issue date and the remaining shares after the second anniversary of the issue date.

40.1.1.3 This represents the fair value of the contingent consideration which is determined with reference to the WBC group's expected profit after tax for the 2022 financial year. The fair value of the contingent consideration has been calculated based on expected year-on-year growth of the profit after tax from the 2021 financial year to the 2022 financial year. Management estimates, based on the WBC group profit projections at acquisition date, that the fair value of the contingent consideration is R132 million. Management has stress tested the amount that Transaction Capital could be required to pay under the contingent consideration arrangement based on the latest WBC group profit projections, and estimates the potential undiscounted cash outflow to be between R67 million and R153 million. The contingent consideration will be settled in cash in during the 2023 financial year.

40.1.2 ASSETS ACQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF ACQUISITION

	2021 Rm
Current assets	
Cash and cash equivalents	98
Trade and other receivables	208
Inventories	724
Non-current assets	
Other investments	351
Property, plant and equipment	697
Intangible assets	1 767
Deferred taxation	12
Current liabilities	
Tax payables	(68)
Trade and other payables	(218)
Provisions	(14)
Interest bearing liabilities	(141)
Lease liabilities	(12)
Non-current liabilities	
Interest bearing liabilities	(607)
Lease liabilities	(33)
Deferred taxation	(494)
NET ASSETS ACQUIRED AND LIABILITIES RECOGNISED	**2 270**

The initial accounting for the acquisition of WBC Holdings has been provisionally determined at the end of the financial year.

The receivables acquired in this transaction have a fair value of R208 million. The receivables acquired in this transaction have a fair value of R208 million. The receivables acquired comprise principally trade receivables and deposits relating to property acquisition transactions. The gross contractual value of trade receivables is R115 million, with R1 million that are not expected to be collected. The gross value of the remaining receivables of R94 million have no contractual cash flows that are not expected to be collected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

40 Business combinations continued

40.1 ACQUISITION OF WBC HOLDINGS (PTY) LTD continued

40.1.3 GOODWILL ARISING ON ACQUISITION

	2021 Rm
CONSIDERATION FOR IFRS 3 PURPOSES	**1 751**
Plus: fair value of previously held investment in associate on date of acquisition of controlling interest	**3 482**
Less: intangible assets identified from business combinations	**(1 058)**
Plus: deferred tax on intangible assets identified from business combinations	**296**
Less: fair value of identifiable net assets recognised	**(2 270)**
Plus: non-controlling interests in 25.1% of WBC Holdings	**761**
GOODWILL ARISING ON ACQUISITION	**2 962**

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

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

The non-controlling interest (25.1% ownership interest in WBC Holdings) recognised at the acquisition date was measured with reference to the proportionate share of WBC Holdings identifiable net assets of R3 032 million and amounted to R761 million.

40.1.4 NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARY

	2021 Rm
Consideration to be paid in cash on 5 October 2021*	**870**
Less: cash and cash equivalents balance acquired	**(98)**
NET CASH OUTFLOW FROM THE TRANSACTION	**772**
Less amount not yet paid as at 30 September 2021*	**(870)**
ACTUAL CASHFLOW FROM THE TRANSACTION AT 30 SEPTEMBER 2021	**(98)**

* *No consideration in cash has been settled in relation to the WBC Holdings acquisition at 30 September 2021. The cash consideration was settled on 5 October 2021.*

Acquisition-related costs included in profit and loss amount to R6 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

40 Business combinations continued

40.1 ACQUISITION OF WBC HOLDINGS (PTY) LTD continued

40.1.5 IMPACT OF ACQUISITION ON THE RESULTS OF THE GROUP

Included in profit attributable to ordinary shareholders of the group for the year ended 30 September 2021 is R84 million attributable to the WBC group since acquisition date. Revenue for the period includes R304 million in respect of the WBC group.

Had the business combination been effected at 1 October 2020, the WBC group would have contributed additional revenue to the group of R1 187 million and additional profit attributable to ordinary equity holders of the group of R106 million. As a result, revenue for the group would have been R7 215 million and profit attributable to ordinary equity holders of the group from continuing operations would have been R2 408 million.

40.2 ACQUISITION OF PRUSHKA GROUP OF ENTITIES

Recoveries Corporation Holdings (Pty) Ltd (Recoveries Corporation) acquired 100% of the voting equity in the following three Australian entities on 30 September 2021:

- Prushka Fast Debt Recovery (Pty) Ltd – specialises in debt recovery;
- Zurich Capital & Finance – acquisition and administration of purchased debt ledgers; and
- Mendelsons Lawyers (Pty) Ltd – legal practitioners specialising in debt recovery.

Collectively these are referred to as the Prushka Group of entities, a Melbourne based business with more than 30 years track record in its addressable market.

The acquisition offers growth opportunities to the Recoveries Corporation business through:

- The effective utilisation of Prushka's established legal recoveries platform;
- Accessing PDL sectors not currently serviced by Recoveries Corporation; and
- Entering adjacent contingent collections verticals including the health care and commercial sectors utilising Recoveries Corporation's superior scale and collections technology.

40.2.1 CONSIDERATION FOR IFRS 3 PURPOSES

	2021 Rm
Cash	99
Contingent consideration	10
TOTAL CONSIDERATION	**109**

40.2.2 ASSETS ACQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF ACQUISITION

	2021 Rm
Current assets	
Trade and other receivables	10
Non-current assets	
Purchased book debts	71
Property, plant and equipment	2
Deferred taxation	7
Current liabilities	
Trade and other payables	(5)
Provisions	(16)
Lease liabilities	(7)
NET ASSETS ACQUIRED AND LIABILITIES RECOGNISED	**62**

The initial accounting for the acquisition of Prushka has been provisionally determined at the end of the financial year.

The receivables acquired in this transaction have a fair value of R10 million. The receivables acquired comprise principally trade receivables with a gross contractual amount of R11 million with R1 million not expected to be collected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

40 Business combinations continued

40.2 ACQUISITION OF PRUSHKA GROUP OF ENTITIES continued

40.2.3 GOODWILL ARISING ON ACQUISITION

	2021 Rm
Consideration for IFRS 3 purposes	109
Less: fair value of identifiable net assets recognised	(62)
GOODWILL ARISING ON ACQUISITION	47

The consideration transferred for the business combination included amounts in relation to the benefit of expected cost and technology synergies, revenue growth, future market development and the complementary skills within the assembled workforce of the Prushka Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The net present value of the contingent purchase consideration recognised on acquisition amounts to R10 million, and relates to the vendor's right to participate in future collections performance of the acquired purchased debt ledger (PDL). In order to earn the contingent consideration, collections from the acquired PDL need to exceed cumulative collection thresholds agreed with the vendor. The first instalment under the contingent purchase consideration agreement would be payable in the 2024 financial year, and thereafter annually contingent on the cumulative excess collection targets being exceeded. The contingent consideration agreement is not limited in time or maximum consideration. This consideration was estimated by reference to the acquired PDL's past collections performance relative to the agreed excess collection thresholds, considering a range of possible outcomes.

40.2.4 NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARY

	2021 Rm
Consideration paid in cash	99
Less: cash and cash equivalents balance acquired	–
NET CASHFLOW	99

40.2.5 IMPACT OF ACQUISITION ON THE RESULTS OF THE GROUP

The Prushka acquisition took place on 30 September 2021, therefore no revenue has been recognised by the group in respect of Prushka.

Had the business combination been effected at 1 October 2020, the Prushka would have contributed additional revenue to the group of R107 million and additional profit attributable to ordinary equity holders of the group of R12 million. As a result, revenue for the group would have been R6 135 million and profit attributable to ordinary equity holders of the group from continuing operations would have been R2 314 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

40 Business combinations continued

40.3 ACQUISITION OF BOTHA AND SUTHERLAND INC

Transaction Capital Recoveries (Pty) Ltd entered into an agreement to obtain all the assets and liabilities of Botha and Sutherland Inc with an effective date of 1 September 2021. Botha and Sutherland is a legal debt collection firm specialising in insurance law. The acquisition will assist in growing the group's footprint within the Insurance sector.

40.3.1 CONSIDERATION FOR IFRS 3 PURPOSES

	2021 Audited Rm
Cash	22
TOTAL CONSIDERATION	**22**

40.3.2 ASSETS ACQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF ACQUISITION

	2021 Audited Rm
Current assets	
Trade and other receivables	5
Non-current assets	
Intangible assets	1
Current liabilities	
Trade and other payables	(8)
NET LIABILITIES ACQUIRED AND RECOGNISED	**(2)**

The initial accounting for the acquisition of Botha & Sutherland has been provisionally determined at the end of the financial year.

The receivables acquired in this transaction have a fair value of R5 million. The receivables acquired comprise principally of trade receivables with a gross contractual amount of R5 million with no contractual cashflows that are not expected to be collected.

40.3.3 GOODWILL ARISING ON ACQUISITION

	2021 Audited Rm
Consideration for IFRS 3 purposes	22
Less: fair value of identifiable net liabilities recognised	2
GOODWILL ARISING ON ACQUISITION	**24**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

40 Business combinations continued

40.3 ACQUISITION OF BOTHA AND SUTHERLAND INC continued

40.3.4 NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARY

	2021 Audited Rm
Consideration paid in cash	**22**
Less: cash and cash equivalents balance acquired	**–**
NET CASH FLOW	**22**

40.3.5 IMPACT OF ACQUISITION ON THE RESULTS OF THE GROUP

The Botha & Sutherland acquisition took place just before year end, and the revenue and profit contribution to the group for the year ended 30 September 2021 is negligible.

Had the business combination been effected at 1 October 2020, Botha & Sutherland would have contributed additional revenue to the group of R2 million and additional profit attributable to ordinary equity holders of the group of R1 million. As a result, revenue for the group would have been R6 030 million and profit attributable to ordinary equity holders of the group from continuing operations would have been R2 303 million.

41 Disposal of subsidiaries

The group disposed of Principa Decisions (Pty) Ltd (Principa), Company Unique Finance (Pty) Ltd (CUF) on 1 July 2020 and TC Property Mezz Partners during the previous financial year.

The net assets of these subsidiaries at the date of disposal were as follows:*

	2021 Rm	2020 Principa Rm	2020 CUF Rm	2020 Total Rm
Net assets derecognised:				
Cash and cash equivalents	**–**	(3)	–	(3)
Trade and other receivables	**–**	(28)	(3)	(31)
Goodwill	**–**	(5)	–	(5)
Loans and advances	**–**	–	(10)	(10)
Purchased book debts	**–**	–	(16)	(16)
Intangible assets	**–**	(33)	–	(33)
Deferred tax assets	**–**	–	(1)	(1)
Property and equipment	**–**	(5)	–	(5)
Interest-bearing liabilities	**–**	2	–	2
Trade and other payables	**–**	23	–	23
Provisions	**–**	2	–	2
Deferred tax liabilities	**–**	2	–	2
TOTAL	**–**	(45)	(30)	(75)
Profit/(loss) on disposal of subsidiary**				
Consideration received		36	14	50
Net assets disposed of	**–**	(45)	(30)	(75)
TOTAL	**–**	(9)	(16)	(25)
Total consideration was satisfied by:				
Cash and cash equivalents		19	14	33
Deferred consideration***	**–**	17	–	17
Net cash inflow arising on disposal				
Consideration received in cash and cash equivalents	**–**	19	14	33
Less: cash and cash equivalents disposed of	**–**	(3)	–	(3)
TOTAL	**–**	16	14	30

* *Amounts relating to the disposal of TC Property Mezz Partners are all less than R500 000 and are therefore not separately disclosed.*

** *The (loss)/gain on the disposal is included in "(loss)/profit from discontinued operations" in the consolidated income statement. Also refer to note 17 of the group consolidated financial statements.*

*** *The deferred consideration will be settled in the next financial year.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

42 Segment report

The group is organised on the basis of products and services and the segments have been identified on this basis as reported to the chief executive officer (considered the chief operating decision maker). The principal business units in the group are as follows:

SA TAXI

- A vertically integrated taxi platform incorporating a unique blend of vehicle procurement, retail, repossession and refurbishment capabilities with asset-backed developmental finance and insurance competencies for focused vehicle types.
- Revenue is mainly derived from interest earned on financing of vehicles and non-interest revenue streams, including revenue from the sale of vehicles, telematics services and insurance products.
- The composition of reportable segments changed during the current financial year. Value-Added Services (Road Cover), previously reported as part of the Transaction Capital Risk Services segment, is now reported as part of the SA Taxi segment. Comparative data has been restated accordingly. Value-added services generate a stable source of subscription income, whilst providing access to greater market depth. SA Taxi has the potential to unlock further value through synergies with Road Cover to be realised from cost efficiencies and revenue uplift, gaining access to SA Taxi's client base.

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.

Transaction Capital Risk Services (TCRS), through the Transaction Capital Transactional Services platform (TCTS), also provides payment solutions, collection services and payroll-related services to large corporate clients and SMEs.

Transaction Capital Business Solutions (TCBS), Principa Decisions (Principa) and Company Unique Finance (CUF) were classified as discontinued operations during the previous financial year. Principa and CUF were disposed in the prior year.

WEBUYCARS

- Transaction Capital Motor HoldCo (Pty) Ltd (TCMH) holds a 74.9% non-controlling interest in the WBC group (WeBuyCars). TCMH previously held a 49.9% non-controlling interest in We Buy Cars (Pty) Ltd which was accounted for as an associate for the period from 1 October 2020 to 2 August 2021 prior to acquisition of the controlling interest. Refer to notes 12 and 40.1.
- Buyer, distributor and retailer of vehicles, which also offers financial and other allied products.
- Revenue comprises mainly gross margin on vehicle sales (vehicle margin), with additional gross margin earned on add-on products (product margin). The latter includes agency fees earned from finance, insurance related and allied products (F&I products) sold on behalf of major banks providing asset-backed and unsecured vehicle finance, leading insurance providers, as well as vehicle tracking businesses.

GROUP EXECUTIVE OFFICE

- The group executive office provides an efficient capital management and treasury function for entities within the group, in addition to administrative and management services.
- Revenue comprises mainly interest income and management fees from subsidiaries, the majority of which is eliminated on group consolidation.
- The numbers presented in the group executive office segment exclude group consolidation entries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

42 Segment report continued

	SA Taxi*		Transaction Capital Risk Services*		WeBuyCars***		Group executive office**		Intergroup eliminations		Group	
	2021 Rm	2020 Restated* Rm	2021 Rm	2020 Restated* Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Summarised income statement												
Net interest income/(expense)	**1 580**	1 358	**(172)**	(158)	**(24)**	(1)	**47**	65	**–**	–	**1 431**	1 264
Impairment of loans and advances	**(563)**	(836)	**–**	–	**–**	–	**–**	–	**–**	–	**(563)**	(836)
Non-interest revenue	**668**	686	**2 391**	2 308	**295**	–	**22**	4	**(11)**	(11)	**3 365**	2 987
Operating costs	**(1 125)**	(901)	**(1 788)**	(2 129)	**(149)**	–	**(71)**	(64)	**11**	11	**(3 122)**	(3 083)
Non-operating profit	**–**	–	**–**	–	**1 417**	5	**2**	–	**–**	–	**1 419**	5
Equity accounted income/(loss)	**–**	–	**5**	9	**215**	15	**(7)**	8	**–**	–	**213**	32
PROFIT BEFORE TAX	**560**	307	**436**	30	**1 754**	19	**(7)**	13	**–**	–	**2 743**	369
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**413**	237	**303**	22	**1 712**	19	**(10)**	12	**–**	–	**2 418**	290
Discontinued operations												
Loss for the period from discontinued operations	**–**	–	**(12)**	(87)	**–**	–	**–**	–	**–**	–	**(12)**	(87)
PROFIT FOR THE YEAR	**413**	237	**291**	(65)	**1 712**	19	**(10)**	12	**–**	–	**2 406**	203

* Restated for a change in the composition of reportable segments per IFRS 8 – Segment Reporting.
** Group executive office numbers are presented net of recoveries and inter-group dividends.
*** Profit for the year from WeBuyCars comprises:

	2021 Rm	2020 Rm
Share of equity accounted earnings after tax****	**215**	10
Consolidated operating profit for the WBC group (3 August 2021 to 30 September 2021)	**112**	–
Share of mark-to-market of 16 467 000 Transaction Capital ordinary shares	**–**	5
Mark-to-market of derivative liability	**(6)**	5
Fair value gain on previously held interest	**1 417**	–
Interest expense on preference share liability (vendor finance) and deferred consideration	**(18)**	(1)
Transaction costs relating to the acquisition of the controlling interest in the WBC group	**(6)**	–
Amortisation of intangible assets acquired in business combination	**(2)**	–
PROFIT BEFORE TAX	**1 712**	19

**** Refer to note 12 for the share of equity accounted earnings after tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

42 Segment report continued

	SA Taxi*		Transaction Capital Risk Services*		WeBuyCars		Group executive office		Intergroup eliminations*		Group	
	2021 Rm	2020 Restated* Rm	2021 Rm	2020 Restated** Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Restated* Rm	2021 Rm	2020 Restated*** Rm
Summarised statement of financial position												
Assets												
Cash and cash equivalents	1 054	1 436	176	321	165	–	841	37	–	–	2 236	1 794
Trade and other receivables	1 035	1 203	249	317	232	–	11	17	(50)	(15)	1 477	1 522
Inventories	1 577	1 030	2	2	898	–	–	–	–	–	2 477	1 032
Loans and advances	13 305	11 545	–	–	–	–	–	–	–	–	13 305	11 545
Purchased book debts	–	–	3 441	2 520	–	–	–	–	–	–	3 441	2 520
Equity accounted investments	–	–	81	94	–	1 875	220	184	–	–	301	2 153
Other assets	1 122	1 262	1 503	1 694	6 499	–	5 505	3 751	(5 435)	(3 719)	9 194	2 988
TOTAL ASSETS	18 093	16 476	5 452	4 948	7 794	1 875	6 577	3 989	(5 485)	(3 734)	32 431	23 554
Liabilities												
Bank overdrafts	183	186	131	201	–	–	50	–	–	–	364	387
Trade and other payables	520	318	304	252	2 001	54	912	75	(1 278)	(13)	2 459	686
Insurance contract liabilities	271	374	–	–	–	–	–	–	–	–	271	374
Interest-bearing liabilities	13 536	12 334	2 506	2 222	865	350	273	216	(1 041)	(483)	16 139	14 639
Senior debt	12 284	11 435	2 024	1 893	768	350	273	216	–	–	15 349	13 894
Subordinated debt	790	745	–	–	–	–	–	–	–	–	790	745
Group loans	462	154	482	329	97	–	–	–	(1 041)	(483)	–	–
Lease liabilities	171	172	199	245	44	–	6	–	–	–	420	417
Other liabilities	221	217	547	460	864	–	5	2	(4)	(1)	1 633	678
TOTAL LIABILITIES	14 902	13 601	3 687	3 380	3 774	404	1 246	293	(2 323)	(497)	21 286	17 181
TOTAL EQUITY	3 191	2 875	1 765	1 568	4 020	1 471	5 331	3 696	(3 162)	(3 237)	11 145	6 373

* *Restated for a change in the composition of the SA Taxi and TCRS reportable segments per IFRS 8 – Segment Reporting.*

** *Restated for a change in the composition of reportable segments per IFRS 8 – Segment Reporting, and for the adjustments resulting from the finalisation of the provisional accounting for the Net1 Fihrst acquisition.*

*** *Restated for the finalisation of the provisional accounting for the Net1 Fihrst acquisition.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

42 Segment report continued

GEOGRAPHICAL INFORMATION

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

	Total revenue		Non-current assets	
	2021 Rm	**2020 Rm**	**2021 Rm**	**2020 Rm**
South Africa	**5 421**	4 744	**24 861**	18 062
Australia	**607**	798	**1 053**	931
Europe	**–**	–	**220**	184
TOTAL	**6 028**	5 542	**26 134**	19 177

43 Going concern

The annual financial statements were prepared on a going concern basis. Based on their assessment, the directors have no reason to believe that the company will not continue as a going concern in the foreseeable future. This assessment considered the impact of COVID-19 waves and included an assessment of the relevance of its business models, the nature of the primary assets and the cash-flows generated from these assets as well as the company's balance sheet.

BALANCE SHEET AND LIQUIDITY

The group has sufficient liquidity and financial flexibility to support underlying business operations as at 30 September 2021.

Refer to the liquidity risk management in note 38.3.

44 Subsequent events

44.1 On 5 October 2021, Transaction Capital settled the consideration which was payable for the acquisition of the additional 25% interest in the WBC group. The consideration was settled through the payment of R870 million in cash, the issue of 10 526 972 ordinary shares in Transaction Capital Limited, and vendor financing provided of R363 million. A contingent consideration fairly valued at R132 million will be settled during the 2023 financial year. Refer to note 40.1.

On the same day a put option in favour of the WBC Holdings minority shareholders and call option in favour of TCMH became unconditional, which if exercised could result in TCMH acquiring, in various increments and at various intervals, additional shares in WBC Holdings up to a maximum of 25.1% (being all of the shares in WBC Holdings currently held by the minority shareholders) and which, if implemented in full, will result in WBC Holdings becoming a wholly owned subsidiary of the group.

44.2 No other events which would have a material impact on either the financial position or operating results of the company have taken place between 30 September 2021 and the date of release of this report.

COMPANY STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER

	Notes	2021 Rm	2020 Rm
Assets			
Cash and cash equivalents	1	**802**	1
Tax receivables		**3**	3
Trade and other receivables	2	**2**	5
Investments in subsidiaries	3	**4 407**	3 248
Group loans	15	**1 244**	588
TOTAL ASSETS		**6 458**	3 845
Liabilities			
Bank overdrafts	1	**50**	–
Trade and other payables	4	**852**	11
Interest-bearing liabilities	5	**272**	215
Senior debt		**272**	215
Group loans	15	**7**	7
TOTAL LIABILITIES		**1 181**	233
Equity			
Ordinary share capital	6	**3 477**	2 028
Other reserves		**146**	99
Retained earnings		**1 654**	1 485
EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**5 277**	3 612
TOTAL EQUITY		**5 277**	3 612
TOTAL EQUITY AND LIABILITIES		**6 458**	3 845

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	2021 Rm	2020 Rm
Interest income	7	**52**	52
Interest expense	7	**(30)**	–
NET INTEREST INCOME	7	**22**	52
RISK-ADJUSTED NET INTEREST INCOME		**22**	52
Non-interest revenue	8	**316**	201
Other non-interest revenue		**316**	201
Operating costs	9	**(32)**	(44)
PROFIT BEFORE TAX		**306**	209
Income tax expense	10	**(8)**	(5)
PROFIT FOR THE YEAR		**298**	204
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**298**	204

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 2019	612.6	1 116	78	1 490	2 684
Total comprehensive income	–	–	–	204	204
Profit for the year	–	–	–	204	204
Grant of share appreciation rights and conditional share plans	–	–	61	–	61
Settlement of share appreciation rights and conditional share plans	–	–	(40)	–	(40)
Dividends paid	–	–	–	(209)	(209)
Issue of shares	50.9	954	–	–	954
Repurchase of shares	(2.0)	(42)	–	–	(42)
BALANCE AT 30 SEPTEMBER 2020	661.5	2 028	99	1 485	3 612
BALANCE AT 1 OCTOBER 2020	**661.5**	**2 028**	**99**	**1 485**	**3 612**
Total comprehensive income	**–**	**–**	**–**	**298**	**298**
Profit for the year	**–**	**–**	**–**	**298**	**298**
Grant of conditional share plans	**–**	**–**	**62**	**–**	**62**
Settlement of conditional share plans	**–**	**–**	**(15)**		**(15)**
Dividends paid	**–**	**–**	**–**	**(129)**	**(129)**
Issue of shares	**46.9**	**1 449**	**–**	**–**	**1 449**
BALANCE AT 30 SEPTEMBER 2021	**708.4**	**3 477**	**146**	**1 654**	**5 277**

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	2021 Rm	2020 Rm
Cash flow from operating activities			
Cash generated by operations	11	**(16)**	(35)
Interest received		**52**	52
Interest paid		**(22)**	–
Income taxes paid	12	**(8)**	(10)
Dividends received		**165**	193
Dividends paid		**(129)**	(209)
Cash flow from operating activities before changes in operating assets and working capital		**42**	(9)
Changes in working capital		**(1)**	11
Decrease in trade and other receivables		**3**	1
(Decrease)/increase in trade and other payables		**(4)**	10
NET CASH GENERATED BY OPERATING ACTIVITIES		**41**	2
Cash flow from investing activities			
(Advance)/settlement of group loans owing from subsidiaries		**(746)**	323
NET CASH UTILISED BY INVESTING ACTIVITIES		**(746)**	323
Cash flow from financing activities			
Proceeds from interest-bearing liabilities		**49**	215
Additional interest acquired in subsidiary		**–**	(1 122)
Repurchase of shares		**–**	(42)
Issue of shares		**1 407**	624
NET CASH GENERATED BY FINANCING ACTIVITIES		**1 456**	(325)
Net increase in cash and cash equivalents		**751**	–
Cash and cash equivalents at the beginning of the year	1	**1**	1
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	1	**752**	1

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		2021 Rm	2020 Rm
1	**Cash and cash equivalents**		
	Bank balances	**282**	1
	Call deposits	**520**	–
	Bank overdrafts*	**(50)**	–
	NET CASH AND CASH EQUIVALENTS	**752**	1
	TOTAL OVERDRAFT FACILITIES	**100**	–
	* *Ceded as part security for securitisation debentures and loans as shown in note 5.*		
2	**Trade and other receivables**		
	Trade receivables	**–**	2
	Prepayments and other deferrals	**1**	2
	VAT receivable	**1**	1
	TOTAL TRADE AND OTHER RECEIVABLES	**2**	5
	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.		
3	**Investment in subsidiaries**		
	Shares at carrying value	**4 407**	3 248
	TOTAL INVESTMENTS IN SUBSIDIARIES	**4 407**	3 248
	On the 3 August 2021 Transaction Capital Limited has a commitment to issue 10.5 million shares as a consideration for investment in TC Motor HoldCo. This derivative over its own shares has a nil value.		
	Refer to note 15 for a schedule of subsidiaries, detailing movement in investments in subsidiaries from the prior year.		
4	**Trade and other payables**		
	Trade payables and accruals	**9**	11
	Cash payable on investment	**843**	–
	TRADE AND OTHER PAYABLES	**852**	11

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		Notes	2021 Rm	2020 Rm
5	**Interest-bearing liabilities**			
	Type of loan			
	Loans	5.1	**272**	215
	TOTAL INTEREST-BEARING LIABILITIES		**272**	215
	Classes of interest-bearing liabilities			
	Senior debt	5.1	**272**	215
	TOTAL INTEREST-BEARING LIABILITIES		**272**	215
	Maturity profile			
	Payable after 12 months		**272**	215
	TOTAL INTEREST-BEARING LIABILITIES		**272**	215

RESTRICTIVE FUNDING ARRANGEMENTS

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

Lender	Borrower	Maturity date	Rm	Restrictive conditions
2021				
ABSA Bank Limited	Transaction Capital Limited	2023/12/11	99	▸ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and
Standard Bank of South Africa Limited	Transaction Capital Limited	2023/12/11	99	▸ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and
Investec Bank Limited	Transaction Capital Limited	2023/12/11	75	▸ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender.
2020				
ABSA Bank Limited	Transaction Capital Limited	2021/12/31	108	▸ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender; and
Standard Bank of South Africa Limited	Transaction Capital Limited	2021/12/31	108	▸ The borrower may not enter into certain corporate actions, activities and/or events without prior written consent of the lender.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

5 Interest-bearing liabilities continued

5.1

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value Rm
2021 LOANS						
Senior	Revolving	2020/12/10	3 Month JIBAR plus 4.5%	2023/12/11	ZAR	**99**
Senior	Revolving	2020/12/10	3 Month JIBAR plus 4.5%	2023/12/11	ZAR	**99**
Senior	Revolving	2020/12/10	3 Month JIBAR plus 4.5%	2023/12/11	ZAR	**75**
TOTAL						**272**
2020 LOANS						
Senior	Revolving	2020/09/11	3 Month JIBAR plus 0.25 to 1.25%	2021/12/31	ZAR	108
Senior	Revolving	2020/09/11	3 Month JIBAR plus 0.25 to 1.25%	2021/12/31	ZAR	108
TOTAL						215
TOTAL INTEREST-BEARING LIABILITIES						215

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		2021 Rm	2020 Rm
6	**Ordinary share capital**		
	AUTHORISED		
	1 000 000 000 ordinary shares		
	ISSUED		
	708 431 319 (2020: 661 496 331) ordinary shares		
	Ordinary share capital	**3 477**	2 028
	ORDINARY SHARE CAPITAL	**3 477**	2 028

		2021		2020	
		Number of shares million	Share capital Rm*	Number of shares million	Share capital Rm*
6.1	**RECONCILIATION OF ORDINARY SHARE CAPITAL**				
	BALANCE AT THE BEGINNING OF THE YEAR	**661.5**	**2 028**	612.6	1 116
	Shares issued in settlement of the Conditional Share Plan (Note 6.1.1)	**0.9**	**22**	3.5	74
	Equity raised through the open market (Note 6.1.2)	**12.4**	**248**	–	–
	Equity raised through accelerated bookbuild (Note 6.1.3)	**33.1**	**1 159**	30.9	551
	Shares issued to subsidiaries (Note 6.1.4)	**0.5**	**20**	16.5	329
	Shares repurchased in the open market and cancelled	**–**	**–**	(2.0)	(42)
	BALANCE AT THE END OF THE YEAR	**708.4**	**3 477**	661.5	2 028

* *Net of share issue costs.*

6.1.1 In terms of specific authority received from shareholders on the adoption of the Transaction Capital Conditional Share Plan, a total of 905 693 shares were issued to participants/employees as part of respective vestings at an average price of R24.63 per share.

6.1.2 On 14 January 2021 Transaction Capital limited issued 12 400 000 shares to Royal Bafokeng Holdings Limited at a price of R20 per share.

6.1.3 On 9 July 2021 Transaction Capital limited raised equity in the form of 33 093 389 shares to qualifying investors through an accelerated bookbuild. The ordinary shares were priced at R35.50 per share (before share issue costs), a 4.7% and 4.4% discount to the pre-launch 30 business day volume weighted average price of R37.25 and the close price of R37.15 respectively, as at the market close on 8 July 2021. The equity raise was completed under the company's general authority to issue shares for cash approved by Transaction Capital shareholders at the annual general meeting of the company held on 5 March 2021.

6.1.4 On 14 September 2021 Transaction Capital issued 535 906 shares to TC Motor Holdco Proprietary Limited at a price of R37.32 in respect to the We Buy Cars acquisition. The 535 906 shares were transferred in respect to the initial We Buy Cars as part of the total purchase consideration.

PREFERENCE SHARE CAPITAL

Authorised

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

Issued

Nil (2020: nil) preference shares

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		2021 Rm	2020 Rm
7	**Interest**		
	INTEREST INCOME IS EARNED FROM:		
	Cash and cash equivalents	**8**	4
	Other	**44**	48
	TOTAL INTEREST INCOME	**52**	52
	INTEREST EXPENSE ARE PAID ON:		
	Bank overdrafts and other short term-borrowings	**(22)**	–
	Other	**(8)**	–
	TOTAL INTEREST EXPENSE	**(30)**	–
	Interest income	**52**	52
	Interest expense	**(30)**	–
	NET INTEREST INCOME	**22**	52
8	**Non-interest revenue**		
	NON-INTEREST REVENUE COMPRISES:		
	Fee income	**9**	8
	Dividends received – subsidiaries	**285**	193
	Fair valuation of financial liabilities	**22**	–
	TOTAL NON-INTEREST REVENUE	**316**	201
9	**Operating costs**		
	OPERATING COSTS COMPRISE:		
	Audit fees	**(2)**	(1)
	Bank charges	**–**	(1)
	Consulting fees	**(1)**	–
	Management fees – Intergroup*	**(11)**	(20)
	Non-executive directors' fees	**(9)**	(6)
	Professional fees – legal	**(2)**	(1)
	Impairment of investments	**(6)**	–
	Other operating costs	**(1)**	(15)
	TOTAL OPERATING COSTS	**(32)**	(44)

* *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

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		2021 Rm	2020 Rm
10	**Income tax expense**		
	South African normal taxation:		
	Current taxation	**(8)**	(5)
	Current year	**(8)**	(5)
	Capital gains tax		
	TOTAL INCOME TAX EXPENSE	**(8)**	(5)
	TAX RATE RECONCILIATION		
	PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**306**	209
	SOUTH AFRICAN TAX	**(8)**	(5)
	Tax effects of:		
	Income not subject to tax*	**(307)**	(54)
	Expenses not deductible for tax purposes**	**29**	–
	EFFECTIVE TAX	**(286)**	(59)
	South African tax rate	**28.0%**	28.0%
	Tax effects of:		
	Income not subject to tax*	**(28.0)%**	(26)%
	Expenses not deductible for tax purposes**	**3.0%**	–%
	EFFECTIVE TAX RATE	**3.0%**	2%

* *Income not subject to tax consists of dividends received and fair valuation of financial liability.*
** *Expenses not deductible for tax purposes consists of funding costs, expenses not incurred in the production of taxable income, interest and penalties.*

		2021 Rm	2020 Rm
11	**Cash generated by operations**		
	Profit before taxation from continuing operations:	**306**	209
	Adjusted for:		
	Fair value adjustment of financial liabilities	**(22)**	–
	Interest received	**(52)**	(52)
	Interest paid	**30**	–
	Impairment of investment	**6**	–
	Other non-cash flow movements	**1**	1
	Dividends received	**(285)**	(193)
	CASH GENERATED BY OPERATIONS	**(16)**	(35)
12	**Income taxes paid**		
	Amounts receivable/(payable) at the beginning of the year	**3**	(2)
	Charged in statement of comprehensive income	**(8)**	(5)
	Amounts (receivable) at the end of the year	**(3)**	(3)
	INCOME TAXES PAID	**(8)**	(10)
13	**Dividends paid**		
	Dividends paid to ordinary equity holders of the parent	**(129)**	(209)
	TOTAL DIVIDENDS PAID	**(129)**	(209)

A final dividend of 33 cents per share was declared on 16 November 2021 for payment on 6 December 2021 relating to the 2021 financial year.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 Rm	2020 Rm
14 Related parties		
14.1 SUBSIDIARIES		
Details of share ownership and loan balance are disclosed in note 15, dividends paid in note 13 and dividends received in note 8.		
The loans bear interest at rates agreed from time to time and are repayable on demand.		
The following income was received from subsidiaries:		
INTEREST		
TC Treasury Proprietary Limited	**44**	48
FEES		
TC Corporate Support Proprietary Limited	**9**	8
The following fees were paid to subsidiaries:		
TC Corporate Support Proprietary Limited	**(11)**	(20)

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Nature of business and status	Effective percentage held**		Investment at cost		Loans at carrying value	
		2021 %	2020 %	2021 Rm	2020 Rm	2021 Rm	2020 Rm
15 Subsidiaries and associates							
TRANSACTION CAPITAL LIMITED	H/T						
SA TAXI							
SA Taxi Holdings Proprietary Limited	*/H/T	**74.5**	73.9	**848**	780	**–**	–
Taximart Proprietary Limited	T	**100**	100				
Black Elite Benefits Proprietary Limited	T	**100**	100				
Taxi Wifi	D	**40**	–				
SA Taxi Securitisation (RF) Proprietary Limited	#/T	**100**	100				
SA Taxi Finance Solutions (RF) Proprietary Limited	#/T	**100**	100				
SA Taxi Development Finance Proprietary Limited	T	**100**	100				
SA Taxi Protect Proprietary Limited	T	**100**	100				
Bompas Collections Proprietary Limited	D	**100**	100				
SA Taxi Finance Insurance Brokers Proprietary Limited	D	**100**	100				
SA Forklifts Proprietary Limited	D	**100**	100				
Potpale Investments (RF) Proprietary Limited	#/T	**100**	100				
SA Taxi Impact Fund (RF) Proprietary Limited	#/T	**100**	100				
SA Taxi Rewards Proprietary Limited	#/T	**100**	100				
Transsec 2 (RF) Proprietary Limited[1]	#/T	**100**	100				
Transsec 3 (RF) Limited	#/T	**100**	100				
Transsec 4 (RF) Limited	#/T	**100**	100				
Keywood 2 (RF) Proprietary Limited	#/T	**100**	100				
Zebra Cabs Proprietary Limited	^	**100**	100				
Transflow (RF) Proprietary Limited	#/T	**100**	100				
TRANSACTION CAPITAL RISK SERVICES							
Transaction Capital Risk Services Holdings Proprietary Limited	*/H	**100**	100	**1 023**	1 000	**7**	7
Transaction Capital Risk Services Proprietary Limited	H	**100**	100				
Transaction Capital Recoveries Proprietary Limited	T	**100**	100				
Transaction Capital Transactional Services Proprietary Limited	T	**100**	100				
Net1 Fihrst Holdings Proprietary Limited	T	**100**	100				
Accsys Proprietary Limited	T	**100**	100				
Transaction Capital Business Solutions Proprietary Limited	T	**100**	100				
Dubrovnik Properties Proprietary Limited:	D	**100**	100				
Rand Trust Securitisation Proprietary Limited	D/^	**100**	100				
MBD Legal Collections Proprietary Limited	T	**100**	100				
Levitic Investments Proprietary Limited	T	**100**	100				
Origin Eight Financial Services Proprietary Limited	T	**100**	100				
Transaction Capital Recoveries Proprietary Limited (Botswana)	T	**100**	100				
Exovic Investments Proprietary Limited	T	**100**	100				
Collection and Financial Services Proprietary Limited	D	**100**	100				

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

15 Subsidiaries and associates continued

	Nature of business and status	Effective percentage held** 2021 %	Effective percentage held** 2020 %	Investment at cost 2021 Rm	Investment at cost 2020 Rm	Loans at carrying value 2021 Rm	Loans at carrying value 2020 Rm
TRANSACTION CAPITAL LIMITED	H/T						
RC VAS Holdings Proprietary Limited[3]	H	**–**	75				
RC Value Added Services Proprietary Limited[3]	T	**–**	100				
RC VAS Direct Proprietary Limited[3]	T	**–**	100				
Generow Investments Proprietary Limited	H	**100**	100				
Transaction Capital Credit Health Proprietary Limited	T	**100**	100				
Transaction Capital Risk Services International Proprietary Limited	H/T	**100**	100				
TC Debtor Wellness Proprietary Limited[4]	T	**100**	–				
Tyco Holdings Limited (Malta)[4]	H	**100**	–				
Tyco Investments Limited (Malta)[4]	T	**100**	–				
Transaction Capital Risk Services Mauritius	H	**100**	100				
Transaction Capital Risk Services Australia Holdings Proprietary Limited	H	**100**	100				
Transaction Capital Australia Services Proprietary Limited	T	**100**	100				
Lanyana Financial Group Proprietary Limited (Australia)	T	**25**	25				
Transaction Capital Finance Australia Proprietary Limited	T	**100**	100				
Recoveries Corporation Proprietary Limited (Australia)	T	**100**	100				
RCL Services PTE Limited (Fiji)	T	**100**	100				
Advanced Collections Systems Proprietary Limited (Australia)	T	**100**	100				
Mason Black Lawyers Proprietary Limited (Australia)	T	**100**	100				
RCL Law Proprietary Limited (Australia)	T	**100**	100				
MBL Office Services Proprietary Limited (Australia)[5]	^	**–**	100				
Transaction Capital Risk Services Australia Holdings 2 Proprietary Limited (Australia)	H	**100**	100				
TC Global Finance Limited (Guernsey)	T	**50**	50				
TRANSACTION CAPITAL MOTOR HOLDCO							
Transaction Capital Motor HoldCo Proprietary Limited	*/T	**99**	100	**2 356**	1 452	**96**	–
WBC Holdings Proprietary Limited[6]	H	**74.9**	49.9				
We Buy Cars Proprietary Limited	T	**100**	–				
WBC Investments Proprietary Limited	T	**100**	–				
WBC Properties Proprietary Limited	T	**100**	–				

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

15 Subsidiaries and associates continued

	Nature of business and status	Effective percentage held**		Investment at cost		Loans at carrying value	
		2021 %	2020 %	2021 Rm	2020 Rm	2021 Rm	2020 Rm
TRANSACTION CAPITAL LIMITED	H/T						
GROUP EXECUTIVE OFFICE							
TC Corporate Support Proprietary Limited	*/ T	**100**	100	**20**	11	**–**	–
TC Treasury Proprietary Limited	*/ T	**100**	100	**<1**	<1	**1 136**	577
Bayport Financial Services Proprietary Limited	^/*/D	**–**	100	**–**	4	**–**	–
TC Executive Holdings Proprietary Limited	^/*/D	**–**	100	**–**	<1	**–**	–
Transaction Capital Business Partners Proprietary Limited	^/*/D	**–**	100	**–**	<1	**–**	–
Transcapital Investments Limited	*/T	**100**	100	**<1**	<1	**5**	4
Transaction Capital Specialised Finance Proprietary Limited	^/*/D	**–**	75	**–**	2	**–**	–
Red Sky Finance Proprietary Limited	*/D	**100**	100	**<1**	<1	**–**	–
Ellehove Investments Proprietary Limited	D	**100**	100	**–**	–	**(7)**	(7)
RC VAS Holdings Proprietary Limited[3]	*/H	**100**	–	**160**	–	**–**	–
RC Value Added Services Proprietary Limited[3]	T	**100**	–	**–**	–	**–**	–
RC VAS Direct Proprietary Limited[3]	T	**100**	–	**–**	–	**–**	–
TC Corporate Ventures Proprietary Limited[7]	*/T	**100**	–	**–**	–	**–**	–
TC Corporate Ventures GP Proprietary Limited[7]	*/H	**100**	–	**–**	–	**–**	–
TOTAL				**4 407**	3 248	**1 237**	581

** Directly held*
*** Effective percentage held by immediate parent*
 # Consolidated special purpose entity
H Holding company
T Trading company
D Dormant company
^ Deregistered/in the process of being registered

1. *Transsec 2 (RF) Limited converted to a private entity*
2. *Transaction Capital Payment Solutions Proprietary Limited's name changed to Transaction Capital Transactional Solutions on 1 October 2020*
3. *RC VAS Holdings Proprietary Limited was sold to Transaction Capital Limited on 2 August 2021*
4. *TC Debtor Wellness (Pty) Ltd, Tyco Holdings Limited (Malta) and Tyco Investments Limited (Malta) were incorporated in July 2021*
5. *MBL Office Services Proprietary Limited (Australia) was deregistered 14 June 2021*
6. *Refer to the Business combination note 40 in the group annual financial statements for further details in this regard*
7. *TC Corporate Ventures Proprietary Limited and TC Corporate Ventures GP Proprietary Limited were incorporated 26 March 2021*

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

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 group'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	Other loans receivable Rm	Trade and other receivables** Rm	Purchased book debts Rm	Total Rm
2021					
Neither past due nor impaired	**1 244**	**–**	**–**	**–**	**1 244**
CARRYING VALUE OF FINANCIAL ASSETS	**1 244**	**–**	**–**	**–**	**1 244**
2020					
Neither past due nor impaired	588	–	2	–	590
CARRYING VALUE OF FINANCIAL ASSETS	588	–	2	–	590

* *Group loans are all considered to be high quality.*

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

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 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.

16.2.1 RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

	Floating rate liabilities Rm	Floating rate assets Rm	Net floating rate assets Rm
2021	**1 181**	**2 028**	**847**
TOTAL	**1 181**	**2 028**	**847**
2020	233	591	358
TOTAL	233	591	358

16.2.2 WEIGHTED AVERAGE INTEREST RATES

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

	2021		2020	
	Bank balances %	Borrowings %	Bank balances %	Borrowings %
TOTAL	**3.8**	**8.2**	2.8	7.3

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

16 Financial risk management continued

16.2 INTEREST RATE RISK CONTINUED

16.2.3 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 2021		
ASSETS		
Cash and cash equivalents	**8**	**802**
Group loans	**12**	**1 226**
TOTAL	**20**	**2 028**
LIABILITIES		
Bank overdrafts	**–**	**50**
Interest-bearing liabilities	**3**	**272**
Floating rate liabilities	**3**	**272**
Group loans	**–**	**7**
Trade and other payables**	**9**	**852**
TOTAL	**12**	**1 181**
NET EXPOSURE	**8**	**847**
30 September 2020		
ASSETS		
Trade and other receivables*	<1	2
Cash and cash equivalents	<1	1
Group loans	6	588
TOTAL	6	591
LIABILITIES		
Interest-bearing liabilities	2	215
Floating rate liabilities	2	215
Group loans	<1	7
Trade and other payables**	<1	11
TOTAL	2	233
NET EXPOSURE	4	358

* *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.*

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

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

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

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

	On demand Rm	Within 1 year Rm	From 1 – 5 years Rm	More than 5 years Rm	Total Rm
2021					
LIABILITIES					
Bank overdrafts	**50**	**–**	**–**	**–**	**50**
Trade and other payables	**852**	**–**	**–**	**–**	**852**
Group loans	**7**	**–**	**–**	**–**	**7**
Interest-bearing liabilities	**–**	**–**	**272**	**–**	**272**
Financial liabilities	**909**	**–**	**272**	**–**	**1 181**
TOTAL LIABILITIES	**909**	**–**	**272**	**–**	**1 181**
2020					
LIABILITIES					
Trade and other payables	11	–	–	–	11
Group loans	7	–	–	–	7
Interest-bearing liabilities	–	–	215	–	215
Financial liabilities	18	–	215	–	233
TOTAL LIABILITIES	18	–	215	–	233

The company has access to financing facilities as described below, of which R820 million were unused as at 30 September 2021 (2020: R180 million). The group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

	2021 Rm	2020 Rm
Unsecured bank overdraft facility, reviewed annually and payable on demand:		
Amount used*	**290**	220
Amounts unused	**820**	180
TOTAL	**1 110**	400

* *Amount used is gross of commitment fees on the facilities.*

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

16 Financial risk management continued

16.4 FAIR VALUE DISCLOSURE

Secured bank loan facilities with various maturity dates through to 30 September 2021 and which may be extended by mutual agreement:

	Carrying value 2021 Rm	Total fair value 2021 Rm	Carrying value 2020 Rm	Total fair value 2020 Rm
ASSETS				
Trade and other receivables*	–	–	2	2
Cash and cash equivalents	802	802	1	1
Group loans	1 244	1 244	588	588
TOTAL	2 046	2 046	591	591
LIABILITIES				
Interest-bearing liabilities	272	290	215	220
Floating rate liabilities	272	290	215	220
Trade and other payables**	852	852	11	11
Bank overdrafts	50	50	–	–
Group loans	7	7	7	7
TOTAL	1 181	1 199	233	238
NET EXPOSURE	865	847	358	353

* *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 (prior year), VAT payables and bonus accruals are not financial liabilities and therefore have been excluded from trade and other payables*

VALUATION METHODS AND ASSUMPTIONS:

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

16 Financial risk management continued

16.5 STATEMENT OF FINANCIAL POSITION CATEGORIES

	At fair value through profit and loss* Rm	At fair value through other compre-hensive income Rm	Financial assets carried at amortised cost Rm	Financial liabilities carried at amortised cost Rm	Non financial liabilities or non financial assets Rm	Equity Rm	Total Rm
2021							
ASSETS							
Cash and cash equivalents	–	–	802	–	–	–	802
Tax receivables	–	–	–	–	3	–	3
Trade and other receivables	–	–	–	–	2	–	2
Investment in subsidiaries	–	–	–	–	4 407	–	4 407
Group loans	–	–	1 244	–	–	–	1 244
TOTAL ASSETS	–	–	2 046	–	4 412	–	6 458
EQUITY AND LIABILITIES							
LIABILITIES							
Group loans	–	–	–	7	–	–	7
Other short-term borrowings	–	–	–	50	–	–	50
Trade and other payables	–	–	–	852	–	–	852
Interest-bearing liabilities	–	–	–	272	–	–	272
TOTAL LIABILITIES	–	–	–	1 181	–	–	1 181
EQUITY							
Ordinary share capital	–	–	–	–	–	3 477	3 477
Ordinary share capital	–	–	–	–	–	3 477	3 477
Other reserves	–	–	–	–	–	146	146
Retained earnings	–	–	–	–	–	1 654	1 654
Equity attributable to ordinary equity holders of the parent	–	–	–	–	–	5 277	5 277
TOTAL EQUITY	–	–	–	–	–	5 277	5 277
TOTAL EQUITY AND LIABILITIES	–	–	–	1 181	–	5 277	6 458

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2021

16 Financial risk management continued

16.5 STATEMENT OF FINANCIAL POSITION CATEGORIES *continued*

	At fair value through profit and loss* Rm	At fair value through other compre-hensive income Rm	Financial assets carried at amortised cost Rm	Financial liabilities carried at amortised cost Rm	Non financial liabilities or non financial assets Rm	Equity Rm	Total Rm
2020							
ASSETS							
Cash and cash equivalents	–	–	1	–	–	–	1
Tax receivables	–	–	–	–	3	–	3
Trade and other receivables	–	–	2	–	3	–	5
Investment in subsidiaries	–	–	–	–	3 248	–	3 248
Group loans	–	–	588	–	–	–	588
TOTAL ASSETS	–	–	591	–	3 254	–	3 845
EQUITY AND LIABILITIES							
LIABILITIES							
Trade and other payables	–	–	–	11	–	–	11
Interest-bearing liabilities	–	–	–	215	–	–	215
Group loans	–	–	–	7	–	–	7
TOTAL LIABILITIES	–	–	–	233	–	–	233
EQUITY							
Ordinary share capital	–	–	–	–	–	2 028	2 028
Ordinary share capital	–	–	–	–	–	2 028	2 028
Other reserves	–	–	–	–	–	99	99
Retained earnings	–	–	–	–	–	1 485	1 485
Equity attributable to ordinary equity holders of the parent	–	–	–	–	–	3 612	3 612
TOTAL EQUITY	–	–	–	–	–	3 612	3 612
TOTAL EQUITY AND LIABILITIES	–	–	–	233	–	3 612	3 845

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. This assessment included an assessment of the relevance of its business models; the nature of the primary assets and the cash-flows generated from these assets as well as the company's balance sheet and the increased flexibility provided by additional liquidity measures implemented in response to COVID-19.

18 Subsequent events

On 5 October 2021, Transaction Capital settled the consideration which was payable for the acquisition of the additional 25% interest in the WBC group. The consideration was settled through the payment of R870 million in cash, the issue of 10 526 972 ordinary shares in Transaction Capital Limited.

On the same day Transaction Capital granted to the shareholders of the WBC group an irrevocable put option for all preference shares, which have not been redeemed, to Transaction Capital. The aforementioned preference shares relate to the preference shares held in TC Motor HoldCo which were issued as vendor financing for the acquisition of the additional 25% in WBC Holdings.

No other events which would have a material impact on either the financial position or operating results of the company have taken place between 30 September 2021 and the date of release of this report.

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 (chief investment officer)
David Hurwitz (chief executive officer)
Jonathan Jawno (executive director)
Michael Mendelowitz (executive director)
Roberto Rossi (executive director)

INDEPENDENT NON-EXECUTIVE

Buhle Hanise
Suresh Kana (lead independent director)
Albertinah Kekana
Ian Kirk
Kuben Pillay
Diane Radley
Christopher Seabrooke (chairman)
Sharon Wapnick

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DEBT SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)
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