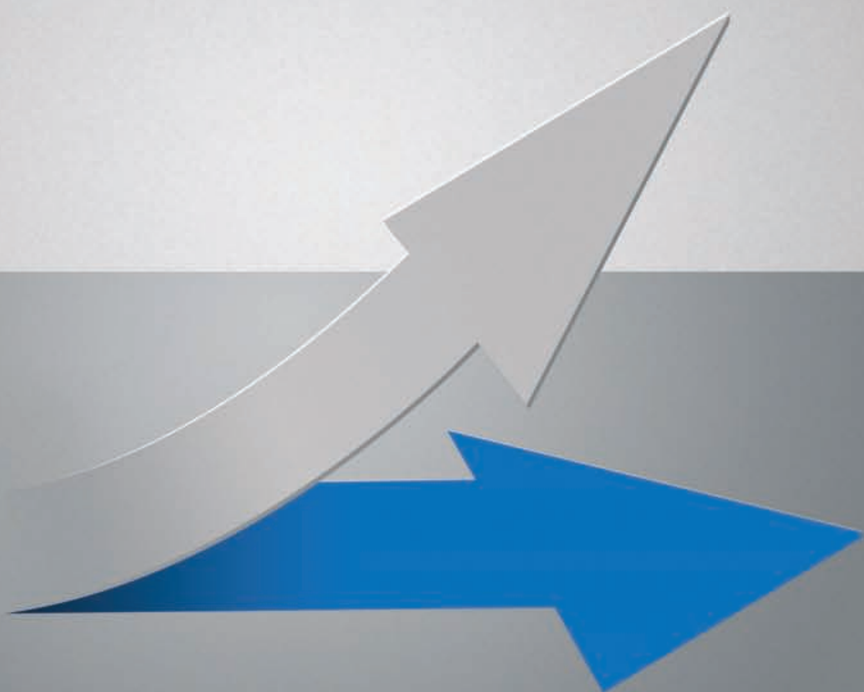
Transaction Capital

Annual Report 2011



Contents and stakeholders guide

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Stakeholders guide

Overview

Mission

Transaction Capital ...

Market

provides financial services in selected market segments **historically under-served by the traditional banking sector in Southern Africa;**

Portfolio

through a unique managed portfolio of **non-deposit taking, specialised lending, credit services and payment services businesses** which practise **value accretive collaboration**;

Life cycle

which have **transcended beyond** their **entrepreneurial roots** over the past decade to achieve **scale and market leading positions** in their selected segments;

Technology

using leading and proprietary **technologies in credit, risk, collections, payments, information management and human capital**;

Risk

with **risk mitigated by** management **focus**, proven **operational capabilities**, strong **corporate governance and strict compliance** within a developed market regulatory framework;

Funding

sustained by **robust liquidity and debt capital positions** achieved through diversified funding structures that attract debt capital from a **broad range of local and international investors and capital pools** who have an in-depth understanding of the underlying businesses and asset classes;

Leadership

under the **active direction and intervention** of an **experienced team** whose strategic insight, financial acumen, credit risk expertise, entrepreneurial creativity and deep market knowledge has established a proven **record of value creation and growth in alternative assets.**

Vision

The Transaction Capital vision statement describes the response it aspires to elicit from each of its valued stakeholders.

Clients

Clients will regard Transaction Capital's subsidiaries as their first choice when utilising the cost-effective, innovative, differentiated services they provide, while acknowledging the expertise, value and cachet that accrues from their being part of the Transaction Capital group.

Executives and managers

Executives and managers will regard Transaction Capital's strategy of collaborative value creation through and between focused subsidiaries as intellectually stimulating and intrinsically rewarding, while demanding high-quality leadership.

Employees

Employees will regard Transaction Capital as a prestigious and preferred employer in financial services, providing personal development intra-company advancement and highly competitive compensation, in exchange for commitment, thought leadership and performance.

Funders and counterparties

Funders and counterparties will regard Transaction Capital as an innovative group that exemplifies the highest standards of risk management, transparency, disclosure, prudence, compliance, governance and ethics.

Suppliers

Suppliers will regard Transaction Capital and its subsidiaries as demanding but fair clients whose expertise, inter-personal skills, efficient administration, financial stability and long-term orientation make them desirable business partners.

Shareholders

Shareholders will regard Transaction Capital as a well-understood, respected, nichéd financial services investment that renders a consistent growth of high-quality returns through innovative entrepreneurship.

Law makers and regulators

Law makers and regulators will regard Transaction Capital as a respected corporate citizen that complies fully with the letter and spirit of all laws, regulations and codes.

Community

The community will regard Transaction Capital and its subsidiaries as responsible, caring Southern African companies, deeply committed to investing in the education and upliftment of the underprivileged.

Societal relevance

Transaction Capital ...

- has an empathetic approach to unsophisticated, under-served **clients**;
- develops previously disadvantaged **employees**;
- provides **funders** with access to development capital pools through specialised funding vehicles;
- uses and develops previously disadvantaged **suppliers**;
- contributes to the South African **Government** imperative (as defined by the National Treasury and the South African Reserve Bank) of financial inclusion of under-served sectors of society;
- supports local **communities**; and
- has achieved a consolidated **Level 4 BBBEE rating**.

Values

Transaction Capital is a group of different companies subscribing to the same set of core values, with each company having a different operational culture suitable to its target market, the business model necessary to serve the particular market and the kind of people it employs to ensure its success.

The Transaction Capital core values shape the way all of its subsidiaries and employees interact with counterparties and other stakeholders. These values cannot be compromised and everyone within the Transaction Capital group is expected to conform with them.

We value INTEGRITY before all else

Integrity goes beyond complying with the law and company policy, to having strong moral principles.

Strong moral principles demand that we are firstly true to ourselves and totally honest and consistent in our dealings with our families, friends, business colleagues, clients, customers and the company.

We value COMPETENCE as the foundation of personal and corporate progress

Competence is more than just knowing how to do the task we are employed for; it comes from knowing that we have taken the time to prepare ourselves for the next challenge in our careers.

We value RESPECT for all who come into our lives

Respect means that we treat everyone we meet in the same way that we would like to be treated.

Our South African history of discrimination means that we are particularly sensitive to give the utmost respect to people of different races, language, gender, disability and sexual orientation.

We know that respect is earned and those of us who are privileged to be in positions of leadership strive to earn respect through service, rather than through authority and arrogance.

We regularly make the effort to understand and appreciate people who have a different history to ours.

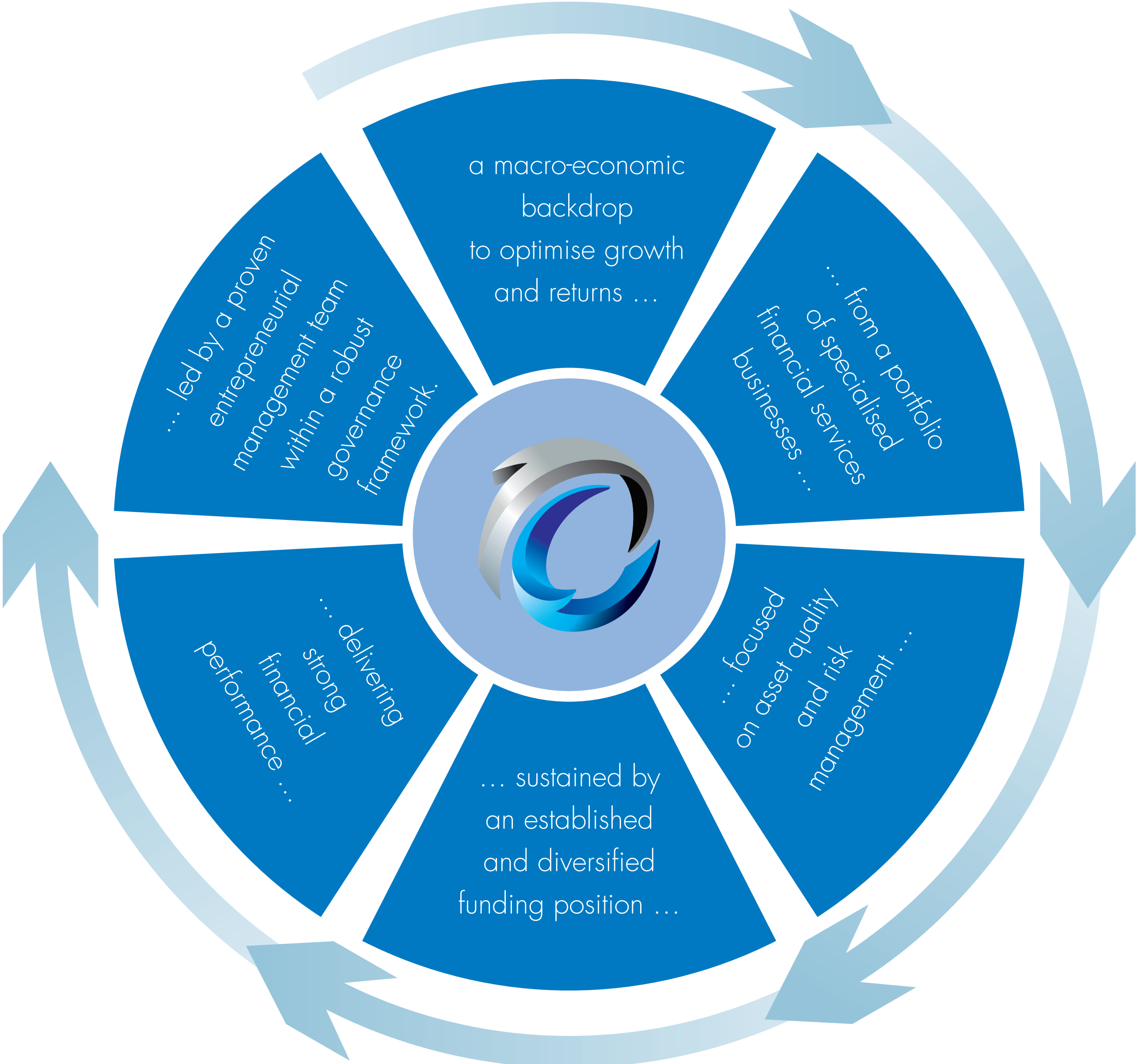
We value INNOVATION as the solution to every challenge or problem we will face

Innovation helps us to compete, overcome challenges, deal with new and difficult situations, and discover new ways to solve problems for our company, our clients and ourselves.

In a world of constant improvement and rising expectations, innovation is the only way to remain ahead of our competitors and to ensure that growth and progress provides exciting opportunities for all our stakeholders.

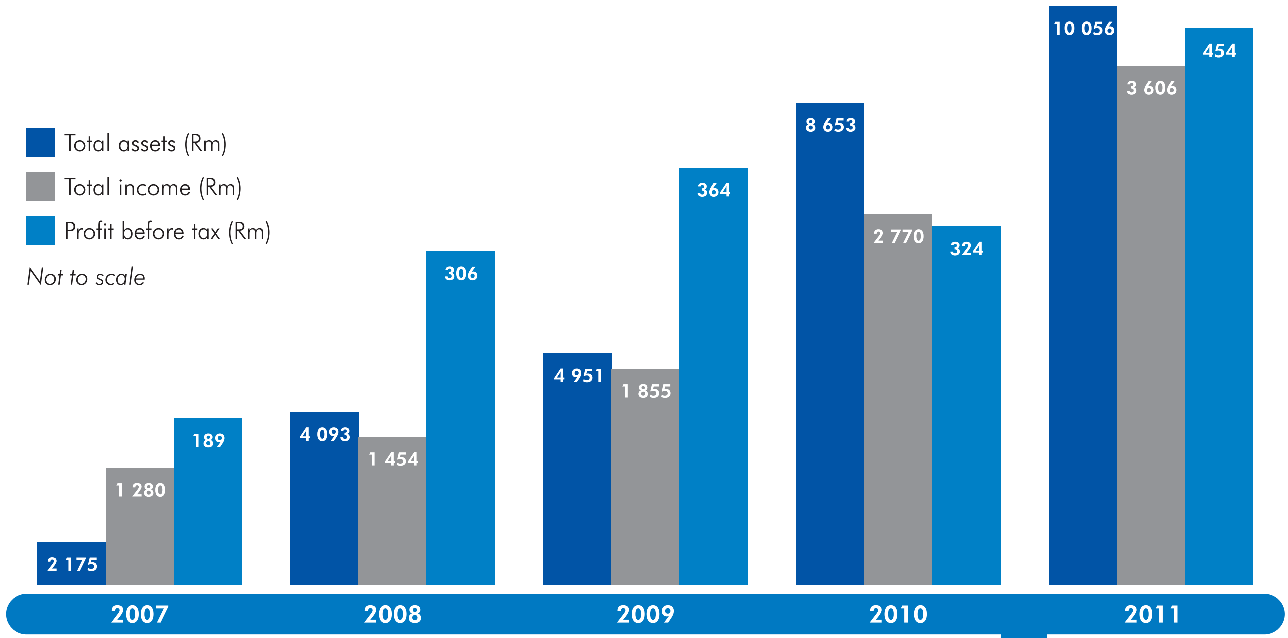
Investment proposition

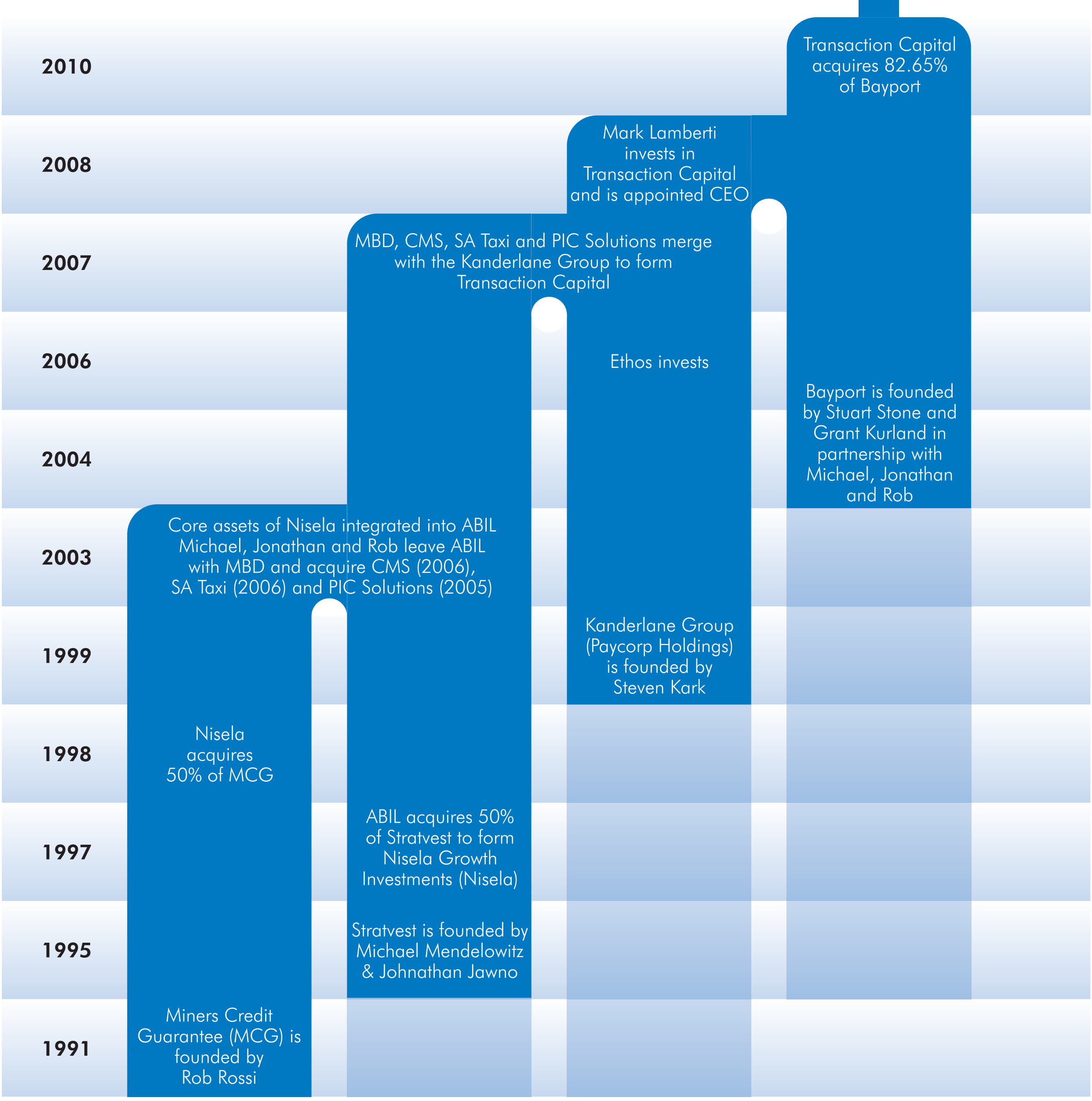
Transaction Capital provides an opportunity to invest in…



Information on each of the above is contained throughout this annual report.

Chronology and growth



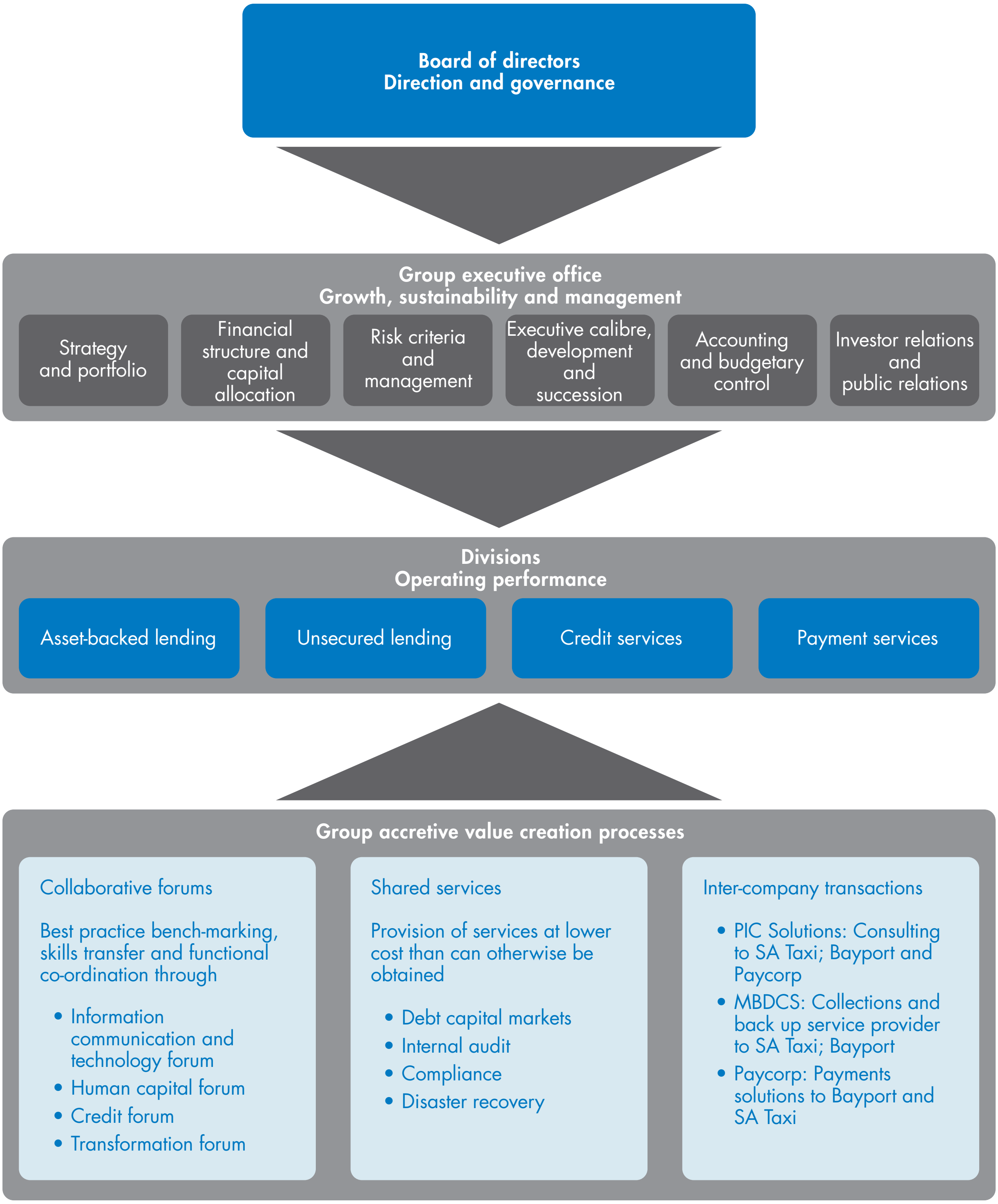


Business model

Transaction Capital's primary strategic objective is to enhance the competitive strategies of its businesses by adding value in excess of the tangible or intangible costs of being part of a group. Its secondary objective is to add value to shareholders by diversifying in a manner that they could not.

These objectives are most effectively achieved by the agglomeration of a portfolio of compatible assets through financially accretive acquisitions and disposals, and the subsequent creation of intra-group value through restructuring, transferring skills or sharing activities.

The business model depicted below provides the structures and processes for the direction, governance, management, operating performance and accretive value creation of the Transaction Capital group:



Refer to directorate page 17
Refer to board of directors page 53

Board of directors

In the pursuit of its vision and the implementation of its mission, Transaction Capital has a unitary board that is responsible for the direction and governance of strategy, assets and liabilities, risk, compensation and operating performance.

Refer to executive committee page 21
Refer to executive committee page 56

Group executive office

Authority, responsibility and accountability for the growth and sustainability of Transaction Capital are delegated by the board to the group chief executive officer, who is supported by a small team of functional leaders.

This group of executives determines and monitors: group and company strategy; composition of the portfolio; financial structure and capital allocation; risk criteria and management; executive calibre, development and succession; operating metrics and performance; and stakeholder relations; and actively intervenes to ensure alignment with objectives and plans.

Refer to group profile page 10
Refer to operational review page 43

Divisions

Transaction Capital comprises six businesses delivering operating performance within four divisions: asset-backed lending, unsecured lending, credit services and payment services.

Each business serves a specific market segment, with a unique business model and a dedicated executive team led by a chief executive, who has delegated line authority, responsibility and accountability for that company's performance. Each business has a board comprising mainly Transaction Capital executives, who monitor governance and performance, and provide counsel to line management.

Refer to CEO report page 25
Refer to operational review page 47

Group accretive value creation processes

The intentional similarity and complementarity of Transaction Capital's operating entities, infrastructure and capabilities creates a platform for the creation of value beyond that generated by each business. This occurs through three different processes:

- Collaborative forums, where functional experts from throughout the group meet regularly in focused forums to share best practice, transfer skills and co-ordinate functional initiatives to enhance performance.
- Shared services, where internal departments provide service to two or more companies at a cost lower than can be obtained outside of the group.
- Inter-company transactions, where one company provides a product or service to another on market-related terms and conditions.

Group profile

Lending
Total income R2 499 million
Profit before tax R332 million

Asset-backed lending
Total income R1 092 million
Profit before tax R137 million

Unsecured lending
Total income R1 407 million
Profit before tax R195 million

SA Taxi
driving our nation forward

Business type	Financier of independent small-medium enterprises (SME) in the minibus taxi industry
Business overview	SA Taxi is a leading specialised lender to SME minibus taxi operators in South Africa. It provides finance leases together with insurance and other related products utilising a combination of credit assessment methodologies, including minibus taxi route profitability analysis, vehicle quality assessment and traditional credit scoring
Societal relevance	SA Taxi facilitates the provision of finance to SMEs that would not otherwise have had access to credit from traditional banks and contributes towards job creation and the financing of a key means of public transportation in South Africa
Employees	355

Bayport
loans for you

Business type	Provider of unsecured personal loans to lower income clients
Business overview	Bayport is an independent provider of unsecured credit and related products, including cellular subscription agreements, in South Africa to the emerging middle-income consumer segment. It operates a distribution model including a branch network, backed up by a mobile agency force and sophisticated call centres to make contact with new clients. Bayport utilises an established information technology platform and has considerable risk and credit assessment capability
Societal relevance	Bayport facilitates the provision of finance to individuals that would not otherwise have had access to credit from traditional banks and contributes towards the improvement of living standards, education and accommodation
Employees	964

Rand Trust
business, on your terms

Business type	Provider of working capital to SMEs through invoice discounting and commercial debtors' management
Business overview	Rand Trust is a 50-year old established specialist debtor finance and administration business. It provides invoice discounting, which keeps clients in control of their sales ledger management, and commercial receivables management, by way of a fully outsourced debtor administration function, to SMEs that require funding or working capital not normally available from traditional banks
Societal relevance	Rand Trust facilitates the provision of finance to SMEs that would not otherwise have had access to credit from traditional banks and also provides administration for such SMEs
Employees	57

**This group profile excludes corporate support which contributes R34 million to total income and (R19) million to profit before tax.*

Services

Total income R1 072 million
Profit before tax R141 million

Credit services

Total income R635 million
Profit before tax R91 million

Payment services

Total income R437 million
Profit before tax R50 million

MBD Credit Solutions
asset intelligence

Business type	Collector on an agency basis or acquirer and collector on a principal basis of distressed accounts receivable
Business overview	MBD CS is an independent, externally service rated, South African leader in receivables management comprising the collection of pre-charge off accounts, charge off accounts and distressed debt. It operates on an outsourced contingency basis on behalf of its clients and as principal for its acquired portfolios. MBD CS is call-centre driven from 7 locations throughout South Africa and employs more than 2 200 collection agents
Societal relevance	MBD CS provides credit ratings, financial planning and debt rehabilitation through Credit Health, one of its subsidiary companies
Employees	2 451

Paycorp Holdings
payment services

Business type	Owner and operator of off-site ATMs, pre-paid debit cards and EFT point-of-sale terminals
Business overview	Paycorp Holdings is South Africa's largest independent payments group, owning its own third party transaction switch. It is a leading independent owner, deployer and operator of off-site ATMs, holding a 22% share of that market; a Visa-certified independent provider of stored value pre-paid card solutions; and a deployer of debit and credit card terminals. Paycorp Holdings operates nationally and is a South African Reserve Bank authorised system operator
Societal relevance	Paycorp Holdings drives financial inclusion through access to ATMs in the under-served markets
Employees	367

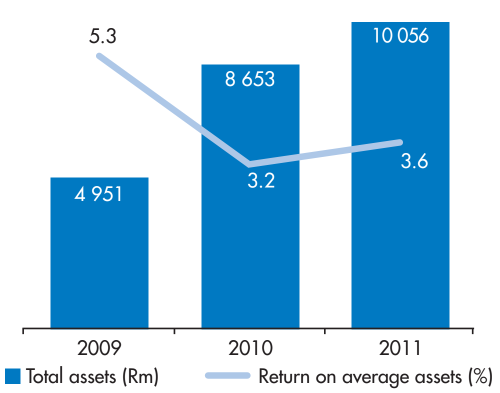
PIC Solutions
profitable decisions

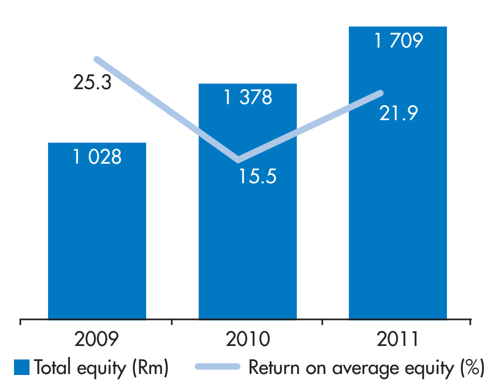
Business type	Provider of credit risk consulting and reseller of software
Business overview	PIC Solutions provides credit risk management consulting, analysis, predictive modelling and software services to third party corporate clients including major national retailers, banks and other credit providers and is also a non-exclusive distributor of the FICO (formerly known as Fair Isaac) software providing full support for its products. It operates in South Africa, Africa and the Middle East
Employees	67

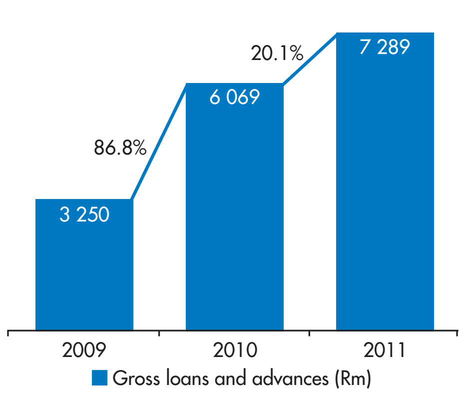
Three year review

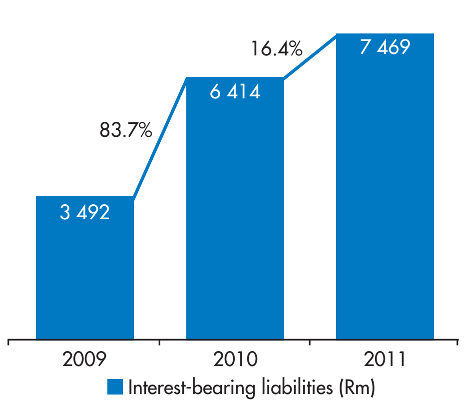
Consolidated statement of financial position

		2011 R'000	Growth %	2010 R'000	Growth %	Restated 2009 R'000
Cash and cash equivalents		695 540	21.0	574 853	55.6	369 360
Inventories		156 392	(25.2)	209 168	335.7	48 003
Loans and advances		6 720 185	17.6	5 716 409	81.3	3 153 531
Purchased book debts		307 780	25.9	244 540	(2.0)	249 555
Property and equipment		279 059	(3.8)	290 148	11.1	261 114
Goodwill and intangible assets		969 556	(0.3)	972 151	85.2	524 994
Other assets and receivables		927 664	43.8	645 256	87.3	344 426
Total assets		10 056 176	16.2	8 652 525	74.8	4 950 983
Liabilities						
Bank overdrafts		182 946	(4.7)	192 047	475.0	33 402
Interest-bearing liabilities		7 469 162	16.4	6 414 191	83.7	3 492 029
Other liabilities and payables		694 614	4.0	668 046	67.9	397 767
Total liabilities		8 346 722	14.7	7 274 284	85.4	3 923 198
Equity						
Equity attributable to ordinary equity holders of the parent		1 636 992	22.7	1 334 496	36.6	976 763
Non-controlling interests		72 462	65.6	43 745	(14.3)	51 022
Total equity		1 709 454	24.0	1 378 241	34.1	1 027 785
Total equity and liabilities		10 056 176	16.2	8 652 525	74.8	4 950 983
Number of shares	'000	471 176		455 085		420 876
Key performance indicators						
Gross loans and advances	R'000	7 289 459		6 069 146		3 249 531
Impairment provision	R'000	569 274		352 737		96 000
Non-performing loans	R'000	1 848 175		1 238 260		676 150
Net asset value per share	cents	347.4		293.2		232.1
Tangible net asset value per share	cents	141.7		79.6		107.3
Gross loans and advances growth	%	20.1		86.8		30.1
Interest-bearing liabilities growth	%	16.4		83.7		31.5
Non-performing loan ratio	%	25.4		20.4		20.8
Non-performing loan coverage	%	30.8		28.5		14.2
Provision coverage	%	7.8		5.8		3.0



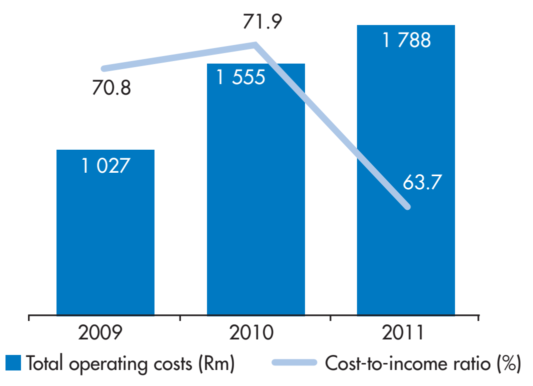


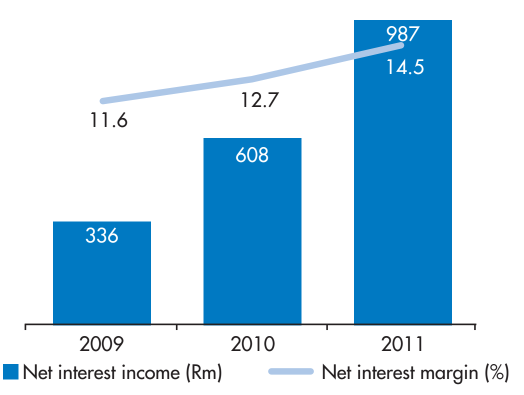


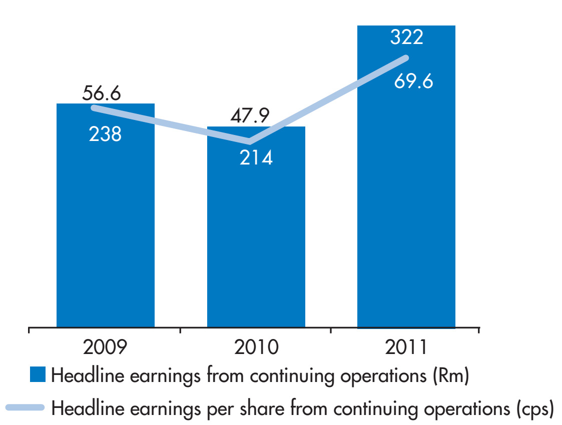


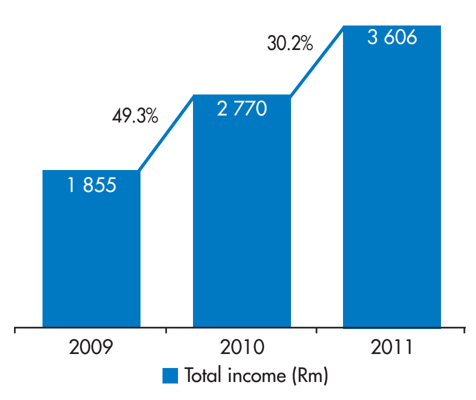
Consolidated statement of comprehensive income

		2011 R'000	Growth %	2010 R'000	Growth %	Restated 2009 R'000
Interest and other similar income		1 784 840	46.7	1 216 784	64.6	739 046
Interest and other similar expense		(797 655)	31.1	(608 362)	50.8	(403 440)
Net interest income		**987 185**	**62.3**	**608 422**	**81.3**	**335 606**
Impairment of loans and advances		(566 391)	103.7	(278 038)	322.8	(65 759)
Risk adjusted net interest income		**420 794**	**27.4**	**330 384**	**22.4**	**269 847**
Non-interest revenue		1 820 774	17.2	1 553 512	39.2	1 115 962
Direct costs		(797 706)	22.8	(649 685)	20.9	(537 380)
Non-interest gross profit		**1 023 068**	**13.2**	**903 827**	**56.2**	**578 582**
Indirect costs		(990 206)	9.3	(905 672)	84.8	(489 972)
Operating income		**453 656**	**38.1**	**328 539**	**(8.3)**	**358 457**
(Loss)/Income from associates		–	–	(5 028)	(190.3)	5 566
Profit before tax		**453 656**	**40.2**	**323 511**	**(11.1)**	**364 023**
Income tax expense		(107 993)	13.8	(94 914)	(10.1)	(105 524)
Profit from continuing operations		**345 663**	**51.2**	**228 597**	**(11.6)**	**258 499**
Loss from discontinued operations		(69 614)	1 647.6	(3 983)	160.2	(1 531)
Profit for the year		**276 049**	**22.9**	**224 614**	**(12.6)**	**256 968**
Profit for the year attributable to:						
Ordinary equity holders of the parent		250 479	24.7	200 847	(14.9)	236 045
Non-controlling interests		25 570	7.6	23 767	13.6	20 923
Headline earnings	R'000	297 007	40.2	211 813		236 598
Headline earnings from continuing operations	R'000	321 683	50.7	213 510		238 225
Weighted average number of shares in issue	'000	462 492		445 427		420 982
Key performance indicators						
Net interest margin	%	14.5		12.7		11.6
Credit loss ratio	%	8.3		5.8		2.3
Non-interest revenue as a percentage of non-interest revenue plus net interest income	%	64.8		71.9		76.9
Cost-to-income ratio	%	63.7		71.9		70.8
Effective tax rate	%	23.8		29.3		29.0
Headline earnings per share	cents	64.2		47.6		56.2
Headline earnings per share from continuing operations	cents	69.6		47.9		56.6
Return on average assets	%	3.6		3.2		5.3
Return on average tangible assets	%	4.0		3.6		5.8
Return on average equity	%	21.9		15.5		25.3
Return on average tangible equity	%	64.4		38.2		52.5









Definitions and formulas

Average equity attributable to ordinary equity holders of the parent

Sum of equity attributable to ordinary equity holders of the parent at the end of each month from September to September divided by 13

Average gross loans and advances

Sum of gross loans and advances at the end of each month from September to September divided by 13

Average tangible assets

Sum of tangible assets at the end of each month from September to September divided by 13

Average tangible equity attributable to ordinary equity holders of the parent

Sum of equity attributable to ordinary equity holders of the parent less goodwill and intangible assets at the end of each month from September to September divided by 13

Average total assets

Sum of total assets at the end of each month from September to September divided by 13

Cost-to-income ratio

$$\frac{\text{Total operating costs}}{\text{Net interest income plus non-interest revenue}}$$

Credit loss ratio

$$\frac{\text{Impairment of loans and advances}}{\text{Average gross loans and advances}}$$

EBITDA

Profit before net interest income, tax, depreciation and amortisation of intangible assets (specifically excluding amortisation of purchased book debts) for the credit services and payment services segments only

Effective tax rate

$$\frac{\text{Income tax expense}}{\text{Profit before tax}}$$

Headline earnings

Profit attributable to ordinary equity holders of the parent, adjusted for profit or loss on disposal of property and equipment, impairment on goodwill, profit or loss on disposal of associates, and capital gain or loss on discontinued operations

Headline earnings from continuing operations

Headline earnings adjusted for trading profit or loss on discontinued operations and capital profit or loss on disposals

Headline earnings per share

$$\frac{\text{Headline earnings}}{\text{Weighted average number of ordinary shares in issue}}$$

Headline earnings per share from continuing operations

$$\frac{\text{Headline earnings from continuing operations}}{\text{Weighted average number of ordinary shares in issue}}$$

Net asset value per share

$$\frac{\text{Equity attributable to ordinary equity holders of the parent}}{\text{Number of ordinary shares in issue}}$$

Net interest margin

$$\frac{\text{Net interest income}}{\text{Average gross loans and advances}}$$

Non-performing loans

The balance outstanding of loans and advances with a contractual delinquency greater than three months excluding loans and advances with a contractual delinquency greater than three months where three consecutive receipts have been received in the three-month period preceding the measurement date

Non-performing loan coverage

$$\frac{\text{Impairment provision}}{\text{Non-performing loans}}$$

Non-performing loan ratio

$$\frac{\text{Non-performing loans}}{\text{Gross loans and advances}}$$

Provision coverage

$$\frac{\text{Impairment provision}}{\text{Gross loans and advances}}$$

Return on average assets

$$\frac{\text{Profit from continuing operations}}{\text{Average total assets}}$$

Return on average tangible assets

$$\frac{\text{Profit from continuing operations}}{\text{Average tangible assets}}$$

Return on average equity

$$\frac{\text{Profit from continuing operations attributable to ordinary equity holders of the parent}}{\text{Average equity attributable to ordinary equity holders of the parent}}$$

Return on average tangible equity

$$\frac{\text{Profit from continuing operations attributable to ordinary equity holders of the parent}}{\text{Average tangible equity attributable to ordinary equity holders of the parent}}$$

Tangible assets

Total assets less goodwill and intangible assets

Tangible net asset value per share

$$\frac{\text{Equity attributable to ordinary equity holders of the parent less goodwill and intangible assets}}{\text{Number of ordinary shares in issue}}$$

Total income

Interest and other similar income plus non-interest revenue

Total operating costs

Direct costs plus indirect costs

Directors and officers

Directors and officers

Directorate

Transaction Capital has a unitary board comprising the following directors:

Independent non-executive directors

Christopher Seabrooke (59)

Chairperson of the board
B Com (Natal), B Acc (Natal), MBA (Wits), FCMA (UK)
Appointed 11 June 2009

Christopher is an international financier and investor who has been a director of over twenty stock exchange-listed companies over the years. He is currently chief executive officer of Sabvest Limited, chairperson of Metrofile Holdings Limited and deputy chairperson of Massmart Holdings Limited (all JSE listed), and a director of Brait S.A. (Luxembourg/JSE), Datatec Limited (LSE–AIM/JSE) and Net1 UEPS Technologies Inc (NASDAQ/JSE). He is also a director of a number of unlisted companies including Mineworkers Investment Company (Proprietary) Limited and is chairperson of The Alternative Equity Partners Fund. He is a former chairperson of The South African State Theatre and former deputy chairperson of the inaugural National Arts Council of South Africa. He is also a member of The Institute of Directors.

Dr Len Konar (57)

Deputy chairperson of the board
B Com (Durban-Westville), PG Dip Acc (Durban-Westville), Master of Accounting Sciences (Illinois, USA), D Comm (Unisa), Cert in Tax Law (Unisa), Cert in Electricity Tarriffs (Stellenbosch), CA(SA)
Appointed 1 October 2007

Len is a Chartered Accountant by profession and was previously executive director of the Independent Development Trust where he was, amongst other activities, responsible for the internal audit and investment portfolios. Prior to that he was professor and head of the Department of Accountancy at the University of Durban-Westville. He has also lectured to graduate students at various South African universities. Len is a member of the King Committee on Corporate Governance, the Corporate Governance Forum and the Institute of Directors. He is a non-executive director of the JD Group Limited, Sappi Limited, Illovo Sugar Limited and chairperson of Steinhoff International Holdings Limited, EXXARO Resources, Old Mutual Investment Group South Africa and Mustek Limited. He is the past co-chair of the Independent Oversight Panel of the World Bank and the past chairperson and member of the external audit committee and past member of the Safeguards Panel of the International Monetary Fund in Washington, and past member of the *ad hoc* Ethics Panel of the United Nations in New York.

Phumzile Langeni (37)

B Com (Natal)
Appointed 11 June 2009

Phumzile is a B Com graduate and a stockbroker by profession. She is the executive chairperson of Afropulse Group (Proprietary) Limited, a women-led investment and corporate finance house. She was previously vice-president of investor relations of dual-listed junior platinum miner, Anooraq Resources Limited. Prior to that, she was head of new business at Barnard Jacobs Mellet Securities (BJM). She is one of the two founders of Mazwai Securities, a stockbroking firm that merged with BJM in 2003. Phumzile also served as the economic advisor to the then Minister of Minerals and Energy, the Honourable Ms B P Sonjica, between 2007 and 2009.

Phumzile is currently the chairperson of Astrapak Limited, and a non-executive director of Massmart Holdings Limited, Imperial Holdings Limited, Peermont Global (Proprietary) Limited, Primedia Limited, the Mineworkers Investment Company (Proprietary) Limited and the Port Regulator. She sits on the board of the St Mary's School (Waverly) Foundation.

Directorate continued

Independent non-executive directors continued

Brenda Madumise (47)
B Proc (Wits), LLB (Wits),G Dip in Int Trade law (Wits), MBA (Bond)
Appointed 1 May 2010

Brenda runs a women-led investment company and also consults on various business aspects including but not limited to corporate governance. Her career began at the University of the Witwatersrand as an assistant on the street law project. She has worked for Government and the private sector in various capacities, pioneering policies for gender equality, telecommunications and broadcasting, mining and constitutional development. Brenda serves on the boards of Hospitality Fund, Randgold and Exploration, Railway Safety Regulator, and the International Marketing Council. She is vice-president of Business Unity South Africa and chairperson of the Iziko Museums. She is an admitted and non-practising advocate. She previously chaired the Appeals Board for Council for Medical Schemes for six years. She has edited two books, namely, the Situation Analysis of South African Women and Sexual Harassment in the Work Place. She was a visiting fellow at the United Nations Human Rights Commission.

Rob Shuter (44)
B Com (UCT), PG Dip Acc (Natal), CA(SA)
Appointed 1 February 2010

Rob is a Chartered Accountant by profession, having served articles at Deloitte & Touche in Johannesburg. Most of Rob's career has been in the banking sector where he has been head of investment banking at Standard Bank and head of retail banking at Nedbank. Rob has always enjoyed working in the strategy and leadership fields and was head of strategy and corporate affairs for Nedbank prior to being appointed to run their retail banking division in 2004. In 2008, Rob was awarded South Africa's leading manager award by consulting firm CRF. In 2009 Rob left Nedbank and joined the Vodacom Group as chief financial officer.

Dumisani Dumekhaya Tabata (56)
B Proc (Fort Hare), LLB (Natal)
Appointed 1 February 2010

Dumisani was admitted to practise as an attorney of the Supreme Court of South Africa in 1984 and in the same year became one of the founding partners of Smith Tabata and van Heerden in King William's Town. As an attorney, he has been involved in several constitutional and administrative law-related matters affecting individuals and community organisations. He has a keen interest in human rights law and humanitarian law.

In 1996, Dumisani was appointed as an acting judge of the High Court and served in this position for three terms. Dumisani regularly acted as attorney for Government departments, local authorities and parastatals. He has served as deputy chairperson of the ABSA Bank regional board in the Eastern Cape and is currently a member of its advisory board and a member of ABSA Bank's divisional board.

He is an executive director of Vuwa Investments (Proprietary) Limited and director of Smith Tabata Inc in King William's Town and East London and Smith Tabata Buchanan Boyes in Cape Town and Johannesburg.

Non-executive directors

Michael Mendelowitz (46)
B Com (UCT),G Dip Acc (UCT), CA(SA)
Appointed 20 March 2003

Michael is a Chartered Accountant by profession, having served articles at Deloitte & Touche in Cape Town. His career to date has focused on identifying and partnering high growth owner-managed businesses, most of which capitalised upon niches within the financial service sector. Michael co-founded financial services entity Stratvest in 1995 with friend Jonathan Jawno. In 1997, ABIL, at the time called Theta Investments, acquired 50% of Stratvest, leading to the formation of Nisela Growth Investments (Nisela). Michael held the position of joint chief executive officer of Nisela until 2002, when it was integrated into ABIL. Together with Rob Rossi and Jonathan Jawno, Michael went on to grow the group of companies that were merged with Paycorp Holdings in 2006 to form Transaction Capital, which continues to harness his skills and experience.

Rob Rossi (50)
B Sc Mech Eng (Wits), G Dip Ind Eng (Wits), B Proc (Unisa)
Appointed 4 September 2003

Rob founded Miners Credit Guarantee (MCG) in 1991 to provide credit card type facilities to mine workers.

MCG acted as a credit provider between retailers and Teba Bank until 1998. MCG developed a network of over 300 retailers serving 150 000 clients. In 1999 Theta Investments acquired a 50% stake in MCG.

Rob assumed executive roles at MCG and Theta and was subsequently responsible for the establishment, acquisition, growth and operations of several of the businesses owned by African Bank Investments Limited (ABIL). During 2003, MCG was integrated into ABIL and Rob sold his remaining shares to ABIL. In 2003 after ABIL merged Theta Investments and African Bank Limited, he left ABIL and, together with Jonathan Jawno and Michael Mendelowitz, went on to acquire and grow the group of companies that merged with Paycorp Holdings in 2006 to form Transaction Capital.

Shaun Zagnoev (45)
B Sc Elec Eng (Wits), M Sc Elec Eng (Wits), MBA (Wits)
Appointed 22 June 2007

Shaun worked as a management consultant with Gemini Consulting, providing strategic and operational consulting services to large South African companies. He is currently a partner at Ethos Private Equity where he has been involved in investing in a wide array of businesses for the past seventeen years. He is responsible for all aspects of the investment process and has sat on the boards of some nineteen companies where he offers strategic and financial guidance. Shaun frequently delivers lectures on private equity to business schools and local and international private equity forums.

Company secretary

Peter Katzenellenbogen (65)
B Com (Pta), CTA (Wits), CA(SA)
Appointed 7 September 2009

Peter obtained his B Com Accounting *(cum laude)* from Pretoria University in 1967 and qualified as a Chartered Accountant in 1969. He joined PKF (Jhb) Inc in 1968 and was admitted as a partner in 1974. He served on the management committee from 1979 and was appointed as managing director in November 1999. He also served as national chairperson of PKF in Southern Africa and as the African representative to PKF International Limited. He resigned on 31 October 2006 to join Transaction Capital. Peter is the chairperson of the Chartered Accountants Medical Aid Fund investment committee and a member of its disputes panel. He has served as trustee and treasurer of numerous trusts, body corporates and social organisations.

Directorate continued

Executive directors

Mark Lamberti (61)

Group chief executive officer and chairperson of the executive committee
B Com (Unisa), MBA (Wits,) PPL (Harvard)
Appointed 1 July 2008

For the past 30 years, Mark has served in an executive or non-executive capacity on the boards of various public companies in the retail, technology, media, and telecommunications fields and as chairperson or a director of a number of industry associations and educational institutions.

On 1 July 2007, after serving for almost 19 years as the architect and leader of Massmart Holdings Limited, Mark retired as deputy chairperson and chief executive to become non-executive chairperson of the board. In 2011, Walmart purchased a 51% controlling share of Massmart and invited Mark to remain as chairperson of the reconstituted board.

Mark joined Transaction Capital in July 2008 as executive chairperson and, in keeping with good corporate practice, he relinquished the chairpersonship in September 2009. In addition to various directorships, Mark is an Honorary Adjunct Professor of Business Administration at Wits Business School. Mark's achievements have been widely acknowledged throughout his career, most notably as the 2001 winner of the Ernst & Young South Africa's Best Entrepreneur Award and the 2004 winner of the Italian South African Businessman of the Year Award.

Tim Jacobs (42)

Group chief financial officer and member of the executive committee
B Com (Rhodes), H Dip Acc (Rhodes), CA(SA)
Appointed 7 September 2009

Tim is a Chartered Accountant by profession, having served articles at Ernst & Young in Johannesburg. He commenced his business career in 1996 as financial director of Air Liquide (Proprietary) Limited, an industrial and medical gas company. He went on to join Nampak Limited, the listed diversified packaging group, in 2001 as group accountant, and was appointed group financial manager in 2003. He was then appointed chief financial officer and board member in 2005. Tim joined Transaction Capital in September 2009 as chief financial officer.

Jonathan Jawno (45)

Executive director and member of the executive committee
B Com (UCT), G Dip Acc (UCT), CA(SA)
Appointed 20 March 2003

Jonathan is a Chartered Accountant by profession, having served articles at Arthur Andersen in Cape Town. Jonathan co-founded financial services entity Stratvest in 1995 with friend Michael Mendelowitz. In 1997, ABIL, at the time called Theta Investments, acquired 50% of Stratvest, leading to the formation of Nisela Growth Investments (Nisela). Jonathan held the position of joint chief executive officer of Nisela until 2002, when it was integrated into ABIL. Together with Rob Rossi, Jonathan and Michael went on to acquire and grow the group of companies that were merged with Paycorp Holdings in 2006 to form Transaction Capital. Jonathan currently fulfills the role of executive director for Transaction Capital.

Steven Kark (38)

Paycorp Holdings chief executive officer and member of the executive committee
B Com (Wits), PG Dip Bus Admin (Thames, London)
Appointed 26 April 2007

Steven commenced his business career at Interbrand, the main operating subsidiary of Brandcorp Limited, where he rose to be a director. In 1999, he co-founded the ATM Solutions Group (now Paycorp Holdings), winning the KPMG Unlisted Company of the Year Award in 2003. A recipient of the Investec Jewish Entrepreneur of the Year Award in 2001, Steven is the chairperson of the Association of System Operators, a member of the Young Presidents Organisation and a founder board member of the ATM Industry Association Africa. Steven is the chief executive officer of Paycorp Holdings.

Executive committee

The Transaction Capital executive committee comprises executive directors Mark Lamberti, Tim Jacobs, Jonathan Jawno and Steven Kark, refer to page 20, and the following members:

David Hurwitz (40)
Group chief risk officer
B Com (Hon) (Wits), CA(SA), H Dip Tax (Wits)

David is a Chartered Accountant by profession, having served articles at Grant Thornton in Johannesburg. David has been active in the debt capital markets since 1997, and has been involved in the local securitisation market since its inception. He has over 15 years' experience including structuring and arranging debt and funding under securitisation transactions. In 2005 David joined Jonathan Jawno, Michael Mendelowitz and Rob Rossi to acquire African Bank's Commercial Vehicle Finance Division (now SA Taxi). Shortly thereafter David established the debt capital markets team at Transaction Capital. In July 2010, David was appointed chief financial officer of SA Taxi and in June 2011 he was appointed group chief risk officer.

Mark Herskovits (37)
Debt capital executive
B Bus Sci Finance (UCT), PG Dip Acc (UCT), CA(SA), CFA

Mark is a Chartered Accountant by profession, having served articles at Deloitte & Touche in Johannesburg. After remaining on as a manager until 2001, Mark joined Rand Merchant Bank as an investment analyst in the special projects international division. He was part of a team which managed two US High Yield bond CDO portfolios with a total value of $1 billion. In 2004 he co-founded a new business within the bank focusing on emerging market corporate investments, including bonds, loans, credit derivatives and equities. In 2007 Mark joined Transaction Capital as a private equity transactor. After completing a number of acquisitions for the group he joined the debt capital markets division in 2009. In June 2010, Mark was appointed divisional head of debt capital markets, the position he currently holds.

Eddy Shapiro (38)
Group commercial executive
B Com (Wits), B Acc (Wits), CA(SA), PLD (Harvard)

Eddy is a Chartered Accountant by profession, having served articles at PKF in Johannesburg. He then worked for Abbey National Bank in London and on his return to South Africa in 2001 he joined Theta Investments, the private equity incubator of ABIL. In 2003, Eddy left ABIL with Michael Mendelowitz and Jonathan Jawno and spearheaded the corporate finance function creating Transaction Capital and its initial subsidiaries MBD, PIC Solutions and SA Taxi and the subsequent merger with the ATM Solutions group. In addition, he represented the executive shareholders as a director on various boards of the portfolio companies. After working with Mark Lamberti in a mentorship role Eddy was appointed the commercial executive of Transaction Capital. In 2011, Eddy joined Bayport as the commercial director.

Stuart Stone (42)
Chief executive officer Bayport
B Com (UCT), PG Dip Acc (UCT), CA(SA)

Stuart is a Chartered Accountant by profession, having served articles at Kessel Feinstein in Cape Town. Soon thereafter, he founded Grand Furnishers, a successful Cape-based independent furniture retailer. This earned Stuart the Samsung Independent Retailer of the Year Award in 1998. That same year Stuart noticed an increasing demand for credit in the emerging market and formed Credit Direct, a joint venture with Theta Investments (a division of ABIL). Two years later, Credit Direct was divisionalised into ABIL and went on to become a significant part of the bank's distribution channel. By then Stuart was part of the bank's executive team.

In 2001 Stuart founded Bayport in partnership with Grant Kurland and Brait. In August 2007 a management consortium led by Stuart and Grant bought Brait's shareholding. Transaction Capital acquired a controlling interest in Bayport in February 2010.

Executive committee continued

Terry Kier (46)
Chief executive officer SA Taxi
BA (Hon) (Wits), PDM (Wits)

Terry was part of the original team that drove the growth of Software Connection into a national chain. Thereafter, he co-founded SoftwareMart in partnership with JSE listed OfficeMart, before joining Softline in the early nineties. He filled a number of executive positions within the Softline Group and was part of the team that saw Softline Limited list on the JSE in 1996. He went on to become the chief executive officer of Pastel Software and remained a Softline Holdings board member. In 2005, he left Softline with Neil Dove to start a medical software company which was sold to the Bytes Technology Group in 2007. Terry joined Transaction Capital as chief executive officer of Mortgage Capital with the specific intent of building a property-focused business unit within the group. In August 2010, Terry was appointed chief executive officer of SA Taxi, the position he currently holds.

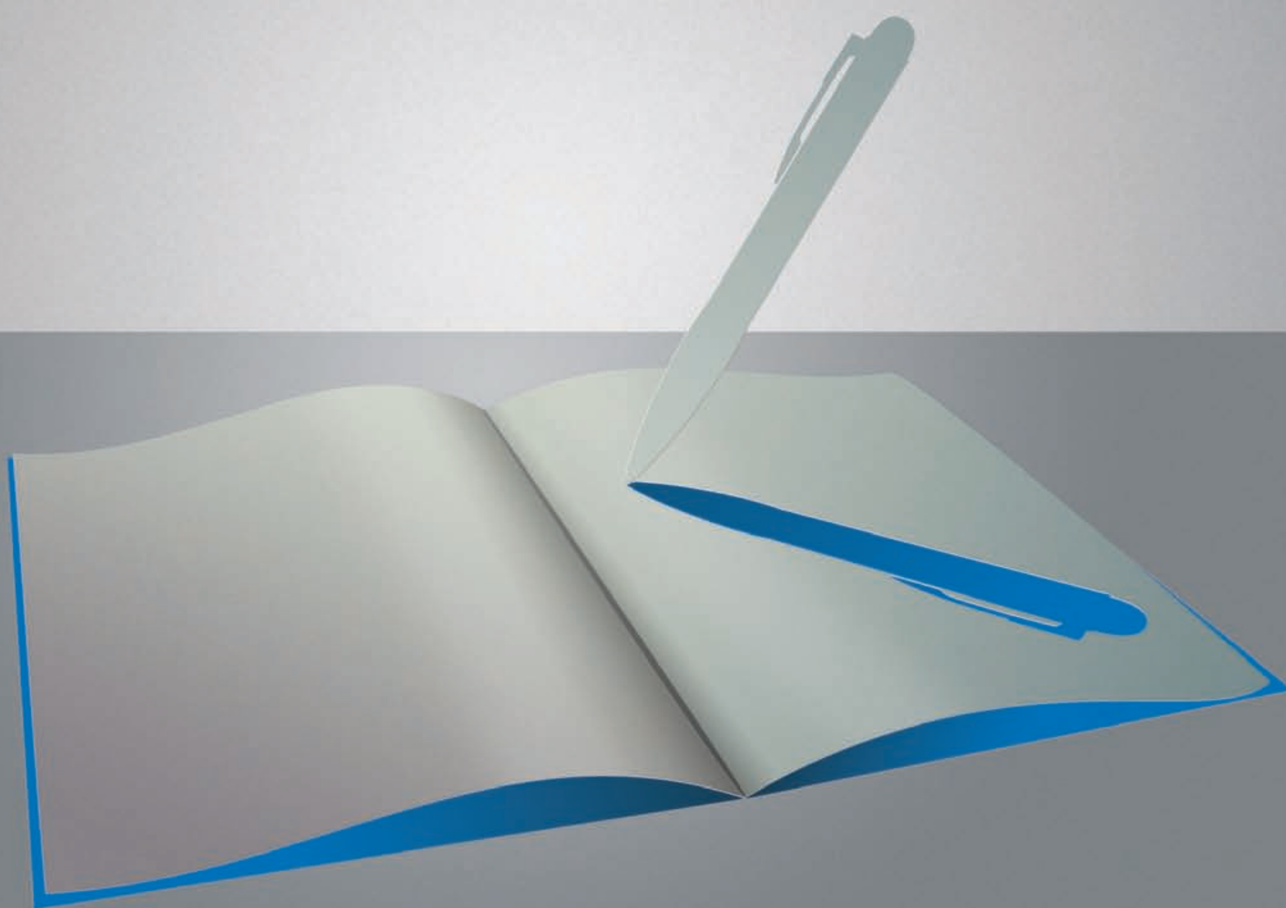
Charl van der Walt (46)
Chief executive officer MBD Credit Solutions
B Acc (Hon) (Potch), CA(SA)

Charl is a Chartered Accountant by profession, having served articles at Coopers Theron du Toit, now PriceWaterhouseCoopers in Johannesburg. From 1993 to 2000, Charl practiced as a registered auditor and accountant at Kruger and Co, where he was admitted as a partner. He joined the MBD CS group as chief financial officer in May 2000. In October 2005, Charl was appointed chief executive officer, the position he currently holds.

Wayne Abramson (38)
Chief executive officer ATM Solutions
B Com (Wits), B Acc (Wits), CA(SA), CFA

Wayne studied at the University of the Witwatersrand where he completed his B Com *(cum laude)* and B Acc, before joining Arthur Andersen to serve articles. After completing articles, he worked in the banking sector in London for a year before returning to South Africa in 1999. He then joined the investment banking division of Gensec Bank, where he spent four years primarily involved in merger, acquisition and corporate finance activity. During that time, he completed his CFA. Wayne joined ATM Solutions in February 2003 as chief financial officer. In January 2007, he was appointed chief executive officer, the position he currently holds.

Reports to stakeholders



Reports to stakeholders

Chief executive officer's report

Introduction

The start of the year under review marked the beginning of the third phase of Transaction Capital's evolution.

The first phase, which commenced in the early 1990s, was the identification and acquisition by the founding shareholders of independent assets and companies that exhibited the potential for superior risk-adjusted returns in their financial services niche. As these entities achieved traction and scale, it became clear that further value could be created through their agglomeration, collaboration and management within a group, and in late 2006 the second phase commenced with the formation of Transaction Capital.

From then until the end of September 2010, substantial expertise and energy was applied to the refinement of the portfolio and the creation of a coherent group of non-deposit taking lending and services companies. The imperative was to augment the group's core sector skills and risk management capabilities with strategic discipline, organisation design, executive development, intra-group collaboration, governance and compliance.

It is pleasing to report that the decisions and efforts of the past decade have been vindicated by the record performance of 2011.

Group performance

The improvement and maturing of management, systems and processes resulted in all operating and functional entities performing more in line with expectations than ever before. Planning and budgeting is now more thoughtful, forecasting more accurate and, as a result, corrective action is more urgent and better directed.

Refer to three year review page 12

The result was an excellent performance reflected most vividly in the following financial highlights from continuing operations:

- Loans and advances grew 17.6% to R6 720.2 million
- Total income grew 30.2% to R3 605.6 million
- Profit before tax grew 40.2% to R453.7 million
- Profit after tax grew 51.2% to R345.7 million
- Headline earnings per share (HEPS) grew 45.1% to 69.6 cents
- Return on average tangible assets improved from 3.6% to 4.0%
- Return on average tangible equity improved from 38.2% to 64.4%

This financial performance was a consequence of the strong operating performance which, in turn, was a result of improved human capital performance group-wide.

Following on 2010, which featured a number developments that reduced earnings to establish a new base for sustainable growth, this performance extended Transaction Capital's longer-term growth trajectory. Over the past three years the compound annual growth of loans and advances has been 46.0%, total income 39.4%, profits before tax 11.6% and HEPS from continuing operations 10.9%.

The strategic, operational, financial and societal performance of Transaction Capital is described in detail throughout this report.

Environment

As the year progressed, it became clear that the global recovery was at best tentative. Despite strong growth from China and India, and moderate growth in most emerging markets, the anaemic growth of the American economy and persistent fears of a default in the Eurozone were portents of lower global growth and recession in some economies.

South Africa's growth slowed in concert with the reduction of demand from its major trading partners, inflationary pressures increased and the currency – stable and strong since 2009 – weakened. Although the household debt-to-income ratio declined gradually to 78%, savings remained low. Relatively solid retail sales belied the fragility of consumer's financial health and applications for debt review increased ten-fold from the 27 000 of September 2008.

Although the year-on-year growth of the national gross debtors' book was slightly over 6%, unsecured credit surged by 45% to R88 billion. With only 12% of the population having a personal loan facility, demand for credit remained robust. Affordability criteria imposed on lenders by the National Credit Act and the banks' reticence to extend asset-backed finance as liberally as in prior years has caused borrowers, traditionally reliant on asset-backed finance, to opt for more expensive longer-term unsecured credit. This market became more competitive as the major banks responded to the growth of newer entrants, with debt consolidation the major product promoted to retain clients and increase market share.

During the year South Africa's largest diversified employment-services company produced research which suggested that employment in the informal sector had burgeoned in recent years and unemployment was far less than that reported in the national statistics. This view is supported to some extent by Transaction Capital's experience in the informal minibus taxi industry and its insight into cash withdrawals from ATMs.

While the businesses of Transaction Capital were influenced to a greater or lesser extent by the above factors, the upward migration of consumers through the socio-economic groups continued, creating a market opportunity for those determined to satisfy the financial services needs of historically under-served businesses and consumers.

Strategy

Transaction Capital was founded on the strategic principle that groups do not compete; only subsidiaries do.

The group's primary strategic objective is therefore to enhance the competitive strategies of its business units by adding value in excess of the tangible or intangible costs of being part of a group. The secondary objective is to add value to shareholders by diversifying in a manner they cannot.

These objectives are most effectively achieved by the agglomeration of a portfolio of compatible assets through financially accretive acquisitions and disposals, and the subsequent creation of intra-group value through restructuring, transferring skills or sharing activities.

While each discrete operating entity has a competitive strategy unique to its sector and client base, the leadership of the Transaction Capital group intervenes actively to ensure that the following five major strategic thrusts are reflected in the activities of all operating and functional entities.

1. Seek out new growth opportunities to leverage existing capabilities and infrastructure

   Transaction Capital's entrepreneurial record and understanding of credit and payments in emerging market segments can be leveraged across a broader range of niche markets and products than the group currently serves.

   We therefore aim to expand the group and each business organically within viable niches of the South African financial services sector, through the continued growth of the group's client base and distribution outlets, through cross-sells to existing clients, through new product development and through the identification of potential adjacent niches within the financial services sector.

   Transaction Capital will continually target and segment new clients and ensure that existing clients have greater economic value to the group over time. This will be achieved by expanding the distribution network and by increasing the loan sizes, extending loan terms, and innovating and cross-selling complementary products and services to those who have established a relationship trajectory of acceptable risk.

   In addition, Transaction Capital businesses have strong partner relationships with leading South African financial institutions, banks, retailers and other credit providers, from which they can develop additional business opportunities.

2. Enhance returns through operational excellence, intra-group collaboration, the sharing of best practices and governance

   While each operating and functional entity has made great progress in recent years, not all are operating at the requisite level of efficiency. Continued investment in people and technology will result in risk mitigation, cost reduction and improved deployment of capital in future.

   As the group's various operating divisions all serve the growing middle classes, Transaction Capital believes that value can be created beyond the sum of the parts through judicious collaboration. Such collaboration is additionally one of the main ways in which Transaction Capital gains a full understanding of its customer base and manages credit risk.

   Transaction Capital shares expertise and skills through committees and forums in which the group's executive and senior managers participate, and aims to generate economies of scale through the sharing of internal services that can be rendered at lower cost than otherwise.

   Financial services in South Africa are subject to a wide range of laws, regulation, compliance and disclosure. Transaction Capital has embraced and institutionalised the governance surrounding these requirements through the composition and committees of the board and the levels of fiduciary and managerial oversight and authority formally imposed on the operating and functional entities.

3. Secure long-term funding structures to support the group's growth

   Transaction Capital's ability to expand and improve the competitive positions of its businesses depends in part on the group's ability to raise sufficient capital. The group, via its debt capital market's team (DCM), aims to secure access to sufficient long-term funding from a variety of sources, including, without limitation, local and international institutional investors, banks, development finance institutions, specialised debt funds, conduits, traditional asset managers, fixed interest funds and insurance companies, and through a range of funding structures, including securitisation, structured finance and syndicated loans.

   Transaction Capital expects that a significant portion of the group's financing will continue to be sourced from ring-fenced, limited recourse asset-backed funding structures. These funding structures facilitate investor diversification and avoid cross-subsidies or risks across businesses, while the group retains residual exposure through equity or subordinated financing and servicing obligations.

4. Improve data and skills to embrace, manage and mitigate risk

   The volume and granularity of information required to service clients and control assets and people in Transaction Capital is significant. While the integrity of data is sound throughout the organisation, very few of the operating entities have utilised technology to the point where differentiation, speed, simplicity or low cost constitutes a competitive advantage. Investments in business process redefinition and information and processing technologies are expected to produce benefits in excess of their cost over the next three years.

   Transaction Capital executives are appropriately qualified and many have deep and lengthy experience within the group while others are experienced appointments with relevant expertise from other financial institutions. This intellectual capital is applied typically over a much smaller asset base than in larger organisations with a concomitant expectation of higher performance.

   The most senior management of the group (currently around 70 individuals) have been recognised by their membership of the "Top 50". The compensation, benefits and programmes attached to this membership facilitate the attraction, retention and development of key management and encourage collaboration between executives across the group. Transaction Capital's aim is to preserve sufficient flexibility to support management's entrepreneurial spirit and innovation, while maintaining management accountability, robust risk processes and knowledge sharing across the group's businesses.

5. Target, acquire and integrate accretive acquisitions

   The leaders of Transaction Capital have a proven record of accreting value by identifying, pricing, acquiring and integrating new businesses. While significant acquisitive growth opportunities exist to exploit this expertise, a conservative approach in their selection will persist, with a narrow focus on the acquisition of compatible assets, the competitiveness and value of which can be enhanced by active management within the group.

   Although there are sufficient opportunities organically to drive short to medium-term growth within existing operations, Transaction Capital will consider acquisitive growth within the ambit of its capabilities and experience in South Africa and the broader Southern African region.

Progress with each of these during the past year is reflected in the sections below.

Support functions

Holdings

Based on the premise that weaknesses in subsidiaries cannot be compensated for by strength at the centre, the Transaction Capital central office is structured to enable the board and executive directors to provide direction, oversight and control of the group.

Throughout the year, considerable effort was directed at:

- the refinement of subsidiary strategies with each now focused on the enhancement of their competitive advantage and a resultant five-year forecast;

- the monitoring and control of risk with the appointment of a chief risk officer and the implementation of rigorous risk management practices led by the risk and compliance committee;
- executive recruitment, development, succession and compensation, the success of which was manifested most visibly in the attraction of industry-leading talent and numerous internal promotions;
- the achievement for the first time of a Level 4 BBBEE rating;
- the improvement of the quality and speed of accounting and reporting facilitated by the implementation of consolidation software;
- the entrenchment of high standards of governance and compliance in line with King III;
- interventions to redress operational variances from plan;
- the exit from the affordable housing sector; and
- increasing counter parties' awareness of Transaction Capital by building relationships at the highest levels.

Shared services

Refer to shared services page 49

For many years, Transaction Capital has relied on a small but highly competent internal DCM team to secure the required debt funding. The efficacy of the approach adopted by this team is reflected in the fact that over R11 billion of debt capital has been raised over the past six years, sustained throughout the volatile capital market cycles of 2008/2009.

The DCM team had an excellent year in support of the group's needs with the highlight being the listing of the R4.4 billion Bayport Securitisation Domestic Medium-Term Note Programme on the Interest Rate Market of the JSE Limited, attracting a new segment of the asset manager universe who have until now been unable to participate in Transaction Capital's debt issues.

With its structures and procedures now fully ensconced, the Internal Audit function is being increasingly relied on by the board, management and the external auditors. During the year, the decision was taken to strengthen the compliance function under the leadership of the group internal audit executive.

Collaborative forums

Refer to collaborative forms page 47

Transaction Capital forums facilitate collaboration and the sharing of best practice. The success of the existing information, communication and technology forum and the human capital forum led to the decision during the year to extend this process and the credit and transformation forums were formed.

Operating divisions

Refer to group profile page 10

Transaction Capital currently comprises six operating companies in four divisions:

- The **asset-backed lending division** comprises two businesses: SA Taxi, which provides finance to small-medium enterprises (SMEs) in the minibus taxi industry; and Rand Trust, which provides working capital finance and commercial debtors' management services to SMEs through invoice discounting.
- The **unsecured lending division** comprises Bayport, which provides unsecured personal loans and allied products to the lower income and emerging middle class segments of the population. Bayport was acquired by the group effective 1 February 2010 and was therefore consolidated into the financial results for eight months of the 2010 financial year.
- The **credit services division** comprises two businesses: MBD CS, which focuses on the collection of under-performing consumer debt on an outsourced and contingency basis on behalf of its mainly blue-chip clients, and as a principal for its acquired portfolios; and PIC Solutions, which provides credit risk management consulting, analytics, predictive modelling and software services to leading banks, retailers and other providers of consumer credit.
- The **payment services division** comprises Paycorp Holdings, which provides solutions in ATM operations, EFT point-of-sale services, card issuing and electronic transaction processing.

With line or in some cases functional accountability to group executives, each company functions with its own chief executive officer and executive committee, who are fully responsible for operating and financial performance within the bounds of approved strategies and budgets.

Group executives provide direction and oversight through the sub-committees of the Transaction Capital board, the subsidiary boards and committees and through regular formal contact with line managers.

Transaction Capital regards competent executive leadership as the cornerstone of performance and numerous changes were made during the year to align structures and executive capabilities with the competitive strategies, growth imperatives and risk management requirements of each company.

Refer to operational review page 43

A detailed report on the performance of each division is contained in the operational review.

Conclusion and prospects

Transaction Capital has produced a highly credible result in less than favourable conditions.

This performance was a result of strong entrepreneurial roots, strategic clarity, competent experienced management, and appropriate policies, procedures and governance. These attributes enable the evaluation, mitigation and control of the risks associated with developing specialised, added value and innovative financial products and services, to meet the specific needs of historically under-served businesses and consumers in Southern Africa.

We remain confident in this approach and in Transaction Capital's ability to grow and produce superior risk-adjusted returns in the year ahead.

Mark J Lamberti
January 2012

Chief financial officer's report

Introduction

In the previous financial year, the group reported that certain key challenges had been identified and addressed and that the investment, both quantitative and qualitative, in all spheres of the business had made it more sustainable and the quality of its earnings higher. It is therefore pleasing to report that the group delivered an excellent financial performance, marked by a continuation of the growth in assets and income and a strong recovery in growth in profitability from continuing operations.

The key issues impacting the group during the current financial year are listed below and discussed in some detail throughout this report.

- Strong growth in lending
- Increase in impairment charge and more conservative provisions
- Strong cost focus
- Reduction in effective tax rate
- Significant fund raising activity, including the listing of Bayport Securitisation (BaySec) on the JSE Limited (JSE)
- Disposal of the property services low cost housing portfolio

All ratios and commentary are based on results from continuing operations.

Corporate activity

The listing of BaySec's R4.4 billion asset-backed note programme was successfully concluded on the Interest Rate Market of the JSE on 3 June 2011. BaySec, the vehicle for the securitisation of personal loans advanced by Bayport Financial Services to lower income borrowers throughout South Africa, is consolidated into the unsecured lending division of the group. The listing of BaySec reflects the on-going drive of the group to focus on wider and deeper pools of capital to fund its operations, in this case investors with mandates to invest in listed instruments.

A convertible debt package deal was successfully concluded with two of the group's long-standing debt investors effective 30 August 2011. In terms of the deal, Transaction Capital issued R225.0 million of mezzanine debt that includes an option to convert into ordinary shares of the company at a 10% discount to the listing price should Transaction Capital list on the JSE within 24 months from the effective date. Should Transaction Capital not list within the 24-month period, the mezzanine interest rate will step up and the funding will be repaid as a bullet after a further three years. Coupled to this convertible instrument was R930.0 million of debt that includes a refinance of R390.0 million of debt in unsecured lending which was due to be repaid within the next six months and R540.0 million of new debt into the two lending businesses. The discount on the convertible loans relates to the total R1 155.0 million of debt raised.

Transactions with minorities

The group acquired the remaining 3% minority interest in SA Taxi effective 1 November 2010 for R22.5 million.

The prior year acquisition of an 82.65% interest in Bayport, which was effective 1 February 2010, included a deferred payment that was subject to an earn-out. The earn-out targets were met in full and, accordingly, a further R207.0 million will be paid in December 2011 to the original selling shareholders, some of whom remain minority shareholders in the business.

Disposal and discontinued operation

Refer to note 23 page 95

After a difficult trading year in which the circumstances surrounding free title, frustration with the lack of service delivery and costs associated with gaining vacant occupation in entry level low-cost housing areas increased, a decision was taken to dispose of the low cost property portfolio. A capital loss of R44.9 million was realised on the sale of the entity housing the property portfolio following an after-tax trading loss of R24.7 million. The sale became unconditional on 30 September 2011 and is disclosed as a discontinued operation in the statement of comprehensive income.

Key return ratios

Refer to three year review page 12

A strong improvement was noted in all key return ratios for the group, in particular the ROATE improved from 38.2% to 64.4% as profit attributable to ordinary shareholders from continuing operations grew by 56.3% to R320.1 million.

	2011 %	2010 %
Return on average assets (ROAA)	3.6	3.2
Return on average tangible assets (ROATA)	4.0	3.6
Return on average equity (ROAE)	21.9	15.5
Return on average tangible equity (ROATE)	64.4	38.2

Dividends

No dividend was declared for the current financial year as all profits were retained to facilitate the funding of future growth. Future dividends are dependent on the growth of the underlying businesses and the need to retain cash to fund this growth, an assessment of liquidity in the debt capital markets and the optimal capital structure of the group.

Accounting policies and prior year adjustment

There were no significant changes in accounting policies during the currrent financial year. A prior year adjustment was identified during the 2010 financial year resulting in the 2009 figures being restated. Reference is made to the 2010 annual report for further detail.

Statement of financial position

Refer to annual financial statements page 63

		2011 R'000	2010 R'000	Growth %
Assets				
Cash and cash equivalents		695 540	574 853	21.0
Inventories		156 392	209 168	(25.2)
Loans and advances		6 720 185	5 716 409	17.6
Purchased book debts		307 780	244 540	25.9
Property and equipment		279 059	290 148	(3.8)
Goodwill and intangible assets		969 556	972 151	(0.3)
Other assets and receivables		927 664	645 256	43.8
Total assets		10 056 176	8 652 525	16.2
Liabilities				
Bank overdrafts		182 946	192 047	(4.7)
Interest-bearing liabilities		7 469 162	6 414 191	16.4
Other liabilities and payables		694 614	668 046	4.0
Total liabilities		8 346 722	7 274 284	14.7
Equity attributable to ordinary equity holders of the parent		1 636 992	1 334 496	22.7
Non-controlling interests		72 462	43 745	65.6
Total equity		1 709 454	1 378 241	24.0
Total equity and liabilities		10 056 176	8 652 525	16.2
Average equity	R'000	1 458 994	1 321 900	10.4
Average gross loans and advances	R'000	6 808 947	4 785 988	42.3
Non-performing loans	R'000	1 848 175	1 238 260	49.3
NPL ratio	%	25.4	20.4	
NPL coverage	%	30.8	28.5	
Provision coverage	%	7.8	5.8	

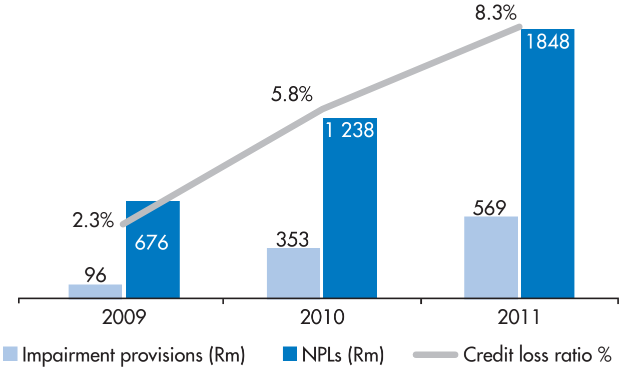
The productive assets comprising loans and advances, inventories, purchased book debts and property and equipment together represent 74.2% of the group's total assets.

Loans and advances

Gross loans and advances grew 20.1% to R7 289.5 million, driven mainly by continued demand for unsecured loans, which grew 53.0% to R3 025.0 million. In the asset-backed lending division, origination levels were negatively impacted by tighter credit for entry level vehicles (i.e. predominantly Chinese) funded and a shortage of Toyota vehicle stock following supply chain disruptions in the wake of the earthquake and tsunami that hit Japan in the early part of the year. Gross finance leases grew 6.2% to R4 045.3 million.

Non-performing loans (NPLs) increased to R1 848.2 million and the NPL ratio increased from 20.4% to 25.4%, mainly as a result of the overall mix of loans and advances shifting towards the faster growing unsecured lending book that has been impacted by a reduction in income from higher than usaul early settlements of performing loans by clients and an increase in non-performing loans in asset-backed lending, mainly on the entry level vehicle segment of the portfolio.

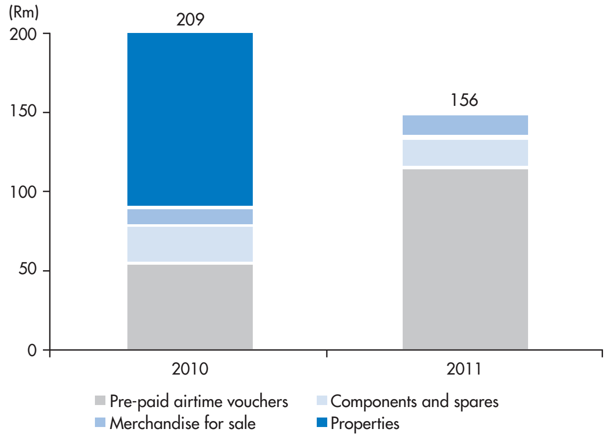
Provisions totalled R569.3 million for the year, with NPL coverage increasing from 28.5% to 30.8%. Asset-backed lending NPL coverage increased as the emerging risk from financing poorer quality entry level vehicles identified in 2010 matured and was recognised. NPL coverage in unsecured lending remained relatively consistent with that of the prior year.



Chief financial officer's report continued

Inventories

Inventories decreased 25.2% to R156.4 million. Pre-paid airtime vouchers more than doubled to R118.5 million as a result of strong growth in the cellular offering in unsecured lending. This growth was more than offset by the sale of the property portfolio as the group exited this market.



Purchased book debts

Purchased book debts increased 25.9% to R307.8 million, with books to the value of R108.3 million purchased during the year. The gross yield on purchased book debts improved from 83.4% to 83.9% as a result of the more focused management team and the productivity enhancements in collections activities.

Property and equipment

Property and equipment decreased 3.8% to R279.1 million. The largest component of property and equipment is the 4 072 automated teller machines (ATMs) from the payment services division, carried at a value of R201.4 million, being 72.2% of the total. The investment in ATMs has been maintained at approximately the level of depreciation over the past two years while the division focused on relocating under-performing assets to new sites to improve the yield per machine. Having largely completed this initiative, the payments division has targeted to extend its footprint by increasing the size of the ATM fleet over the next three years.

Office and computer equipment increased 9.3% to R64.6 million as the group continued to invest in upgrading its information technology infrastructure.

Other assets and receivables

Trade receivables grew R138.5 million to R275.5 million mainly due to a higher number of repossessed vehicles in the channel, while loans under the group's share scheme increased R87.9 million to R220.2 million. Other loans receivable decreased by R76.5 million to R12.0 million as the deferred proceeds from the disposal of Alliance in 2010 were received in full and other loans were repaid.

Goodwill impairment

Goodwill is assessed for impairment annually. During the current year, R1.5 million of goodwill relating to M-Stores, a subsidiary in the unsecured lending division, was impaired. There was no change to goodwill following the achievement of the earn-out target by Bayport and subsequent liability to the selling shareholders of R207.0 million as this was included in the original calculation of goodwill upon acquisition.

Funding

The group concluded a number of key funding initiatives during the year that underpinned the growth in the lending segment and created the mechanism to improve the efficiency with which the group is able to fund the growth in the unsecured lending division.

BaySec listed its R4.4 billion asset-backed note programme on the Interest Rate Market of the JSE in June 2011, that included R2.2 billion of existing debt converted into listed notes under the programme. Subsequent to listing, a further R100 million was raised under the programme, with strong investor demand for future issues.

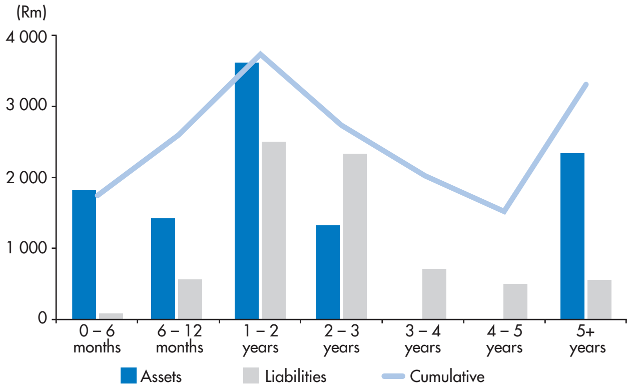
Two revolving warehouse facilities totalling R600.0 million were approved for the unsecured lending division. The warehouse facilities provide liquidity for the unsecured lending division to originate loans up to R600.0 million that are subsequently settled by the issue of long dated notes under the listed programme. This improves the efficiency and size of the amounts that can be raised on the market, and is thus more efficient than issuing large tranches of funds and sitting on cash balances until deployed.

A short-dated R150.0 million liability at corporate support was repaid and replaced with a new five-year loan with a bullet repayment profile.

The convertible debt package deal discussed earlier in this report was successfully concluded, with two of the group's long-standing debt investors effective 30 August 2011.

SA Taxi's AA credit rated securitisation closed as scheduled on 1 March 2011. An alternative funding structure was initiated during the current financial year, raising R720.0 million of debt facilities predominately from off-shore development finance institutions. This debt structure aims to raise funding from banks and development finance institutions via unstructured syndicated loans. In addition, SA Taxi still maintains its ring-fenced structure, with facilities available in excess of R1.6 billion.

The group maintained its positive liquidity mismatch with cash flows from assets maturing before interest-bearing liabilities are due.



Statement of comprehensive income

Refer to annual financial statements page 63

		2011 R'000	2010 R'000	Growth %
Interest and other similar income		1 784 840	1 216 784	46.7
Interest and other similar expense		(797 655)	(608 362)	31.1
Net interest income		987 185	608 422	62.3
Impairment of loans and advances		(566 391)	(278 038)	103.7
Risk adjusted net interest income		420 794	330 384	27.4
Non-interest revenue		1 820 774	1 553 512	17.2
Direct costs		(797 706)	(649 685)	22.8
Non-interest gross profit		1 023 068	903 827	13.2
Indirect costs		(990 206)	(905 672)	9.3
Operating income		453 656	328 539	38.1
Income from associates		–	(5 028)	(100.0)
Profit before tax		453 656	323 511	40.2
Income tax expense		(107 993)	(94 914)	13.8
Profit from continuing operations		345 663	228 597	51.2
Loss from discontinued operations (trading)		(24 676)	(3 983)	519.5
Loss from discontinued operations (capital)		(44 938)	–	–
Profit for the year		276 049	224 614	22.9
Profit for the year attributable to:				
Ordinary equity holders of the parent		250 479	200 847	24.7
Non-controlling interests		25 570	23 767	7.6
Net interest margin	%	14.5	12.7	
Credit loss ratio	%	8.3	5.8	
Non-interest revenue as a % of non-interest revenue plus net interest income	%	64.8	71.9	
Cost-to-income ratio	%	63.7	71.9	
Effective tax rate	%	23.8	29.3	
Headline earnings per share	cents	64.2	47.6	35.0
Headline earnings per share from continuing operations	cents	69.6	47.9	45.1

Interest

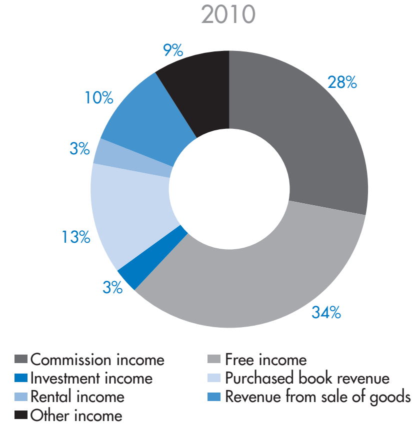
Interest income grew 46.7% primarily as a result of the 42.3% increase in average loans and advances. Interest expense benefited from a decline in the average repo rate but otherwise grew 31.1% in line with the increase in average interest-bearing liabilities year-on-year. The net interest margin increased from 12.7% in 2010 to 14.5% as a result of the inclusion of the higher yielding unsecured lending division for a full year compared to eight months in the prior year and an increase in pricing for entry level vehicles to reflect the higher risk taken on this segment of the asset-backed lending book.

The impairment charge increased to R566.4 million with the credit loss ratio increasing from 5.8% to 8.3% in the current financial year. The primary reasons for the increase is the inclusion of the unsecured lending division in the results for the full year, an increase in the provision in the asset-backed lending book for the entry level vehicle risk and higher losses on sales of vehicles, in particular entry level vehicles, in the secondary market.

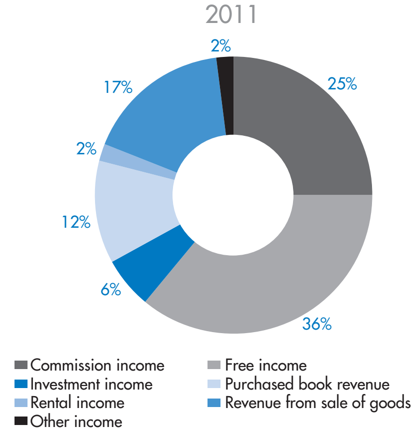
Non-interest revenue

Non-interest revenue (NIR) increased 17.2% to R1 820.7 million. The inclusion of Bayport for the full year compared to eight months in the prior year, coupled with the growth in the loan book contributed 13.6% to the growth with the balance of 4.2% coming from the rest of the group. Lending contributed 41.8% (2010: 32.2%) or R765.7 million to NIR while services contributed 57.9% (2010: 65.2%) or R1 059.9 million. The remaining 0.3% (2010: 2.6%) contribution to NIR is from corporate support. The contribution of different revenue streams to NIR is shown below:

2010



2011



Chief financial officer's report continued

Fee income grew 24.9% to R650.1 million with strong contributions from the lending segment (up 32.6%) and the payment services division that grew transaction volumes (up 9%). Revenue from sale of goods increased 98.3% to R316.6 million due to the annualised impact of higher cellular volumes and sales of retail apparel in the unsecured lending division and investment income from insurance activity, which grew 94.5% to R98.2 million, as a result of growth in the unsecured lending book.

Operating expenses

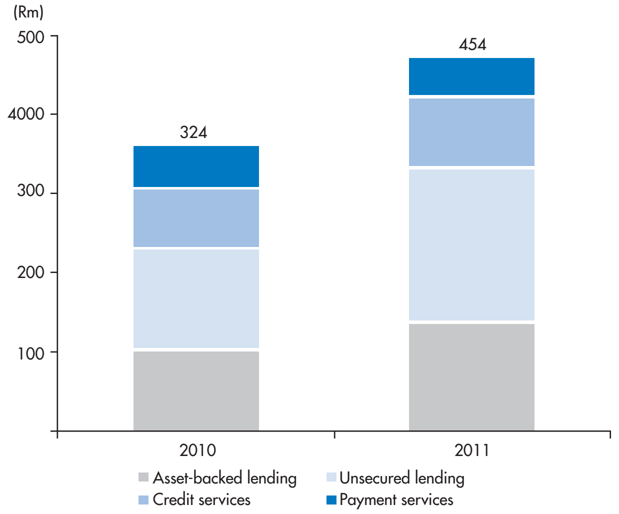
The cost-to-income ratio reduced from 71.9% in 2010 to 63.7% in the current financial year.

Direct costs grew 22.8% to R797.7 million. Unsecured lending contributed 27.6% of the increase primarily, due to the inclusion of Bayport for the full financial year under review and also as a result of the strong growth in the loan book. Direct costs attributable to the rest of the group decreased by 4.8%. The key cost drivers were commissions paid, which increased 58.6% to R82.0 million due to the growth in the unsecured loan book, cost of goods sold up by 64.5% to R121.5 million and bank charges 93.0% higher at R28.0 million due to the increase in the number of monthly transactions in unsecured lending and credit services divisions. Savings were achieved in communication costs (down 25.8% to R63.2 million) as credit services used their technology platform to automate calls and reduce telephone time from call centre operators as well as substituting expensive paper mail with electronic communication. Direct employee expenses decreased 7.0% to R183.6 million as credit services reduced the headcount in collections by 18%.

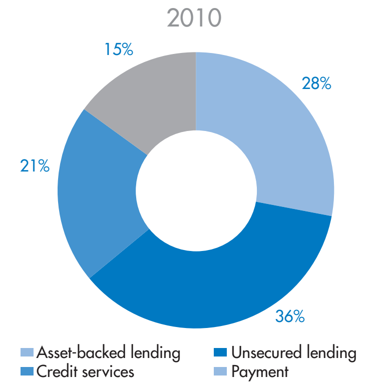
Indirect costs grew 9.3% with unsecured lending contributing 12.6% to the increase and the rest of the group reducing costs by 3.3%. In particular, there were cost reductions in bank charges, consulting costs and motor vehicle expenses while the main cost drivers were employee expenses, VAT disallowed (a consequence of the funding structures within the group that results in VAT being apportioned between allowed and disallowed expenditure) and amortisation charges on intangible assets.

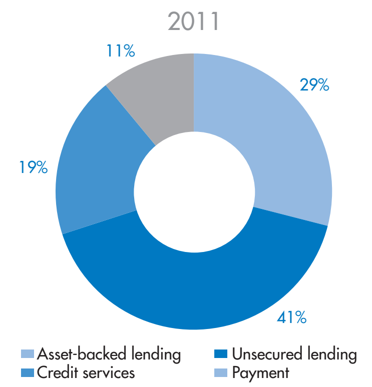
Profit before tax

Profit before tax grew 40.2% to R453.7 million. Asset-backed lending grew 33.9% to R137.3 million, unsecured lending grew 51.1% to R194.7 million, credit services grew 19.7% to R90.5 million, payment services reduced 8.6% to R50.1 million and corporate support's net loss at a pre-tax level reduced 50.4% to R19.0 million.



The contribution to profit before tax by segment has seen a mix shift towards the higher growth lending segment, in particular unsecured lending (a full twelve months included in the current financial year) which has the highest growth rate within the group.





Excluding Corporate Support

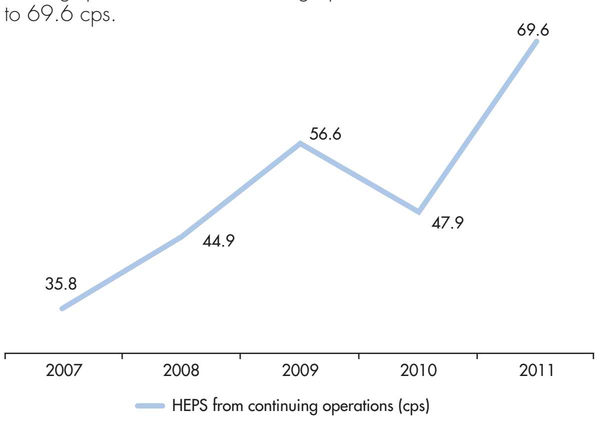
Taxation

Investment income arising from the sale of insurance products in SA Taxi and Bayport is fully taxed in the insurance entities and is received as a tax free dividend, resulting in an effective tax rate for the group of 23.8% being lower than the statutory tax rate of 28%. The effective tax rate is expected to remain in the low 20th percentage on a sustainable basis.

Headline earnings

Headline earnings of R297.0 million (2010: R211.8 million) are 40.2% above the prior year. Included in headline earnings adjustments is the capital loss on the sale of the property services' low cost property portfolio of R44.9 million. Headline earnings per share increased 35.0% to 64.2 cps.

Headline earnings from continuing operations of R321.7 million (2010: R213.5 million) are 50.7% ahead of the prior year. Headline earnings per share from continuing operations increased 45.1% to 69.6 cps.



Appreciation

I would like to express my sincere appreciation to the corporate support team, the divisional chief financial officers and the finance community at large for their significant contribution to the group over the past year.

Tim Jacobs
January 2012

Chief risk officer's report

Introduction

Transaction Capital defines risk as uncertain future events that could influence the achievement of the group's objectives and measures risk as the combination of the probability of an event occurring and the consequence thereof. Because risk is a condition in which the possibility of a loss occurring exists, and it is inextricably linked to uncertainty, a detailed framework is required to manage risk in order to facilitate rational decision-making under uncertain circumstances.

Risk management is the identification and evaluation of actual and potential risk areas in the group followed by a process of one or a combination of the following:

- Avoidance (the decision not to become involved in a risk)
- Termination (the decision to withdraw from a risk)
- Transfer (the sharing of the burden of loss or benefit of gain with another party)
- Tolerance (the decision to accept a risk)
- Exploitation (the decision to take advantage of a risk)
- Treatment (the application of measures to modify a risk)

Risk management entails the planning, arranging and controlling of activities and resources to minimise the negative impacts of all risks to levels that can be tolerated by the board and to optimise opportunities and maximise the positive impacts of all risks. The group applies a "bottom-up" approach to risk management in terms of which risks are identified and managed primarily at individual exposure, asset class and operational levels where the strategic objectives are determined. The total group exposure is then the aggregation of its underlying parts together with the risks that may affect the achievement of the group's overall strategic objectives.

Risk appetite is the level of residual risk that the group is prepared or willing to accept without further mitigating action being put in place or the amount, type and tenure of risk that the group is willing to accept in the pursuit of value. The group's risk appetite may vary from risk to risk.

Risk framework

The ultimate responsibility for the governance of risk including the determination of risk appetite and tolerance levels and the approval of the risk strategy, policy and framework resides with the board of directors. The board delegates to committees and management the responsibility to design, implement and monitor the risk management plan to ensure that the group manages risks appropriately. Risk management processes are supported by detailed key performance indicators and a high level of awareness at an operational level and a strong vision, mission and core values.

In terms of the enterprise-wide risk management framework, which falls under the functional authority of the chief risk officer, the group relies upon the following three lines of defence;

The **first line of defence** is the board and the various sub-committees that it oversees. This combined unit formulates, communicates and reviews risk policies, to guide the group in its risk assessment, decision-making and management processes. The board continuously reviews risk tolerance levels, and if required will amend policy to respond to deficiencies and opportunities identified.

The **second line of defence** is the executives who are charged with carrying out the board's policies, being the group chief executive officer, chief financial officer and chief risk officer; the subsidiary boards and their respective sub-committees; and the divisional senior executive managers. This line of defence relies on executive management effectively implementing structures, systems, controls and processes within the businesses to manage the risks according to the policies established by the board.

The **third line of defence** occurs outside of the operational flow of the business and relies on the activities and interventions of the assurance function, comprising compliance, internal audit and external audit to monitor adherence and effectiveness of the risk management process.

Risk universe

Refer to corporate governance page 51

In terms of the enterprise-wide risk management framework, the board itself retains the monitoring of reputational risk and sustainability risk while the monitoring of all other risks is assigned to sub-committees with continuous board oversight, provided in terms of the overall governance structure. The framework specifically identifies fourteen risks categories.

The risks are recorded in a risk register per division and for the group. Work performed on the mitigation or investigation of these risks is reported to the risk and compliance committee. The risk profile examines the nature of the threats faced by the group, the likelihood of adverse effects, and the potential level of disruption and costs associated with each type of risk. The risks are prioritised according to their impact on the business, taking into account financial and non-financial effects and the likelihood of occurrence, incorporating the level of controls in place and corrective actions required.

	Board				
1st line of defence	Executive committee	Audit committee	Risk and compliance committee	Asset and liability committee	Nomination and remunerations committee
2nd line of defence	Group chief executive officer	Group chief financial officer	Group chief risk officer	Executive director	
	Subsidiary boards				
	Subsidiary executive committees				
	Management				
3rd line of defence	Compliance				
	Risk management				
	Independent internal audit				
	Independent external audit				

Risk universe				
Board *Reputational and sustainability risk*				
Executive committee *Strategic; new business and acquisition risk*	**Audit committee** *Accounting; tax and information technology risk*	**Risk and compliance committee** *Operational; compliance; credit; and insurance risk*	**Asset and liability committee** *Funding and capital risk*	**Nominations and remuneration committee** *People and transformation risk*

Risks monitored by the board of directors

- Reputational risk

  Reputational risk relates to damage to the group's image, which may impair its ability to retain and generate business and may lead to a reduction in its value. Such damage may result from a breakdown of trust, confidence or business relationships. Safeguarding the group's reputation is of paramount importance to its continued success and is the responsibility of every member of staff.

- Sustainability risk

  Sustainability risk relates to all potential events that may affect the group's ability to continue with its businesses indefinitely. Sustainability encompasses three dimensions, namely the environment, society and the economy. Additional attention is given to the social aspects of sustainability with the formation of a social and ethics committee with effect from 1 October 2011.

Risks monitored by the executive committee

- Strategic risk

  Strategic risk relates to the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to industry changes. Strategic risk is a function of the compatibility of the group's strategic goals, the business strategies developed to achieve those goals, the resources deployed against those goals, and the quality of implementation. Formal annual assessments of the efficacy and performance of the portfolio and business model is performed to ensure that this remains in line with the group's strategy.

- New business risk

  New business risk relates to the risk of loss arising through inaccurate or deficient analysis, incorrect decision-making and poor or unplanned cost and time in the origination and/or implementation processes for new businesses.

- Acquisition risk

  Acquisition risk relates to the risk of loss arising through inaccurate or deficient analysis, incorrect decision-making and poor or unplanned cost and time in the decision to proceed or withdraw from or in the implementation of acquisitions.

Risks monitored by the audit committee

- Accounting risk

  Accounting risk relates to the integrity, timeousness and reliability of financial reporting. The group chief financial officer is responsible for ensuring that accounting policies are appropriate and in compliance with International Financial Reporting Standards and relevant regulatory requirements; the control environment supporting the accounting and reporting systems is robust; recommendations from internal and external audit to improve the control environment are executed timeously; and reporting is timely, relevant and accurate. This risk incorporates financial reporting risks, internal financial control risks and fraud risks relating to financial reporting.

- Tax risk

  Tax risk relates to the loss arising as a result of inappropriate tax planning and strategy; non-compliance with or incorrect interpretation and application of tax legislation; and the effect of new tax legislation on existing financial structures or products. The group chief financial officer is responsible for ensuring tax compliance, appropriate and transparent interactions with tax authorities and is directly involved in the resolution of any material issues. Where uncertainty exists with regard to either the interpretation or implementation of tax legislation, opinions from qualified external experts are obtained and acted upon.

- Information technology risk

  Information technology risk relates to weaknesses in the information technology infrastructure and general control environment and inadequate capacity to implement new systems that may jeopardise the availability, integrity and validity of information.

Risks monitored by the risk and compliance committee

- Operational risk

  Operational risk relates to the loss arising from inadequate, inappropriate or failed controls, systems or processes or from human or external events. While operational risk includes information technology risk and compliance risk these risks are managed separately. Operational risk excludes reputational and strategic risk.

- Compliance risk

  Compliance risk relates to the risk of legal or regulatory sanctions, financial loss or loss of reputation that the group may suffer as a result of failure to comply with laws, regulations and similar standards applicable to its businesses and/or internal group policies, authority levels, prescribed practices and ethical standards.

- Credit risk

  Credit risk relates to the lender's risk of loss arising from a borrower who does not make payments, where such an event is called a "default". In the case of Transaction Capital, as a result of its target client market, the risk of non-payment is higher than for traditional lenders. This heightened credit risk is offset by substantial operational capacity and efficiency, coupled with a greater risk adjusted yield. Credit concentration risk arises where the group has significant aggregated exposures to: individual borrowers; particular credit segments; sectors of industry; and other portfolios. Credit risk management is a key function in the group's lending segment.

- Insurance risk

  Insurance risk relates to the risk arising where there is no insurance cover or inadequate or failed insurance cover for insurable business risks. Where possible, the group insures/reinsures beyond the level of risk appetite mandated by the board of directors. Insurable risks specifically include risks underwritten by the short-term insurance and life assurance activities of the group. Factors considered in the appropriateness of insurance include the value of the loss event, probability of the loss event arising, cost of insurance and insurance counterparty.

Risks monitored by the nominations and remuneration committee

- People and transformation risk

  People risk relates to the risk of inadequate management of human capital practices, policies and processes resulting in the inability to attract, manage, develop and retain competent resources.

  Transformation risk relates to the risk that the group's human resource profile does not represent the skills, experience and diversity available in the South African labour market and that the group does not contribute positively to the wider context of South Africa's transformation and in terms of any relevant legislation or supported code of conduct.

  People and transformation risk include recruitment procedures for screening employees, training and change management programmes and human resource and succession planning policies.

Risks monitored by the asset and liability committee

The asset and liability committee monitors funding and capital risk, which include the following sub-categories:

- Liquidity risk

  Liquidity risk relates to the risk arising when a borrower entity within the group does not possess adequate cash resources to meet its payment obligations as they fall due or can only access liquidity on materially disadvantageous terms.

  Counterparty risk is a sub-set of liquidity risk and relates to the risk that group is reliant on concentrated or limited pool of debt investors to fund growth and/or that a debt investor does not honour its commitments for committed and unutilised facilities. The composition of debt investors is considered and prudent authority limits per debt investor are set and monitored.

  Covenant compliance is a subset of liquidity risk and relates to the risk of non-compliance with agreed covenants contained in funding agreements which may lead to: funding becoming immediately repayable; penalties; and/or an impaired relationship with debt funders.

- Interest rate risk

  Interest rate risk relates to the risk that the group's earnings and/or the value of its assets, liabilities and capital will be unfavourably affected as a result of changes in interest rates. The sources of interest rate risk in the group are:

  - Re-pricing risk: timing differences in the maturity (for fixed-rate) and repricing (for floating-rate) of assets and liabilities;
  - Basis risk: different bases used for determining the yields of assets and costs of liabilities ignoring re-pricing characteristics;
  - Yield curve risk: changes in the yield curve relative to expectations and positions; and
  - Embedded-option risk: changes to interest-related options embedded in the group's assets or liabilities.

- Currency risk

  Currency risk relates to the loss arising from or the impact on financial reporting due to the change in the exchange rate of one currency relative to another.

- Funding risk

  Funding risk relates to insufficient funding (both debt and equity) and funding structures to sustain the existing operations and to support future growth in the businesses and the group as a whole. Regulatory developments affecting the way the group accesses funding (such as the Financial Sector Charter) or other regulations (such as Basel regulations) are monitored and considered for their effects on the group.

- Capital management

  Capital risk relates to the risk that the group will be unable to absorb losses, maintain public confidence and support the competitive growth of its business.

It is important to note that the group is not subject to regulatory capital adequacy requirements. Capital is managed using metrics such as return on equity, contractual financial covenants, stress testing, risk appetite and the requirements to maintain actual or achieve targeted credit ratings.

Key risks

Key risks are the risks that the group considers to require specific and ongoing operational, governance and strategic management. The following key risks are discussed in greater detail below:

Credit risk

The components of credit risk include:

- Credit concentration risk: the risk of loss as a result of excessive exposure to a single counterparty, counterparty group, industry, market, product, geography, or maturity; and
- Counterparty risk: the exposure to default arising from lending to a specific counterparty.

The group has limited exposure to a single counterparty, with the largest exposure to a single borrower being negligible as a percentage of assets exposed to credit risk. The largest indirect exposure to any single counterparty group would be the Government, as an employer, within the unsecured loan portfolio. The group considers this risk to be acceptable. The group also has asset concentration risk to members of LSM 4 to 7 in terms of its unsecured loan portfolio and the minibus taxi industry in general.

Credit risk management

Overall, credit risk is monitored by the risk and compliance committee while each of the asset-backed and unsecured lending divisions has its own credit committee which is responsible for the credit risk of its division and meets at least monthly to measure and monitor credit risk by individual exposure, product and portfolio. The operating division's executive committee, representatives from PIC Solutions, as well as the group chief executive officer, chief financial officer, chief risk officer and executive director attend these meetings.

The group facilitates a credit forum which allows executives responsible for managing credit risk to share experiences and expertise across divisions.

Non-performing loans and yield analysis

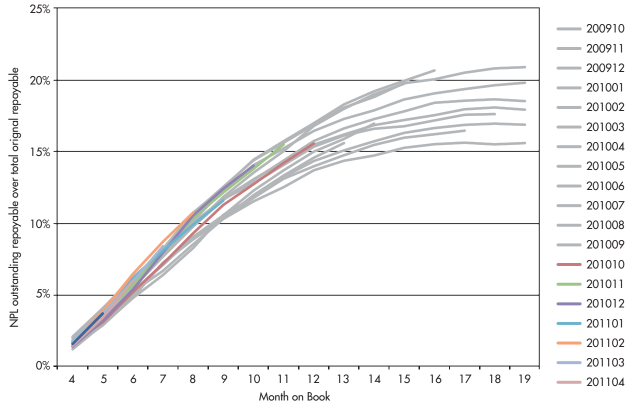
Loan portfolios are analysed into traditional performing loans and non-performing loans. As the group's assets are developmental in nature (i.e. emerging market credit extended to members of LSM 4 to 7 and SMEs in the case of minibus taxi operators) a higher than traditional level of arrears is expected. The group's impairment provision models take both contractual default and recent payment history into account as the latter is considered to be a more appropriate indicator of impairment or loss. Provisions are held against financial assets to cover expected and actual losses in terms of International Financial Reporting Standards.

	NPL % Gross			Provision % Gross			Provision % NPL		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
SA Taxi	27.5%	21.1%	22.3%	4.2%	2.9%	2.2%	15.2%	13.8%	10.0%
Bayport	24.3%	22.0%	n/a	12.9%	11.8%	n/a	53.2%	53.6%	n/a

The impairment charge relative to the average asset value for the period is utilised to measure cost of credit risk on the portfolio for that period. The table below reflects that the group's assets are subject to a relatively high level of credit loss, which is compensated for through a higher gross yield.

	Gross yield			Finance costs			Cost of risk			Risk adjusted net interest yield		
	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
SA Taxi	25.9%	25.3%	28.3%	10.6%	11.0%	12.1%	6.0%	3.9%	2.5%	9.4%	10.4%	13.7%
Bayport	56.5%	69.8%	n/a	11.0%	13.0%	n/a	13.0%	13.2%	n/a	32.5%	43.6%	n/a

The unsecured lending vintage curve below reflects average NPL's of between 15% and 20% after 24 months which is within expectations.



The rise in NPL levels in SA Taxi matches the inferior credit performance of historical entry level vehicle finance leases entered into up to December 2010. These leases are reducing as a proportion of the total portfolio with the level of NPLs expected to similarly reduce. SA Taxi has adjusted its credit risk practices based on this experience to improve the quality and performance of entry level vehicle finance leases entered into since January 2011.

Purchased book debts

Purchased book debts have considerable inherent credit risk and this is reflected in the purchase price. The process to value a portfolio of distressed book debt is different to the credit underwriting process for loans originated by the lending divisions. On acquisition the purchased portfolio is largely non-performing. The group's experience in collecting similar portfolios is used to estimate key metrics such as activation of non-paying accounts and cost of collections of the portfolio in addition to a limited analysis of the individual borrower's credit quality.

Chief risk officer's report continued

Compliance risk

Overall, compliance risk is monitored by the risk and compliance committee. Each business has a suitably experienced compliance officer, who has identified the relevant regulations applicable to that specific business. These statutes include: National Credit Act; Financial Advisory and Intermediary Services Act; Financial Intelligence Centre Act; Debt Collectors' Act; Magistrate's Court Act; Companies Act and Consumer Protection Act. Recent developments with regard to the Protection of Private Information Bill require awareness to be created to ensure that appropriate controls are implemented prior to this Bill being enacted.

Risk management programmes (RMPs) have been designed to test compliance with the above statutes. A detailed three-year compliance risk plan has been approved to ensure that RMPs are implemented and compliance capability monitored on a regular basis for each relevant statute.

A group compliance monitoring team has been established as an independent assurance function. Its responsibilities include review of divisional compliance RMPs for completeness and adherence to best practice, research on new legislation impacting the group, development of RMPs, and to perform monitoring of individual statutes and associated regulations across the group to provide the board with holistic independent assurance regarding compliance with key regulatory requirements. This team will also assist the operating subsidiary compliance officers with compliance planning, awareness and training, the implementation of RMPs and reporting.

Operational risk

The group manages operational risk by adopting specific operational risk practices that assist management to understand the risks and to reduce the risk profile, in line with the group's risk appetite. The objective in managing operational risk is to increase the efficiency and effectiveness of the group's resources, minimise operational losses and exploit opportunities.

Management defines the operational risk appetite at an operating subsidiary level within the parameters set by the board. This operational risk level supports effective decision-making and is central to embedding risk management in business decisions and reporting.

Operational risk management forms part of the day-to-day responsibilities of management at all levels. The operational risk management process includes qualitative and quantitative methodologies and tools to identify, assess and monitor operational risks and to provide management with information for determining appropriate controls and mitigating measures.

Liquidity risk

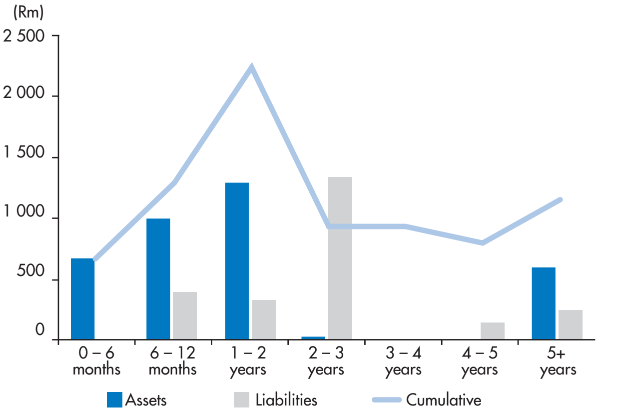
Long-term group liquidity risk management includes:

- ensuring a structurally sound balance sheet and ensuring only positive liquidity mismatches where possible;
- identifying structural liquidity mismatches timeously and implementing corrective action;
- preserving a diversified funding base; and
- considering debt structures, credit ratings and market listings to meet funder expectations.

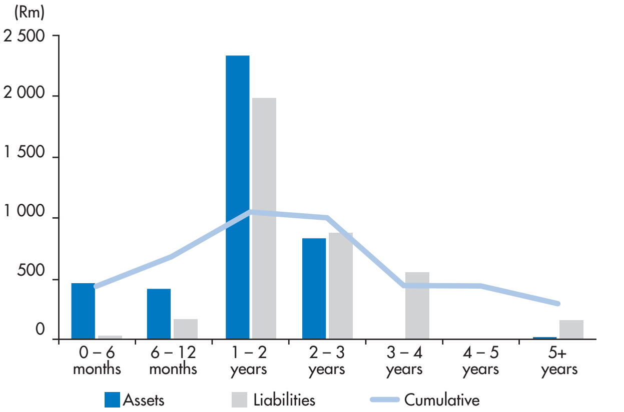
Liquidity risk in the group is primarily controlled through cash flow matching by setting the duration and repayment terms of debt facilities at the time of issue to suit the projected cash inflows from assets and through careful monitoring and management of the maturity of debt with bullet payments where these exist.

The graphs below reflect a liquidity mismatch favourable to debt investors of Bayport and SA Taxi where asset receipts occur in advance of debt payments resulting in reduced liquidity risk. The group has a favourable long-term funding ratio of 97%, i.e. funding with a duration of greater than six months. The group has no exposure to short-term, overnight or continuously rolling debt instruments.

Bayport



SA Taxi



At year-end, Transaction Capital has cash resources of R188.2 million as a central liquidity buffer for deployment to the various debt issuing entities should it be required as a result of a short-term liquidity risk event as well as any obligations at the centre.

Interest rate risk

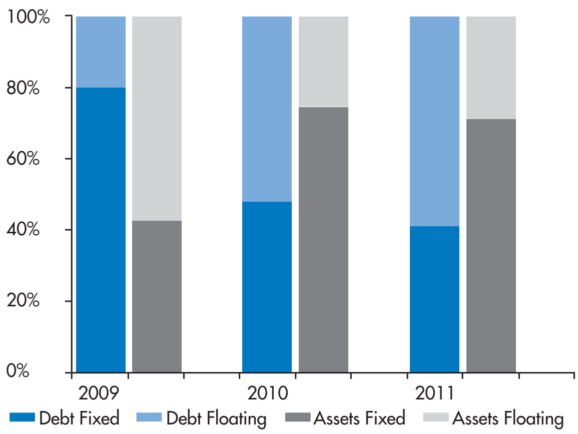
The group typically manages interest rate risk via risk adjusted excess spread where asset yields are sufficient to absorb movements in interest rates. The group's general interest rate risk management strategy is to match the re-pricing characteristics of assets to liabilities.

As a policy, the unsecured lending division originates fixed rate assets and issues fixed rate debt, while the asset-backed lending division originates floating rate assets and issues floating rate debt. Each business can however deviate from this policy, subject to ALCO approval. In this instance, ALCO reviews the decisions of management and can exercise its discretion to change these decisions if it considers the risk to be out of line with the group's risk tolerance. Strategies, including hedging, are used to limit losses arising from interest rate basis risk or to take advantage of structurally low rates.

The group prepares an interest rate forecast quarterly that is approved by ALCO and used for budgets, financial forecasts and interest rate decision-making purposes.

ALCO monitors the sensitivity of the group's net interest income in response to a parallel yield curve shift.

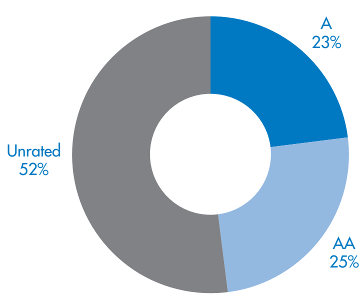
At September 2011, 41% of the group's liability interest rates were fixed while 72% of its asset interest rates were fixed with these percentages expected to be more balanced in the future.



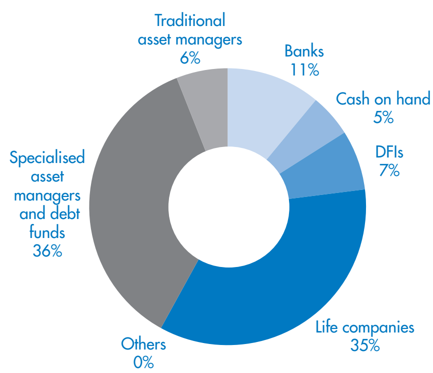
Funding risk

The group's funding strategy is directed by the funding requirements established in the budgets and forecasts produced by the operating divisions and approved by the board. The debt strategy is established per operating subsidiary taking into account the business needs, the demands of the debt markets, as well as the requirements of specific debt investor mandates. The result is a variety of funding characteristics distributed as follows:

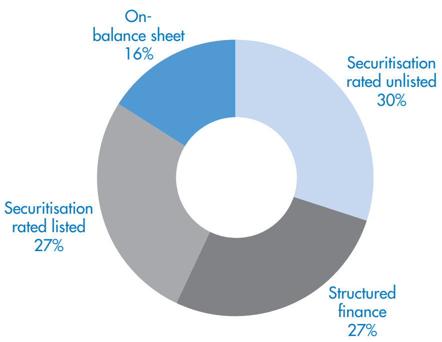
Credit rating



Funder



Structure



Credit ratings

Certain of the group funding structures are credit rated. Credit ratings are dependent upon multiple factors including capital adequacy levels, earnings, asset quality, governance and funding characteristics.

Entity	Rating agent	Rating type	Rating (RSA national scale)
Bayport Financial Services 2010 (Proprietary) Limited	GCR	Credit	BBB-
Bayport Securitisation RF Limited	GCR	Credit	A
MBD Credit Solutions Holdings (Proprietary) Limited	GCR	Service Quality	2+
MBD Securitisation (Proprietary) Limited	GCR	Credit	AA
SA Taxi Securitisation (Proprietary) Limited	Moody's	Credit	AA

Each credit rating level attained is the product of debt investor appetite, pricing and commercial practicality. The group will seek further credit ratings or upgrades through structural enhancements to existing structures or the establishment of new structures as dictated by market demand and business needs. The DCM team works closely with the operating divisions, debt investors and the rating agents to monitor any potential movements in credit rating levels.

Capital adequacy

Monitoring the group capital adequacy model is the responsibility of ALCO. It is used to determine targeted funding levels, equity requirements and capital retention/distribution levels per division and for the group as a whole. Capital adequacy is carefully planned in conjunction with return on equity and risk appetite where the following are considered:

- growth in subsidiaries and the capital required to sustain this growth;
- liquidity and sentiment in the capital markets;
- credit ratings and contractual financial covenants under existing debt facilities; and
- a level of capitalisation to cover unexpected loss to a pre-determined level of confidence.

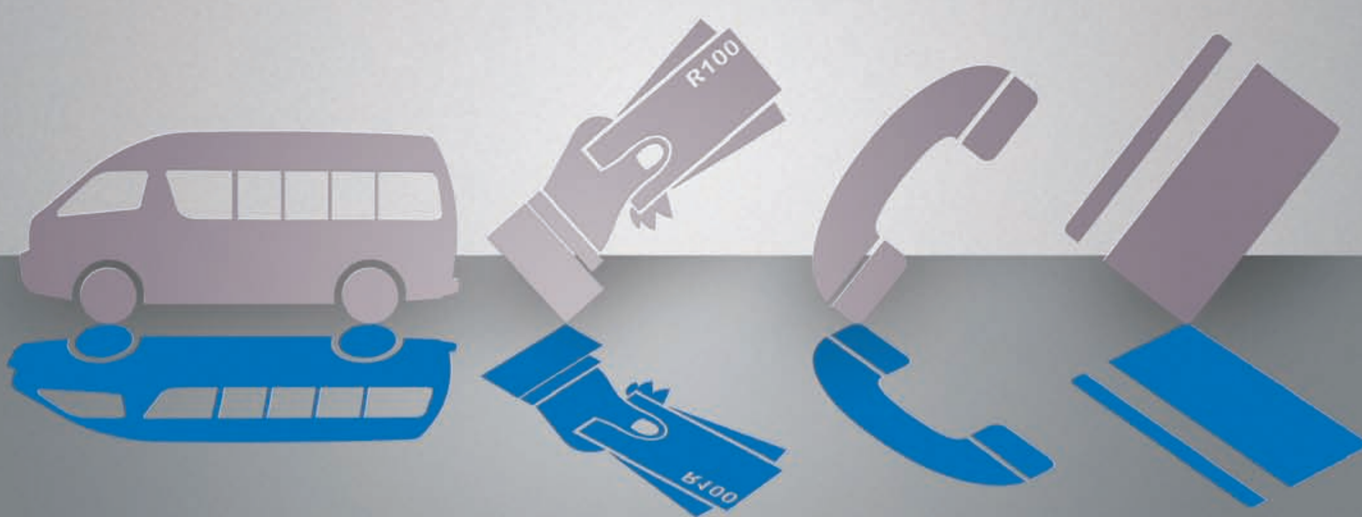
Specific capital adequacy levels are assigned to each asset class based on contractual financial covenants and credit ratings governing each funding arrangement. Capital levels are established for each ring-fenced funding structure, which are aggregated at a group level. Goodwill is not included in assets and is deducted from capital in line with market practices when calculating the capital adequacy ratio.

Furthermore, assets are not risk weighted and included at 100% of their value. The capital base is segmented between ordinary share capital and reserves and subordinated debt capital. The group's practice of leveraging its equity has resulted in a relatively high proportion of subordinated debt capital and a corresponding relatively high average funding cost.

		2011 Rm	2010 Rm	2009 Rm
Total assets		10 056	8 653	4 951
Less: Goodwill		(930)	(932)	(515)
Less: Cash		(696)	(575)	(369)
Risk assets		8 430	7 146	4 067
Capital held		2 381	1 597	944
Capital held % risk assets	%	28.2	22.3	23.2
Ordinary share capital and reserves		779	446	513
Capital		1 709	1 378	1 028
Less: (Goodwill)		(930)	(932)	(515)
Subordinated debt capital		1 602	1 151	431
Ordinary share capital and reserves % capital held	%	32.7	27.9	54.4

David Hurwitz
January 2012

Operational review



Operational review

Asset-backed lending

Refer to segment report page 74

The asset-backed lending division comprises two businesses: SA Taxi, which provides finance to small-medium enterprises (SMEs) in the minibus taxi industry, and Rand Trust, which provides working capital finance and commercial debtors' management services to SMEs through invoice discounting.

		2011 R'000	2010 R'000	Growth %
I nterest and other similar income		935 975	754 060	24.1
Interest and other similar expense		(441 821)	(385 190)	14.7
Net interest income		494 154	368 870	34.0
Impairment of loans and advances		(242 394)	(131 883)	83.8
Non-interest revenue		156 305	142 355	9.8
Total income		1 092 280	896 415	21.8
Profit before tax		137 332	102 559	33.9
Net interest margin	%	11.8	10.5	
Credit loss ratio	%	5.8	3.8	
Non-interest revenue as a % of non-interest revenue plus net interest income	%	24.0	27.8	
Cost-to-income ratio	%	41.6	54.1	
Number of employees		412	369	11.6

Total income grew 21.8% with both interest income and non-interest revenue contributing to the increase. The growth in interest income was primarily a higher average outstanding book throughout the year when compared with the previous year and an increase in risk pricing on new entry level vehicles financed. Significant emphasis was placed on cost control during the year in particular in employment, consultants and information technology. The tighter control of costs combined with the improvement in revenue resulted in the cost-to-income ratio decreasing from 54.1% in the prior year to 41.6% in the current year. Profit before tax increased 33.9%.

SA Taxi

Just prior to the start of the current financial year, Terry Kier was appointed chief executive officer and David Hurwitz was temporarily asigned as chief financial officer in addition to his role as group risk officer, with Dawid Spangenberg appointed chief risk officer shortly thereafter. These appointments marked the start of a restructuring and strengthening of the entire executive team and created a platform for organisation-wide renewal.

The new management team introduced a more client and employee-centric ethos and developed numerous structures, policies, procedures and performance criteria aimed at enhancing the quality of credit and the efficiency of collections and repossessions. In support of the latter, there have been improvements to the operations and management of Taximart, a department focused solely on the refurbishment and resale of repossessed vehicles.

Origination		2011	2010	Variance
Number of vehicles financed	Units	6 373	6 540	(2.6%)
Value of vehicles financed	R'000	1 415 059	1 325 169	6.8%
Number of loans	Units	21 673	20 914	3.6%
Average original loan size	Rand	222 040	202 625	9.6%
Average original term	Months	63	56	12.5%

A tightening of credit criteria for entry level vehicles and the impact of the tsunami and earthquake in Japan on the supply of Toyota minibus taxis to the South African market resulted in the number of vehicles financed decreasing 2.6% to 6 373.

The average loan size increased by 9.6% as the mix of vehicles financed shifted towards the more expensive, but better performing premium vehicles. The value of vehicles financed of R1 415 million increased by 6.8% in line with the weighting towards premium vehicles financed. The average term increased from 56 months to 63 months. Increased supply of Toyota vehicles was evident in August and September 2011 and is expected to normalise in the first quarter of the 2012 financial year.

Book performance		2011	2010	Variance
Gross finance leases	R'000	4 045 279	3 807 388	6.2%
Performing loans	R'000	2 931 093	3 004 294	(2.4%)
Non-performing loans	R'000	1 114 186	803 094	38.7%
Average gross finance leases	R'000	4 030 096	3 408 781	
Impairment provision	R'000	169 259	111 075	52.4%
Impairment charge	R'000	240 804	131 283	83.4%
NPL ratio	%	27.5	21.1	
NPL coverage	%	15.2	13.8	
Provision coverage	%	4.2	2.9	
Credit loss ratio	%	6.0	3.9	

Asset-backed lending continued

Gross finance leases increased 6.2% on the previous year to R4 045 million. The emergence of risk relating to the initial funding of poorer quality entry level vehicles as the book seasons has seen an increase in non-performing loans, with the NPL ratio increasing to 27.5% from 21.1%. As a consequence, credit was tightened significantly on entry level vehicles resulting in a sharp reduction in origination levels. Significant effort has been channelled into identifying better quality entry level vehicles and working with manufacturers based on feedback from clients to improve the quality going forward. Provisions increased to R169 million, mainly to cover the risk on the entry level vehicles but also as a result of higher realised losses on vehicles in the secondary market. The credit loss ratio increased to 6.0% as a result of the increase in provisions and by lower values achieved on sale of repossessed vehicles into the secondary market resulting in an increase in realised losses.

Rand Trust

Rand Trust commenced the year with a strong growth of new business and an expansion of its administrative capability to accommodate the growing book.

A conservative approach to new business acquisition and rigorous control of risk and administration enabled the company to perpetuate its sound record of asset control and minimal bad debt.

Higher average invoiced balances from existing clients throughout the year contributed to a better performance at a profit before tax level, which increased 17.2% over the prior year. The funded portion of discounted invoices at year-end was R139 million. The credit loss ratio of 1.0% was higher than the 0.6% in the prior year as a result of increased provisions due to a higher average book.

Unsecured lending

Refer to segment report page 74

The unsecured lending division comprises Bayport, which provides unsecured personal loans and allied products to lower income and emerging middle class segments of the population. Bayport was acquired by the group effective 1 February 2010 and was therefore consolidated into the financial results for eight months of the 2010 financial year.

Bayport registered steady progress in its first full year as part of the group. The restructuring and strengthening of the executive team was a precursor to the implementation of improved business practices and processes that included the refinement of collections strategies, the use of PIC Solutions to assist in better analysing and predicting the performance of the book, and the closer monitoring and management of compliance.

Demand for unsecured credit remained robust, and credit and advances were carefully controlled as industry commentators raised concerns about the rapid rate of unsecured lending growth.

		2011 R'000	Statutory 2010 R'000	Growth %
Interest and other similar income		797 581	413 555	92.9
Interest and other similar expense		(273 563)	(143 280)	90.9
Net interest income		524 018	270 275	93.9
Impairment of loans and advances		(322 853)	(146 155)	120.9
Non-interest revenue		609 450	357 877	70.3
Total income		1 407 031	771 432	82.4
Profit before tax		194 730	128 900	51.1
Net interest margin	%	21.0	24.4	
Credit loss ratio	%	13.0	13.2	
Non-interest revenue as a % of non-interest revenue plus net interest income	%	53.8	57.0	
Cost-to-income ratio	%	54.3	56.2	
Number of employees		964	560	72.1

Total income grew 82.4% with a strong contribution from interest income that grew 92.9% as a result of the strong growth in loans and advances. The net interest margin declined from an annualised 24.4% (statutory 16.1%) in the prior year to 21.0%. The two key drivers of the lower yield are the higher yielding loans written in previous years that are maturing or being early settled, and the lower repo rate in the current year resulting in yields on new loans being lower than the book average. The cost-to-income ratio decreased to 54.3% from 56.2% in the previous year, mainly as a result of the business continuing to invest in systems and people to support the high levels of growth, as well as an increase in the corporate charge from corporate support. Profit before tax grew 51.1% year-on-year.

The commentary below on origination and book performance is based upon the *pro forma* (twelve months) comparative information while the statutory statistics only include Bayport for eight months since the effective date of acquisition:

Origination		2011	*Pro forma* 2010	Statutory 2010	Variance
Number of loans financed	Units	155 887	126 763	87 582	23.0%
Value of loans financed	R'000	1 850 206	1 324 849	948 310	39.7%
Number of loans	Units	257 879	202 943	202 943	27.1%
Average loan size	R'000	11 869	10 451	10 828	13.6%
Average term	Months	35	36	36	(2.8%)

The mobile distribution channel continued to deliver a strong performance with the number of loans financed growing 23.0% to 155 887, bringing the total number of loans on book to 257 879. The value of loans financed increased 39.7% with average loan size on origination increasing by 13.6% as the revised term and limit strategy introduced during the previous year continued to attract business. The average term remained relatively constant at 35 months.

Book performance		2011	*Pro forma* 2010	Statutory 2010	Variance
Gross advances	R'000	3 025 023	1 976 956	1 976 956	53.0%
Performing loans	R'000	2 291 034	1 541 790	1 541 790	48.6%
Non-performing loans	R'000	733 989	435 166	435 166	68.7%
Average gross advances	R'000	2 490 487	1 550 568	1 658 498	60.6%
Impairment provision	R'000	390 706	233 085	233 085	67.6%
Impairment charge	R'000	322 853	212 736	146 155	51.8%
NPL ratio	%	24.3	22.0	22.0	
NPL coverage	%	53.2	53.6	53.6	
Provision coverage	%	12.9	11.8	11.8	
Credit loss ratio	%	13.0	13.7	13.2	

Gross loans and advances increased 53.0% or R1 048 million to R3 025 million. Non-performing loans increased to R734 million with the NPL ratio increasing to 24.3% from 22.0% in the prior year. The group considers recent payment history to be a key indicator of potential loss and the impairment model takes this into account in determining the level of provisions required. NPL coverage dropped to 53.2% (2010: 53.6%) following a better performance in late stage collections that saw recency of payments improving. This was also reflected in the credit loss ratio that improved from 13.7% in the previous year to 13.0%.

Credit services

Refer to segment report page 74

The Credit services division comprises two businesses: MBD CS, which focuses on the collection of under-performing consumer debt on an outsourced and contingency basis on behalf of its clients and as a principal for its acquired portfolios, and PIC Solutions, which provides credit risk management consulting, analytics, predictive modelling and software services to providers of consumer credit.

		2011 R'000	2010 R'000	Variance %
Interest and other similar income		3 207	3 430	(6.5)
Interest and other similar expense		(11 375)	(14 864)	(23.5)
Net interest income		(8 168)	(11 434)	(28.6)
Non-interest revenue		631 822	608 093	3.9
Total income		635 029	611 523	3.8
Profit before tax		90 525	75 596	19.7
EBITDA		108 585	99 329	9.3
Non-interest gross margin	%	48.9	43.6	
Cost-to-income ratio	%	85.5	87.3	
Number of employees		2 516	2 831	(11.1)

Total income growth was subdued at 3.8% with strong competitor activity seen in the market for principal book acquisitions; lower average monthly payments received and cost sensitive clients using less consulting services. Profit before tax increased 19.7% off a strong focus on cost management and productivity improvement.

Credit services continued

MBD Credit Solutions

Book performance		2011	2010	Variance
Purchased book debts	R'000	307 780	244 540	25.9%
Acquired during the year	R'000	108 256	33 211	226.0%
Collections principal	R'000	222 455	207 102	7.4%
Revenue agency	R'000	311 688	308 825	0.9%
Total	R'000	534 143	515 927	3.5%
Collections as % of average principal book	%	84.3	85.7	
Average number of collection agents		2 277	2 803	(18.8%)
Average monthly collection per collection agent	R'000	19.6	15.4	27.4%
Average monthly payment: agency	R	359.9	355.3	1.3%
Average monthly payment: principal	R	184.3	195.8	(5.8%)
Number of employees		2 451	2 770	(11.5%)

The repo rate, at a decade low for most of the year, gave some respite to consumers, notwithstanding their continued high level of indebtedness relative to disposable income. This contributed, together with productivity enhancements, to the 3.5% increase in total collections. The total collections as a percentage of average principal book of 84.3% was marginally behind the prior year.

The overriding focus for the year was cost reduction and productivity enhancements. The average number of collection staff decreased 18.8% to 2 277 while average receipts per collection staff member increased 27.4% to R19 600 per month. The productivity improvements were achieved through strict performance monitoring, the introduction of new and enhanced automation features to the collection engine, and the impact of a more focused management structure that was put in place towards the end of the previous year. Information technology remains a key driver of innovation and competitive advantage.

In addition to the debt recovery management and various training programmes run in-house, a leadership development forum was introduced during the year to focus on developing creative leadership, targeting management at all levels of the business. An awards programme was launched to encourage staff to actively participate in contributing innovative ideas to enhance performance, a core value in the business. MBD CS facilitated a management development training programme that is open to nominated employees across the broader Transaction Capital group as well as a company-specific transformation forum.

PIC Solutions

The year was characterised by a market that remained cost sensitive and value focused in which clients continued to use internal resources rather than external consultants. It was against this backdrop that the business signed a number of key contracts that increased consulting and analytical utilisation rates and improved the gross margin by 3.8% to 67.8%. In addition, the drive to secure alternative revenue streams bore fruit as a number of marketing services and new client contracts were concluded resulting in total income increasing 12.3% for the year. The strong performance on the revenue line was underpinned by continued focus on costs – with the cost-to-income ratio improving to 84.3% from 85.1% in the prior year, despite headcount increasing to 65 (2010: 61).

In September, the business concluded a joint venture agreement with Simah in Saudi Arabia that will see the company partnering with the only credit bureau in that country to enhance the value-added services to banks and lending institutions in the region. This represents an exciting growth opportunity that should result in annuity type transactional revenue in the future.

Payment services

Refer to segment report page 74

The Payment services division comprises Paycorp Holdings, which provides solutions in ATM operations, point-of-sale services, card issuing and electronic transaction processing.

The management of Paycorp was strengthened with the promotion of chief financial officer, Stephen Hochstadter, to the position of chief operating officer (enabling Steven Kark, the chief executive officer, to relinquish various day-to-day duties to concentrate on strategy and new business development). In addition new executive positions included the appointment of both a marketing and financial executive.

		2011 R'000	2010 R'000	Variance %
Interest and other similar income		9 151	9 262	(1.2)
Interest and other similar expense		(9 431)	(9 922)	(5.0)
Net interest income		(280)	(660)	(57.6)
Non-interest revenue		428 110	404 201	5.9
Total income		437 261	413 463	5.8
Profit before tax		50 052	54 751	(8.6)
EBITDA		107 735	109 377	(1.5)
Non-interest gross margin	%	49.4	50.2	
Cost-to-income ratio	%	88.3	86.4	
Number of active ATM's		4 072	4 024	1.2
Number of employees		367	352	4.3

Total income increased 5.8% to R437 million for the year with average monthly transaction volumes in the core ATM business increasing 8.9% over the prior year. The non-interest gross profit margin declined marginally to 49.4% as a consequence of above inflation increases in certain direct costs. These costs relate to cashing, cash-in-transit and insurance costs relating to increased activity of ATM vandalism and bombings in the first half of the financial year. During the year, the division invested R8 million in new product development and additional infrastructure in the EFTPOS and DrawCard businesses. This impacted profitability for the year as no revenue was generated to offset these costs. Consequently, the cost-to-income ratio increased to 88.3% and profit before tax ended 8.6% below the prior year at R50.1 million.

The year was dominated by a focus on a major information technology systems overhaul, productivity improvements, human capital developments and new product development initiatives.

On the information technology front, a number of legacy systems are being replaced with best of breed software applications. In addition, significant time and effort was invested in achieving PCI compliance across the business with full compliance being achieved in September 2011. The investment in new systems will add to the competitive edge and growth capacity of the business while de-risking and automating key areas of the operations. Further investment in information technology is planned with a major infrastructure and network upgrade during 2012.

The number of active ATMs increased marginally from 4 024 in 2010 to 4 072 at the year-end. The business continued to improve the productivity of the network by relocating 404 ATMs from underperforming sites to better potential sites. A productivity measure for new site selection is the percentage of sites that break even within four months of being installed. This ratio has improved from 55% a year ago to more than 70% in the current year. The continued focus on technology, security and interaction with the Government security agencies to reduce exposure to losses from bombings and vandalism started to bear fruit with a significant drop in number of incidents in the latter part of the financial year. The business is cautiously optimistic that the trend of incidents and losses will continue the downward trajectory seen in the latter part of the 2011 financial year.

Much was achieved during the year with regard to the development of people. In addition to the two formal development courses run through the University of Stellenbosch, diversity training for all Johannesburg-based staff has commenced through the Diversity Institute. End-user computer training was initiated to provide basic and intermediary level skills and enhance productivity.

A mentorship programme was introduced to provide further development to key staff that have attended or are currently enrolled in one of the division's developmental courses. Twenty mentors received formal accreditation during the year.

Group accretive value creation processes

Transaction Capital believes that the most testing rationale for the existence of a group, is that its value must be greater than the sum of its parts. This philosophy led to the formation of the following value creating structures and processes.

Collaborative forums

Refer to CEO report page 25

Collaboration is the interaction and transfer of skills amongst employees and managers and the co-ordination of functions across businesses. It is a key driver to improve operational efficiency and financial performance of the group.

The group has established four collaborative forums, namely the:

- Information, communication and technology forum
- Human capital forum
- Credit forum
- Transformation forum

Together, these forums provide an opportunity for the businesses to transfer skills and knowledge, collaborate on common projects, share internal and external experience and remain informed regarding changes in relevant standards and legislation. Transaction Capital also believes that the forums increase governance controls through peer review, and reduce costs and improve service levels through group procurement.

Information, communication and technology (ICT) forum

Introduction

The ICT forum was formed in 2010 to allow for group companies to collaborate and use shared knowledge to achieve a higher quality and standard when combined as a group, as opposed to isolated, individual companies. This goal is aligned to Transaction Capital's strategic thrust of investing in talent and technology to innovate, differentiate and mitigate risk. The ICT forum has subsequently adopted a further function and now fulfils the role of the ICT governance steering committee for the group, as recommended by King III.

The ICT forum meets every second month and provides an environment for ICT executives across the group to discuss latest technologies and best practice, collaborative projects and ICT governance. Peer reviews are also conducted for material ICT projects.

Initiatives

The following initiatives have been implemented by the ICT forum in 2011:

- Transaction Capital disaster recovery centre

  Transaction Capital has recently launched a disaster recovery and business continuity centre, which allows subsidiaries to utilise a best-of-breed disaster recovery facility at a more affordable rate than could be provided by a third party.

Group accretive value creation processes

continued

- Group-wide wide area network infrastructure

  The ICT forum has designated a single data line provider to be the preferred supplier for all Transaction Capital companies. This vendor was selected after a rigorous tender process spanning most of the year. Future projects are currently being co-ordinated which allow for the group to utilise this group-wide infrastructure to create a networking backbone to support group-wide applications.

- ICT governance

  A project plan was implemented in 2011 which outlines the steps that all group subsidiaries need to follow in order to comply with the King III recommendations on ICT governance. This project plan is being implemented in various phases which will span until the end of 2012, following which the group should have applied all of the aspects of Chapter 5 of King III or should be able to explain their non-compliance.

- Procurement

  Transaction Capital companies have been able to benefit from the group's scale by receiving significantly reduced pricing for numerous information and communication technology services.

- Professional education

  Throughout the year, various experts have addressed the ICT forum to educate the forum regarding a variety of topics, including green technology and ICT regulation and governance.

Human capital forum

Introduction

Intellectual capital is the primary determinant of competitive advantage in financial services and Transaction Capital is therefore committed to considerable investment in the attraction, retention and development of its 4 300 employees generally and specifically in the attraction and development of deep functional and leadership skills through deliberate talent management initiatives.

Transaction Capital has a decentralised human capital function that aligns people practices to the business model, maturity and talent profile of each of its businesses. As such, each business has a dedicated human capital executive who determines the human capital strategy to establish sustainable human capital and talent management practices.

These executives comprise the human capital forum, which creates value through the sharing of information, resources and vendors between the subsidiaries; and the collaboration of group initiatives.

In the upcoming financial year, Transaction Capital will be participating in international forums to gain unbiased best practice research, benchmarking data, member insight, and execution tools and templates to support daily workflow and strategic priorities.

Initiatives

The following initiatives have been implemented by the human capital executives at each of the operations:

- Highly competitive compensation

  Transaction Capital embarks on job grading and salary benchmarking exercises to determine appropriate levels of remuneration and reward within its operations. It aims to position its total compensation levels at the upper end of the market.

- Talent development

  Transaction Capital is committed to the growth and development of employees and executives through performance, development, mentoring and succession programmes. The following are indicative of the development initiatives executed across the group, for different levels of the management and leadership structures:

  - The University of Stellenbosch Business School New Managers Development Programme (NMDP) to equip potential young talent and new leaders with management skills.
  - The University of Stellenbosch Business School Management Development Programme (MDP) to equip middle management with management and leadership skills.
  - Management Development Forum.
  - Leadership Development Programme.

  In addition to the customised group initiatives there are internal mentoring programmes and individual development plans which include executives attending the Harvard Business School, Wits Business School and Gordon Institute of Business Studies.

- Culture and value initiatives including diversity

  Many initiatives have been run to ensure that employees' behaviour is consistent with the group's four key values. To this end, Transaction Capital has embarked on a number of diversity programmes to engender inclusivity in its people and cultivate a culture of respect.

- Employee well-being and health programmes

  Transaction Capital aims to create a supportive work environment by recognising that employees frequently have personal challenges beyond the workplace. In order to promote the health and well-being of its employees, Transaction Capital has implemented a comprehensive employee assistance programme for five of the six subsidiaries, through an independent counselling and advisory organisation with the sixth subsidiary providing support to employees through an established support and counselling organisation.

- Sound performance management and human resources practices

  Transaction Capital ensures an enabling environment by pro-actively appraising employees of their performance and establishing development programmes to redress sub-optimal performance. Compensation practices are aligned to the demands of a high performing organisation, as are other elements of human resource policy, procedure and practice.

"Top 50" talent management

While most senior managers and executives are employed by the subsidiaries of Transaction Capital, all perceive their career opportunities to extend to the greater group. In order to recognise, develop, reward and cross pollinate this extraordinary talent pool, Transaction Capital has formed the "Top 50", currently comprising the 70 most senior managers and executives in the group.

Members of the "Top 50" are typically educated and experienced with exceptional industry knowledge, and have thus been given the responsibility to lead others and to take significant decisions about customers, assets, funders and people. They are held to a much higher standard of accountability.

Transaction Capital has a human capital executive dedicated to the talent management and compensation of this group.

Communication

Transaction Capital's in-house magazine, Capital Ideas, highlights the group's people, guiding principles, subsidiary development and growth, and key industry-specific expert opinion updates.

MBD CS and Bayport, who on a combined basis employ 80% of Transaction Capital's workforce, have dedicated communication specialists who actively drive employee engagement and direct the flow of information across all channels and levels within their respective organisations.

Credit forum

With over 85% of the group's revenue and profit generated through lending and credit activities, there are substantial benefits which accrue from collaboration with environmental scanning, sharing of ideas, benchmarking best practice, monitoring and responding to legislation, understanding credit risk and defining appropriate policies.

To this end, the credit forum comprises the most senior executives from each lending or credit company.

Transformation forum

Introduction

Transaction Capital regards progress in each of the broad-based black economic empowerment (BBBEE) rating criteria as a commercial and moral obligation and is determined to register significant progress in the years ahead. This approach underpins the way in which Transaction Capital recruits new talent, trains its staff, selects its business partners, contributes to its community and supports fledgling businesses.

Transaction Capital's approach to transformation is to enable people within the group to recognise two things, firstly that social and cultural differences are a source of strength, and secondly, that those who have benefited from the past have an obligation to uplift those who have been prejudiced by it. Transaction Capital is committed to investing time, effort and capital to transform the demographic profile of the workplace within the constraints of the available talent pool.

Each subsidiary within the group has appointed a representative, BBBEE champion, to drive transformation in its business and to look for opportunities to contribute to the South African society in the most relevant ways.

These champions comprise the BBBEE forum and meet regularly to discuss practical, educational and strategic issues. The practical issues include BBBEE certification timetables, goals and developmental investment strategies. At these sessions, champions are also offered analysis of and advice on the Department of Trade and Industry's BBBEE Codes of Good Practice and as well as updates thereto.

BBBEE verification

In December 2010, Transaction Capital received its first externally audited scorecard on transformation performance by NERA (National Empowerment Rating Agency) and was awarded a Level 4 BBBEE rating. This was the result of group-wide transformation initiatives to ensure that all of Transaction Capital's subsidiaries receive and improve their BBBEE ratings.

All of Transaction Capital's subsidiaries have made progress with their ratings. MBD CS received a Level 3 rating; Bayport and SA Taxi each a Level 5 rating; and PIC Solutions a Level 6 rating. In addition, Paycorp's subsidiaries received commendable ratings with BDB Data Bureau receiving a Level 2 rating; Drawcard and EFTPOS each a Level 3 rating and ATM Solutions a Level 5 rating.

Although its subsidiaries have implemented significant transformation programmes in recent years, Transaction Capital's maiden BBBEE rating as a group is a significant step in the group's commitment to play a part in the transformation of the South African private sector. Through its BBBEE initiatives, Transaction Capital strives to positively affect all previously disadvantaged stakeholders while creating a record of sustainable financial performance.

BEE element	Score Percentage	Score	Weighting
Employment Equity	74%	13.26	18
Enterprise Development	100%	15.00	15
Equity Ownership	0%	0.00	23
Management Control	26%	2.85	11
Preferential Procurement	100%	20.00	20
Skills Development	87%	13.03	15
Socio-Economic Development	100%	5.00	5
Final score	100%	69.14	

Corporate citizenship

Transaction Capital is actively involved in communities throughout South Africa and has implemented a variety of programmes to help address the country's socio-economic challenges.

In addition, senior managers from across the group attended "immersions" seminars in the Alexandra township during November 2010 and April 2011where they visited various businesses within the township and then held a discussion and feedback session. Due to the fact that Transaction Capital itself was born out of entrepreneurial roots, these senior mangers were able to identify with the township entrepreneurs and consider approaches to assist their businesses to succeed.

Shared services

Refer to CEO report page 25

Shared services is the rendering of internal non-differentiating services to two or more divisions at a lower cost than can be obtained externally.

Shared services currently includes:

- Debt capital markets
- Internal audit
- Compliance
- Disaster recovery

The objectives for shared services include the prevention of duplication of staff and/or systems across the divisions so as to avoid unnecessary cost, the generation of economies of scale that can be leveraged to significantly enhance the performance of a function, the standardisation of processes and cross-functional sharing and the facilitation of functional excellence.

A shared services team's relationship with the businesses is that of a service provider. The businesses are their clients and the reason for their existence and they consequently benchmark their performance against similar external service providers.

Debt capital markets

Refer to ALCO page 59

Transaction Capital employs its own debt capital markets (DCM) team whose objective is to ensure that the group has access to sufficient debt capital to fund both organic and acquisitive growth. The DCM team arranges access to various pools of debt, utilising different funding mechanisms to attract a range of investors. In addition, the DCM team

Group accretive value creation processes

continued

is responsible for administration of the Asset and Liability Committee (ALCO) reporting and the implementation of ALCO's recommendations in monitoring and managing the funding risks and managing the centralised debt capital reporting and management system, which aims to ensure that each type or pool of debt complies with financial and other covenants in debt agreements.

Internal audit

Refer to Internal audit page 57

Transaction Capital maintains a dedicated internal audit team, which was centralised and expanded during the previous financial year. It is an objective, independent body that evaluates the adequacy and effectiveness of the group's risk, control and governance processes. Its roles and responsibilities are defined and governed by a charter approved by the audit committee and the board. Its objectives are to provide assurance on the control activities, risk management and governance processes.

Compliance and forensics

Refer to risk and compliance committee page 58

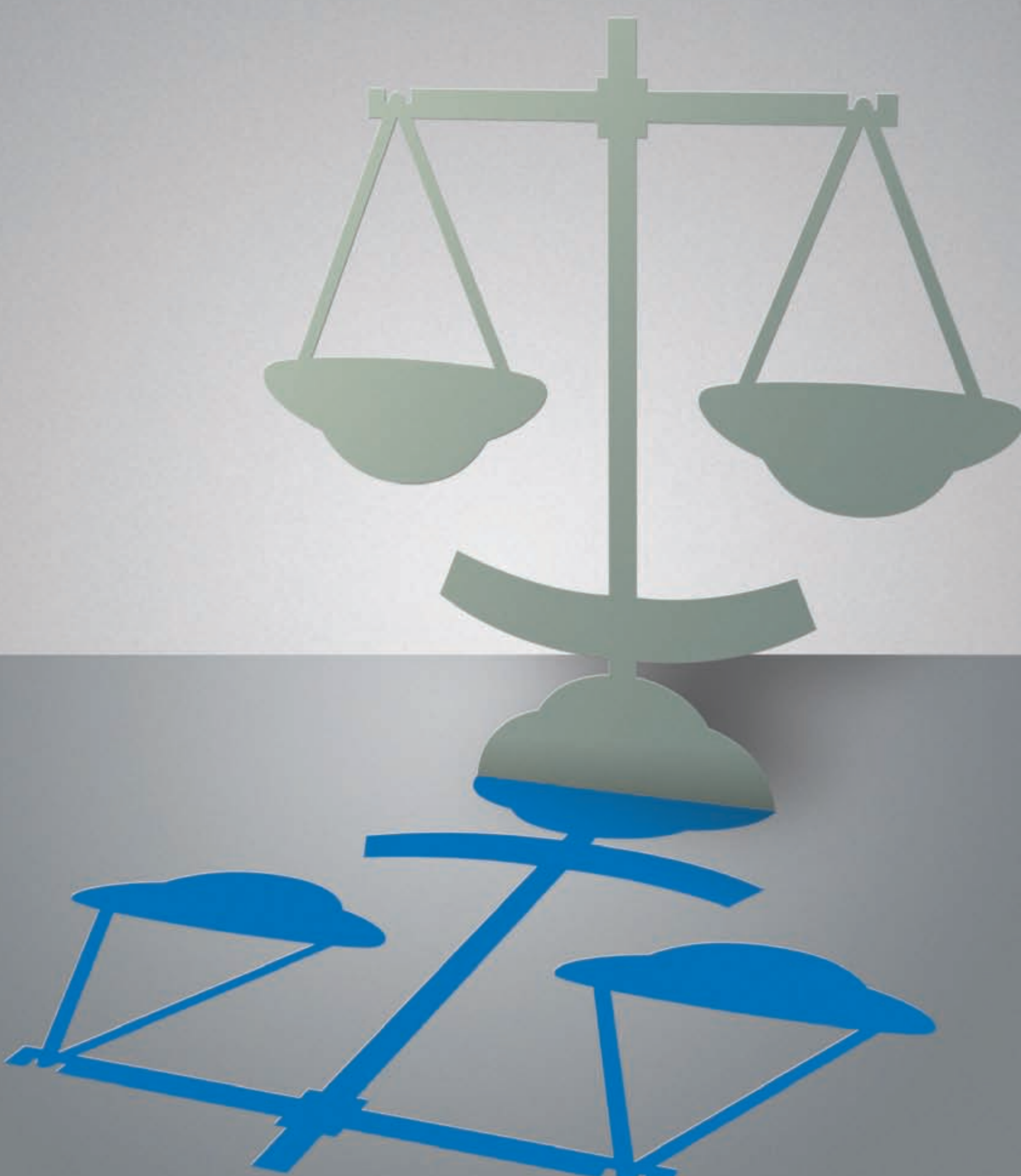
Transaction Capital maintains a centralised compliance monitoring function to facilitate independent assessment and reporting. While day-to-day compliance functions are performed by dedicated compliance officers within the businesses, there is group-wide reporting to the group chief risk officer. In addition, formal standardised risk and compliance reporting on a quarterly basis to the risk and compliance committee has been instituted to engage the board in the compliance process.

The group also maintains an independent, anonymous fraud reporting hot line managed by Deloitte & Touche South Africa with reports going to the group internal audit executive who redirects these as required. The group's forensic capability focuses on the detection of fraudulent applications in the lending businesses prior to processing.

Disaster recovery

Transaction Capital has built its own disaster recovery and business continuity centre which houses subsidiaries' back-up servers and provides facilities which staff could use in the case of a disaster. The Transaction Capital disaster recovery centre offers superior resources and technologies to the group at a more affordable rate than could be provided by a third party.

Corporate governance



Corporate governance

Corporate governance

Overview

Introduction

Transaction Capital's approach is to embed the required corporate governance processes and controls in the way it runs its businesses and how it conducts itself. The primary governance framework in South Africa is the King III Report on Corporate Governance issued in September 2009 (King III). All of Transaction Capital's governance frameworks use this standard as the key point of reference.

Transaction Capital is committed to complying with all legislation, regulations and best practices relevant to its business and the sectors in which it operates.

Philosophy

The foundation for effective leadership is embedded within Transaction Capital's values of integrity, competence, respect and innovation all of which permeate through the way the group conducts itself.

A high level of individual and collective responsibility, accountability, fairness and transparency ingrained at a board level inculcates a culture of risk awareness, ethical behaviour and value creation throughout the group.

The Transaction Capital board of directors is the focal point of the group's corporate governance system and is ultimately responsible and accountable for the performance, activities and control of the group to all stakeholders. In this regard, the board determines the company's strategic direction and directs executive management towards the achievement of the group's vision and mission. The board is committed to achieving the highest standards of integrity, transparency and professionalism.

Framework

The corporate governance framework adopted by the board facilitates a balance of its role of direction and oversight with its accountability, to ensure compliance with regulatory requirements and acceptable risk tolerance parameters, while encouraging entrepreneurial behaviour that remains a driver of group performance.

Transaction Capital's main operating subsidiaries have established boards of directors and governance structures that are aligned with the governance framework established by the group. The strategies, business plans and performance criteria of the operating subsidiaries are clearly defined. Appropriate structures for the measurement and monitoring of performance to achieve these strategies have been implemented.

The responsibilities of the subsidiary boards include reviewing and providing counsel on the corporate strategy, business plans, risk propensity and budgets of the respective operating businesses. The subsidiary company boards include non-executive directors in relation to those companies, but who may be executive or non-executive directors of Transaction Capital. These non-executive directors are of sufficient calibre, experience and number for their views to carry significant weight in influencing the decisions of the group chief executive and subsidiary chief executives, who have line authority, responsibility and accountability delegated by the Transaction Capital board. The subsidiary boards meet on a quarterly basis to review operational performance, internal controls, risk management, compliance and budgets.

King III

The Code on Corporate Governance issued by the King Committee (King III) is aligned with the new Companies Act, 2008, and the principles in the code now provide the foundation for best practice in corporate governance. Transaction Capital supports the view that a holistic approach to governance should be followed. The board is opposed to a tick box approach to corporate governance and therefore directs the group to apply substance over form. A detailed gap analysis to determine priorities has been performed and presented to the audit committee. Based on the outcome of this gap analysis, specific focus is being given to ensure that governance standards are consistently applied across the group.

Board of directors

Introduction

Subject to any limitation imposed by the company's Memorandum of Incorporation or any legislation or regulation, the management of the company is vested in its board of directors. A charter regulates how the board must conduct itself in the interests of the company and its stakeholders.

The board is accountable for the development and execution of the group's strategy, operating performance and financial results, as well as being the arbiter and monitor of risk and the custodian of the corporate governance policies and procedures.

The directors bring independent judgement and experience to the board's deliberations and decisions. Following consultation with the chairperson of the board, directors are encouraged to take independent advice where necessary, at the company's cost, for the proper execution of their duties and responsibilities. In addition, directors have unfettered access to the group's auditors, professional advisors and to the advice and services of the company secretary. Directors may attend any committee or subsidiary board meeting and have unrestricted access to any executive, manager or employee in the group as well as to any information generated by the group.

New directors are introduced to the group by way of a formal induction programme implemented under the responsibility of the company secretary. This programme consists of an information pack, detailed discussions on the environment and operations of each of the major subsidiaries as well as site visits.

Composition

Refer to directorate page 17

The nominations and remuneration committee monitors and ensures that the composition of the board meets the needs of skills, representivity and balance in proposing directors for election by shareholders. The board is responsible for the selection of the chairperson and chief executive officer and the constitution and composition of its committees. The board comprises six independent non-executive directors, three non-executive directors and four executive directors.

The office of the chairperson and that of the chief executive are separated with Christopher Seabrooke, an independent non-executive director, holding the position of chairperson and Mark Lamberti, an executive director, holding the position of chief executive. Dr Len Konar, the deputy chairperson, holds the position of lead independent director.

The leadership of the board is the responsibility of the chairperson. The leadership of the company is the responsibility of the chief executive, who is appointed by the board. The task of the chief executive is to direct the company and to implement the strategies, structures and policies adopted by the board. All board authority conferred on management is delegated through the chief executive.

Role

The board and its committees specifically assume ultimate responsibility for:

- Scanning the environment to understand and anticipate economic, industry and competitive threats likely to affect the group.
- Reviewing and evaluating the present and future strengths and weaknesses of the group.
- Approving and reviewing annually the group's three-year competitive strategy and adopting business plans for the achievement thereof.
- Approving the annual budget.
- Retaining full and effective control of the group, monitoring and directing management's implementation of board-approved strategies, structures, plans and budgets.
- Establishing and monitoring a relevant set of financial and non-financial measures or indicators to predict, measure and control the performance of the group, its business risks and the ability of the group to implement its strategy and achieve its objectives.
- Ensuring that appropriate systems are in place to identify, monitor and manage business risks and to ensure regulatory and legal compliance.
- Ensuring that a relevant system of policies and procedures is operative to establish control and the devolution of authority and responsibility.
- Approving specific financial and non-financial objectives.
- Reviewing investment capital and funding proposals.
- Defining levels of materiality and authority for commitments made on behalf of the company.
- Considering the adoption of any significant changes in accounting policies and practices, the extent of debt permitted by the group, annual general meeting agendas, changes to the Memorandum of Incorporation and compliance with relevant regulations.
- Reviewing the group's audit requirements.
- Ensuring comprehensive reporting to shareholders.
- Approving the preliminary financial statements, annual report and other reports and announcements to shareholders.
- Considering the declaration of dividends.
- Reviewing the board's composition, structure and succession.
- Reviewing succession planning and endorsing senior executive appointments and high-level remuneration issues.
- Establishing the measures for, and reviewing the chief executive officer's performance through the nominations and remuneration committee.
- Reviewing non-executive directors' remuneration.
- Prescribing the frequency, agendas and content for all meetings necessary to give effect to the above.
- Committing to the principles of good corporate governance and ensuring that compliance is reviewed regularly
- Ensuring ethical behaviour and compliance with laws and regulations and the group's own governance documents, codes of conduct and ethical standards.
- Acting in the interests of the company's stakeholders.

Conflicts of interest

There must be no conflicts between the personal interests of a director and the interests of the company. If there is an actual or potential conflict of interest, the director concerned is expected to recuse himself/herself from the related decision-making process. Directors are formally required to declare any conflicts of interest and shareholdings in the company or in other relevant stakeholders before the start of every board meeting.

Refer to note 14 page 117

During the year, none of the directors was materially interested in any proposed transaction of the group with the exception of the group's disposal of CUF Properties (Proprietary) Limited (CUF Properties). The family trusts of Jonathan Jawno, Steven Kark, Michael Mendelowitz and Rob Rossi are 51% participants in the consortium which acquired the shares in and claims against CUF Properties and accordingly, did not participate in or vote on the transaction at the board meeting in which the disposal decision was taken.

Effectiveness and evaluation

A formal performance evaluation of the board is conducted annually by means of a self-evaluation questionnaire, in which the mix of skills, performance during the year, contribution and independence of individual directors, and effectiveness of committees is reviewed. Results of the evaluations provide the basis for improvement of the board and its committees for the following year. Non-executive directors review the leadership and performance of the chairperson. Performance of the executive directors is evaluated annually using the performance management system implemented throughout the group. In addition, annually during November, the chairperson facilitates a comprehensive formal performance appraisal of the chief executive officer comprising a self-evaluation, an evaluation by each non-executive director and an evaluation by each of the chief executive officer's direct reports by way of separate questionnaires.

Based on the annual evaluations undertaken during November 2011, the board is satisfied that all directors are committed to their roles, are performing at acceptable standards, and that the board and its committees are effective.

Company secretary

The company secretary administers corporate governance within the group and provides the board as a whole and the directors individually with guidance on the proper discharging of their duties and responsibilities.

The company secretary ensures the proper administration of the board meetings including that the agendas are agreed upon with the chairperson in advance, the necessary documentation is distributed on a timely basis, proper minutes of the proceedings are taken, subsequently circulated and maintained and that all matters necessary to ensure that meetings are held as scheduled are attended to. The company secretary attends all board meetings.

The company secretary is responsible for monitoring the legal and regulatory environment, informing the board of all relevant legislation and regulations, communicating any changes thereto and ensuring compliance therewith.

All board members have access to the services of the company secretary, who is a central source of guidance and assistance.

Committees

The board committees and committees appointed by the shareholders include the executive committee, audit committee, risk and compliance committee, asset and liability committee, nominations and remuneration committee and, effective 1 October 2011, the social and ethics committee. The oversight function of these committees is outlined in detailed approved charters. Included in each committee's charter is the imperative to enhance the standard of governance within the group along with clearly defined delegated authority and reporting procedures.

Each charter was amended during the 2011 financial year to be in line with the requirements of the Companies Act, 2008. The board receives formal feedback at each meeting from the chairperson of each committee that has met since the previous board meeting. A copy of the minutes of these committee meetings is included in the board documentation. At these meetings, members are encouraged to consider errors of both omission and commission. This ensures that all aspects of the group's governance framework and processes receive due attention and are addressed in sufficient detail to allow the board to discharge its obligations.

	COMMITTEES					
		Audit	Asset and liability	Nominations and remuneration	Risk and compliance	Executive
Composition	Chairperson	Dr Len Konar	Jonathan Jawno	Dumisani Tabata	Rob Shuter	Mark Lamberti
Composition	Members	Phumzile Langeni Rob Shuter Shaun Zagnoev	Mark Herskovits David Hurwitz Timothy Jacobs Mark Lamberti Christopher Seabrooke Rob Shuter	Jonathan Jawno Phumzile Langeni Christopher Seabrooke Shaun Zagnoev	Timothy Jacobs Jonathan Jawno Rob Rossi Stuart Stone Charl van der Walt	Wayne Abramson Mark Herskovits David Hurwitz Timothy Jacobs Jonathan Jawno Steven Kark Terry Kier Edwin Shapiro Stuart Stone Charl van der Walt
Composition	Invitees	Lance Brebnor Stephen Hochstadter David Hurwitz Timothy Jacobs Jonathan Jawno Peter Katzenellenbogen Mark Lamberti Christopher Seabrooke Zelda van Heerden Stephen Williamson	Peter Katzenellenbogen Terry Kier Michael Mendelowitz Stuart Stone Matthew Symanowitz	Laura Acres Timothy Jacobs Mark Lamberti	Alison Blanchard Quintin de Boer Pedro Garcao David Hurwitz Peter Katzenellenbogen Terry Kier Mark Lamberti Jana le Roux Yashmita Mistry Dawid Spangenberg Zelda van Heerden Ian Wood	None
Number of independent directors		3	2	3	1	n/a
Number of meetings per year		4	4	3	4	10

Meetings

At least four meetings are held annually, one of which is devoted to a strategic review. In addition, meetings are convened on an *ad hoc* basis as and when circumstances demand. During the year, the board met once on an *ad hoc* basis.

The board works to a formal agenda that covers strategy, operational performance, risk and governance. Progress against the group's strategic thrusts is reported on at each meeting. The company secretary is responsible for circulating the agenda and other meeting papers in good time. Formal board papers are prepared for each discussion item on the meeting's agenda including reports by the chief executive officer, chief financial officer and chief executive officer of each of the group's operating subsidiaries.

It is an expectation of the board that the directors devote sufficient time to prepare for, attend and actively participate in all board, and where applicable, committee meetings.

Meeting attendance

Directors have an obligation to attend all meetings of the board and the committees on which they serve, unless specific and reasonable apologies are lodged with the company secretary.

Attendance at the board and committee meetings during the year was as follows:

Board of directors continued

		Board		Audit		Nominations and remuneration		Risk and compliance		Asset and liability	
		A	B	A	B	A	B	A	B	A	B
Board members											
Christopher Seabrooke	Independent non-executive	5	5	4	2	3	3			4	4
Dr Len Konar	Independent non-executive	5	4	4	4						
Phumzile Langeni	Independent non-executive	5	5	4	2	3	2				
Brenda Madumise	Independent non-executive	5	4								
Rob Shuter	Independent non-executive	5	5	4	3			4	4	4	2
Dumisani Tabata	Independent non-executive	5	3			3	2				
Michael Mendelowitz	Non-executive	5	5							4	2
Rob Rossi	Non-executive	5	4					4	4		
Shaun Zagnoev	Non-executive	5	5	4	4	3	3				
Timothy Jacobs	Executive	5	5	4	4	3	3	4	4	4	4
Jonathan Jawno	Executive	5	5	4	4	3	2	4	4	4	4
Steven Kark	Executive	5	4								
Mark Lamberti	Executive	5	5	4	3	3	3	4	3	4	2
Peter Katzenellenbogen	Company secretary	5	5	4	4			4	3	4	3
Management											
Laura Acres	Human Capital Executive					2	2				
Alison Blanchard	Bayport compliance officer							2	2		
Lance Brebnor	MBD CS chief financial officer			3	3						
Quinton de Boer	Paycorp compliance officer							2	2		
Pedro Garcao	MBD CS compliance officer							1	1		
Mark Herskovits	Head debt capital markets									4	4
Stephen Hochstadter	Paycorp chief operating officer			3	3						
David Hurwitz	SA Taxi chief financial officer			3	3			4	4	4	4
Terry Kier	SA Taxi chief executive officer							1	1	1	1
Yashmita Mistry	Compliance monitoring manager							1	1		
Edwin Shapiro	Group commercial executive							4	3	3	2
Dawid Spangenberg	SA Taxi chief risk officer							1	1		
Stuart Stone	Executive deputy chairman Bayport							4	4	4	3
Matthew Symanowitz										4	3
Riana Theorides	SA Taxi compliance officer							1	1		
Charl van der Walt	CEO MBD CS							4	4		
Zelda van Heerden	Group Internal Audit Executive			4	4			4	4		
Stephen Williamson	Bayport chief financial officer			3	3						
Ian Wood	Bayport chief risk officer							1	1		

A: Number of meetings held during the period the director or executive was a member of the board or committee
B: Number of meetings attended

Member

Invitee

Executive committee

Composition

The executive committee is constituted at the discretion of the chief executive and comprises Transaction Capital's most senior line and functional executives.

Role

The primary objective of the executive committee is to enhance the group's growth and sustainability beyond that encapsulated in the strategies, plans and budgets of subsidiary companies by driving and co-ordinating new initiatives, innovation, and intra-group activities.

Audit committee

Composition

The audit committee comprises three independent non-executive directors, one being the chairperson of the committee, and one non-executive director.

The group chief executive officer, group chief financial officer, group chief risk officer, group internal audit executive and external auditors attend all meetings of the committee by invitation. The chairperson of the board of directors attends certain meetings as an *ex-officio* member of the committee. Certain senior financial executives, who previously only attended selected meetings by invitation, now attend all meetings. The reporting of additional attendees at meetings is structured according to the audit committee's annual work plan.

All committee members are considered to have the appropriate qualifications, experience and skills required to fulfil the committee's mandate.

Role

The audit committee is elected annually by the shareholders of the company in terms of section 94(2) of the Companies Act, 2008. It has an independent role with accountability to both the shareholders and the board of directors. Its functions and responsibilities are defined in the Companies Act, King III and the company's Memorandum of Incorporation and are encapsulated in the charter adopted by the audit committee as approved by the board.

The audit committee reports externally to shareholders in compliance with its statutory duties. The chairperson of the audit committee is required to attend the annual general meeting of the company in order to respond to questions which pertain to issues for which the committee is responsible. The audit committee also reports internally to the board on both its statutory duties as well as the responsibilities assigned to it by the board in terms of its charter.

The board requires, under a resolution adopted in terms of section 94(2)(b) of the Companies Act, that the audit committee also perform its duties on behalf of the majority of the company's subsidiaries, other than those that are required to establish separate audit committees in terms of their credit ratings.

Responsibilities

In terms of its charter, the audit committee's responsibilities are grouped under eight categories:

- Reporting: The audit committee ensures that factors and risks that may impact on the quality and integrity of the annual report and other financial reports are considered. These include, but are not limited to, factors that could result in management presenting a misleading picture; significant judgements, assumptions and reporting decisions; monitoring and enforcement by any regulatory bodies; factors that could alter previously published information as well as forward-looking statements and possible conflicts between the financial and non-financial information.
- Combined assurance: The audit committee ensures that the combined assurance received is appropriate to address the significant risks facing the group. The combined assurance model consists of management, including financial management, internal audit, compliance, forensic services and the external auditors. The committee reviews the skills, resources and experience of the company's finance function annually and reports the results in the annual report. A review of the skills and experience of the chief financial officer, and confirmation that these are suitable, are also performed annually.
- Internal audit: The audit committee is responsible for oversight of the internal audit function, including the charter, its independence, resourcing, performance and planning. The appointment and dismissal of the group internal audit executive is subject to ratification by the audit committee. Detailed reports are distributed to the chairperson of the audit committee. Summarised reports are then presented to the committee members, who review the reports for significant findings and corrective action taken. Committee members receive the detailed reports on request. The committee reviews the effectiveness of the group's systems of internal controls.
- Risk management: The audit committee is integral to the risk management process of the group despite the existence of a separate risk and compliance committee. In particular, the audit committee oversees the management of internal financial controls and the financial reporting risks including fraud risks and information technology risks relating to financial reporting. The committee reviews the risk methodology and approach and confirms that risk tolerances are aligned with the company's risk-bearing capacity, including the adequacy of insurance coverage. Certain members of the audit committee are also members of or invitees to meetings of the risk and compliance committee and the asset and liability committee, both of which are key to the risk management process.
- External audit: The audit committee approves the external auditor nominated for appointment by the shareholders at each annual general meeting and oversees the external audit process. A policy on non-audit services provided by the external auditors is formalised and any proposed services outside of this policy are presented to the audit committee for approval. The terms of engagement and nature of the audit are considered by the audit committee together with the use of and reliance placed upon work performed by internal audit. The committee also reviews the performance and effectiveness of the external auditors as well as their interaction with the internal audit function.
- Anonymous reporting line: The audit committee ensures that an arrangement exists by which stakeholders may, in confidence and with total anonymity, raise concerns about possible improprieties and that these concerns are independently investigated and, where appropriate, that adequate controls are implemented to prevent its recurrence. The audit committee considers significant findings of investigations as well as management's response thereto.
- Governance: In liaison with internal and external audit, the audit committee reviews developments in corporate governance and best practices and considers the impact and implications for business processes and structures.
- Accounting: The audit committee ensures that adequate accounting records are maintained, that the accounting policies adopted are appropriate and consistently applied and makes recommendations to the board on the accounting policies, financial controls, records and reporting adopted by management.

Meetings

At least four meetings are held annually. In addition, meetings are convened on an *ad hoc* basis as and when circumstances demand. During 2011, four meetings were held.

Both the group internal audit executive and the external auditors have unfettered access to the audit committee. They meet independently with the chairperson ahead of committee meetings and, if required, they meet privately with the whole committee at scheduled meetings.

Internal audit

Internal audit is an independent objective function designed to add value and improve operations through the systematic analysis and evaluation of business processes and associated controls. It evaluates the adequacy and effectiveness of risk management and governance processes and highlights areas of control failure and enhancement as well as business opportunities to promote continuous improvement.

Internal audit's responsibilities are defined and governed by an internal audit charter approved by the audit committee and board. It has the

Audit committee continued

unequivocal support of the audit committee and board and has access to any part of or person within the group. All employees are expected to positively co-operate with internal audit.

To ensure independence, internal audit reports functionally to the chairperson of the audit committee however, from an administrative perspective, it reports to the group chief financial officer. The group internal audit executive, whose appointment and dismissal is subject to ratification by the audit committee, holds a senior executive position within the group and has frequent, independent discussions with the executive directors as well as chairperson of the audit committee.

The dedicated team complies with the International Standards of the Institute of Internal Auditors and is appropriately qualified and experienced to ensure the delivery of a relevant and high-quality service. It provides an opinion on the level of assurance that can be placed on the management of the group's risk and governance activities. The team formally reports any material findings and matters of significance as well as management's planned remedial actions to the subsidiary boards and audit committee, highlighting whether actual or potential risks to the business are being appropriately managed and controlled. Progress in addressing previously unsatisfactory audit findings is monitored until internal audit reports the proper resolution of the problem area.

In terms of its charter, internal audit is required to undergo an external quality review every three years (or otherwise as required by the audit committee) and has established and will maintain a quality assurance and improvement programme. Results of external quality reviews as well as the progress against the internal improvement programme are communicated to the executive committee and the audit committee. Internal audit aims to meet or exceed The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and the Code of Ethics.

Report to shareholders

Refer to audit committee report page 67

As required by the Companies Act, King III and in terms of its charter, the audit committee issues an annual report to the shareholders of the company.

Risk and compliance committee

Composition

The risk and compliance committee comprises one independent non-executive director, who is the chairperson of the committee, one non-executive director and two executive directors. Due to the complex nature of the businesses, members of this committee are also drawn from executive management. In addition, the group chief executive officer, group chief risk officer, group internal audit executive as well as the chief financial officers and chief risk officers of the major lending businesses attend meetings of this committee as permanent invitees.

All committee members are considered to have the appropriate qualifications, experience and skills required to fulfil the committee's mandate.

Role

The risk and compliance committee primarily provides oversight of risk management within the group and recommends appropriate actions to the board for its consideration and final approval. The role of the risk and compliance committee is to assist the board to ensure that:

- appropriate processes for determining risk appetite and risk tolerance are followed and that these are reviewed as required by the dynamics of the business;
- the implementation of controls around risk appetite and risk tolerance is monitored so that it remains effective and delivers the expected results;
- an effective risk management policy and plan has been implemented to enhance the group's ability to achieve its strategic objectives;
- disclosure with regard to risk is comprehensive, timely and relevant; and
- risk management is appropriately entrenched in the group.

Responsibilities

The risk and compliance committee has the following specific responsibilities:

- Oversee the development and annual review of a risk management policy for recommendation to the board for approval.
- Monitor implementation of the risk policy and plans via the approved risk management systems and processes.
- Make recommendations to the board with regard to the acceptable levels of risk tolerance and risk appetite given the environment in which the group operates.
- Monitor the management of risks within the board-approved levels of tolerance and appetite.
- Ensure that risk assessments are performed on an on-going basis.
- Ensure that appropriate frameworks and methodologies are implemented to increase the possibility of anticipating risks effectively.
- Ensure that risks are interrogated for duplication between business processes and divisions resulting in the potential impact on the group being significantly more serious than identified separately.
- Ensure that the interrogation of risks also includes investigation of potential opportunities.
- Ensure that management considers and implements appropriate risk responses.
- Ensure continuous risk monitoring by management.
- Liaise closely with the audit committee with regard to information relevant to risk that impacts the functioning of the audit committee.
- Report to the board on the effectiveness of the systems, processes and controls to manage risk.
- Review the disclosure regarding risk management to be included in the annual report for relevance and completeness.

Meetings

At least four meetings are held annually. In addition, meetings are convened on an *ad hoc* basis as and when circumstances demand. During 2011, four meetings were held.

Risks managed

An enterprise risk management framework has been implemented and provides the foundation for risk management within the group. Fourteen risk categories are used to identify, assess and report on risks at quarterly risk workshops. Responsibility for the management of risks is delegated to executive management while oversight responsibility remains that of the board and its sub-committees.

The board has delegated to the risk and compliance committee the responsibility for monitoring the following risks:

- Credit
- Compliance
- Operational
- Insurance

The committee receives risk reports and monitors the adequacy and effectiveness of the management of risks. Risk reports include a group-wide risk prioritisation schedule and a report of the risks for each business on an inherent (pre-control) and residual (post-control) basis.

Credit risk management is a key activity in the group and receives particular attention with detailed credit reports included in the documentation for each meeting.

Reporting on compliance activities within the businesses was standardised during the year and compliance officers are invited to meetings of the committee to present their reports and respond to questions. The focus on pro-active management of compliance risk has increased during the year with an independent compliance monitoring function established at the group level.

Minutes from the risk and compliance committee are included in documentation for each audit committee meeting, in line with this committee's governance responsibility for holistic risk oversight.

Asset and liability committee

Composition

The asset and liability committee (ALCO) comprises two independent non-executive directors and six executive members, one being the chairperson of the committee. Other functional or operating executives and external experts and advisors attend meetings by invitation or on a permanent basis.

All committee members are considered to have the appropriate qualifications, experience and skills required to fulfil the committee's mandate.

Role

ALCO ensures that all financial commitments are and will be managed and that the group will have adequate capital, funding and facilities to meet its growth targets.

Responsibilities

The primary responsibility of this committee is the oversight and monitoring of the management of risks relating to funding and capital allocation within the group.

ALCO is responsible for reviewing and approving the funding policies applicable to all businesses within the group. Funding policies as well as authority limits are reviewed at each ALCO meeting, and changes are subject to board ratification.

In addition, ALCO is responsible for regularly reviewing progress on previously determined strategies; monitoring economic conditions and the interest rate outlook; and assessing asset growth, funding demands and obligations, covenant adherence, liquidity positions and forecast cash flow information.

Meetings

At least four meetings are held annually. In addition, meetings are convened on an *ad hoc* basis as and when circumstances demand. During 2011, four meetings were held.

The head of the debt capital markets team submits a report before each ALCO meeting, including, as a minimum:

- An overview and analysis of each ALCO risk as it relates to the group.
- The group's borrowings, including facilities available as well as those in process of being concluded.
- Borrowing maturity profile and concentration.
- Asset maturity profiles.
- Financial covenants relating to borrowing facilities and other special conditions, where applicable.

Risks managed

ALCO is specifically mandated to oversee the management of the following risks:

- Liquidity
- Interest rate
- Currency
- Funding policies
- Monitoring and consideration of relevant regulatory developments

Nominations and remuneration committee

Composition

The nominations and remuneration committee comprises three independent non-executive directors, one being the chairperson of the committee, one non-executive director and one executive director. The group chief executive officer, group financial officer and group human capital executive attend meetings of this committee by invitation.

All committee members are considered to have the appropriate qualifications, experience and skills required to fulfil the committee's mandate.

Role

The nominations and remuneration committee's primary objective is to provide independent oversight and make recommendations to the board with regard to the appointment of senior executives and non-executive directors as well as appropriate remuneration policies for the group, for its consideration and final approval.

Responsibilities

The responsibilities of the nominations and remuneration committee include:

- Nominations: ensuring that a formal process for the appointment and induction of new directors is followed; ensuring that inexperienced directors are developed through a mentorship programme and that directors who do not make appropriate contributions are removed from the board; overseeing the development and implementation of continued professional development programmes and ensuring that succession plans are in place for the board, chief executive officer and key management positions.
- Remuneration: overseeing the remuneration policy with the appropriate mix of fixed and variable pay in cash, shares and other elements to promote the achievement of strategic objectives and encourage individual performance at all levels of the group; ensuring that the benchmarking of remuneration levels is relevant, valid and appropriate and that the results of performance evaluations are properly considered; reviewing the incentive schemes regularly to ensure that they contribute to shareholder value and are administered in terms of the scheme's relevant rules; and advising on the remuneration of non-executive directors.

Meetings

At least three meetings are held annually. In addition, meetings may be convened on an *ad hoc* basis as and when circumstances demand. During 2011, three meetings were held.

Remuneration policy

Transaction Capital's remuneration policy is designed to realise its guiding principle of attracting, retaining and rewarding the 80th percentile in experience, education and expertise, while aligning the interests of shareholders and employees.

Transaction Capital believes that all employees contribute to the success and progress of the group, and the board acknowledges and rewards this contribution, accordingly, by providing performance-based bonuses or incentives. Some executives are given the responsibility to lead others and to take significant decisions about clients, assets, funders and our people. Their tasks require specific expertise, skills and experience and they are therefore held to a much higher standard of accountability.

Accordingly, the executive remuneration policy aims to:

- Remunerate executives fixed pay at the 60th percentile of comparable positions in the market. In order to accurately assess this, the group conducts a biannual salary benchmarking exercise for the executive and senior managers across the group.
- Remunerate executives so that fixed pay in conjunction with potential variable pay places executives at 110% of comparable positions in the market.

Executive remuneration comprises the following components:

- A guaranteed package, which includes all benefits;
- A short-term incentive which is made up of quantitative and qualitative performance criteria which, if achieved, is paid out annually. The quantitative component is determined by the growth of group earnings per share or divisional profit before tax. The qualitative component is determined annually based on the strategic objectives of each division. For the 2011 financial year, the qualitative component was based on the progress of Broad-Based Black Economic Empowerment across the entire executive team; and
- A long-term incentive in the form of share ownership. Transaction Capital seeks to align the entrepreneurial ethos and long-term interests of senior managers, executives and senior executives with those of shareholders. Transaction Capital believes that share ownership is the only way to achieve this. The Transaction Capital General Share Scheme was introduced in December 2009 with the objective of facilitating voluntary investment in Transaction Capital by all executives and senior managers. The Scheme is a purchase scheme, therefore executives and senior managers choose to invest in the full knowledge that there is risk on return. Transaction Capital facilitates these investments by extending loans with beneficial terms to the executive and senior managers who take up the offer to purchase shares. Annual offers to purchase shares are made to executives and senior managers based on a percentage of their market salary. In the financial year ended September 2011, 72 executives and senior managers had taken up the offer to purchase shares in the Transaction Capital general share purchase scheme.

Top three executives' salaries

King III recommends that the salaries of the top three executives, excluding executive directors and prescribed officers, should be disclosed. Due to their specialised skills and the highly competitive market within which Transaction Capital operates, the board does not wish to disclose this information per individual but has instead disclosed the average salary (being the gross salary plus benefits) of the three employees concerned which for 2011 was R2.4 million (2010 R2.0 million).

Directors' emoluments

Details of emoluments for the year ended 30 September 2011 are as follows:

	Services as director of the company R'000	Salary and allowance R'000	Bonuses and performance-related payments R'000	Other benefits R'000	Total R'000
Year ended 30 September 2011					
Executive directors					
Mark Lamberti	–	3 304	6 600	55	9 959
Tim Jacobs	–	2 893	2 406	48	5 347
Jonathan Jawno	–	1 942	1 295	21	3 258
Steven Kark	–	2 336	1 070	35	3 441
	–	10 475	11 371	159	22 005
Non-executive directors					
Christopher Seabrooke	998	–	–	–	998
Dr Len Konar	578	–	–	–	578
Dumisani Tabata	473	–	–	–	473
Phumzile Langeni	513	–	–	–	513
Brenda Madumise	210	–	–	–	210
Michael Mendelowitz	210	–	–	–	210
Rob Shuter	788	–	–	–	788
Rob Rossi	315	–	–	–	315
Shaun Zagnoev [(c)]	315	–	–	–	315
	4 398	–	–	–	4 398
Precribed officers					
Prescribed officer A		1 935	2 419		4 354
Prescribed officer B		2 150	2 150		4 300
Prescribed officer C		3 330	3 098		6 428
Prescribed officer D		2 205	1 536		3 741
	–	9 620	9 203	–	18 823
Year ended 30 September 2010					
Executive directors					
Mark Lamberti	–	3 150	2 520	53	5 723
Tim Jacobs	–	2 750	2 062	46	4 858
Jonathan Jawno	531	534	–	21	1 086
Steven Kark	–	2 225	1 035	37	3 297
	531	8 659	5 617	157	14 964
Non-executive directors					
Christopher Seabrooke	950	–	–	–	950
Dr Len Konar	550	–	–	–	550
Dumisani Tabata	300	–	–	–	300
Phumzile Langeni	450	–	–	–	450
Brenda Madumise	83	–	–	–	83
Michael Mendelowitz	200	–	–	–	200
Rob Shuter	500	–	–	–	500
Rob Rossi	300	–	–	–	300
Shaun Zagnoev [(c)]	300	–	–	–	300
	3 633	–	–	–	3 633
Precribed officers					
Prescribed officer A		1 457	2 302		3 759
Prescribed officer B		1 200	500		1 700
Prescribed officer C		3 296	1 200		4 496
Prescribed officer D		2 100	600		2 700
	–	8 053	4 602	–	12 655

Non-executive director fees are:

a. recommended by the nominations and remuneration committee and approved in advance by special resolution of the shareholders;

b. paid to non-executive directors quarterly in arrear; and

c. received by Shaun Zagnoev on behalf of Ethos Private Equity.

The group chief executive officer and his direct reports received a maximum of 5% increase on their gross salary and benefits for the 2011 financial year.

Social and ethics committee

Composition

The social and ethics committee comprises two independent non-executive directors (Phumzile Langeni (chairperson) and Brenda Madumise), and one executive director (Mark Lamberti). In addition the group human capital executive is also a member.

Role

As required in terms of section 72 the Companies Act 2008, a social and ethics committee has been appointed with effect from 1 October 2011.

This committee will perform the functions prescribed in terms of Regulation 45 of the Companies Regulations, 2011, on behalf of all subsidiaries of the company.

Responsibilities

The social and ethics committee will be responsible for the monitoring of the company's activities, having regard to any relevant legislation, regulations or prevailing codes of best practice, with regard to matters relating to:

- Social and economic development, including the company's standing in terms of the goals and purposes of the ten principles set out in the United Nations Global Compact Principles, OECD recommendations regarding corruption, Employment Equity Act and Broad-Based Black Economic Empowerment Act;
- Good corporate citizenship, including the company's promotion of equality, prevention of unfair discrimination, and reduction of corruption, contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and record of sponsorship, donations and charitable giving;
- the environment, health and public safety, including the impact of the company's activities and of its products or services;
- consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws;
- labour and employment, including the company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions, the company's employment relationships, and its contribution toward the educational development of its employees, to draw matters within its mandate to the attention of the board as occasion requires, and to report, through one of its members, to shareholders at the company's annual general meeting on the matters within its mandate.

Meetings

At least one meeting will be held annually. In addition, meetings may be convened on an *ad hoc* basis as and when circumstances demand.

Ethics Charter

Transaction Capital's values define its ethics charter.

Transaction Capital's ethics charter sets out certain guiding principles underlying the group's corporate governance practices that all employees are required to follow.

The eight guiding principles of the ethics charter are to:

1. Carry on Transaction Capital's business in a diligent and loyal manner

   This means complying with charters, policies, procedures and guidelines; exercising obligations with due care and required skill; meeting the legitimate expectations of all stakeholders; adhering to independent auditing and financial reporting standards; practicing good governance in the group's business strategies and operations as well as honouring obligations and delivering on promises.

2. Respect the physical and intellectual property of all Transaction Capital's stakeholders

   This requires that employees protect the assets of Transaction Capital including confidential and important information, intellectual property, money and equipment. It also requires them to adopt a zero-tolerance approach towards any form of unethical behaviour and crime with regard to property rights, including those of competitors.

3. Refrain from engaging in deceptive and illegal behaviour

   Transaction Capital's people should be truthful and honest in all dealings and communications, be honest in accounting and financial reporting, be committed to combat and report unethical behaviour, theft, fraud and/or corruption. Employees should refrain from victimising whistle-blowers and commit to protecting them in the interest of the on-going success of the group. All potential conflicts of interests must be disclosed.

4. Recognise the dignity of others

   Employees of Transaction Capital are required to uphold basic human rights, including those set out in the South African Constitution.

   Employees will only engage suppliers and business partners whose practices are respectful of human rights and will support a safe and healthy work environment, including the prevention of any forms of harassment – sexual or otherwise – in the workplace. Simply, employees should always treat customers, fellow employees and all other stakeholders in the same way that they wish to be treated.

5. Engage in free and fair competition

   This means supporting free and fair competition by not being involved in price-fixing or other anti-competitive activities. It also means refraining from arbitrary or unjustified discrimination against anyone, upholding fair labour practices and supporting freedom of association and collective bargaining.

6. Respect the law, the environment and the communities in which Transaction Capital and its companies operate

   Employees must uphold all applicable laws, rules and standards and pursue only business practices that are economically, socially and environmentally sustainable. Employees must be prudent in the use of natural resources and support the development of South Africa and other countries in which the group operates by paying due taxes.

7. Operate in good faith with any party who might have a legitimate concern about Transaction Capital's business

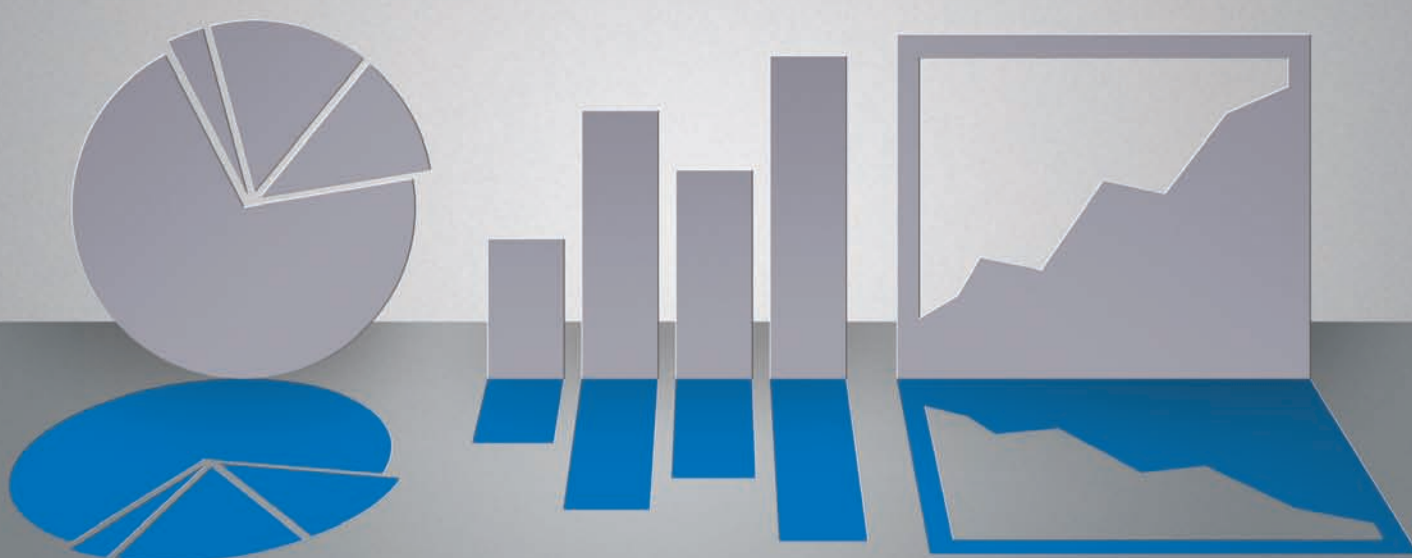
   This requires that the people of Transaction Capital negotiate in good faith and refrain from any form of coercion. They must react immediately to legitimate client or investor concerns and complaints by escalating these to the appropriate level if they are uncomfortable to deal with these themselves. Products and services on offer should strive to exceed client expectations and endeavour to promote – within Transaction Capital's sphere of influence – public policies that support economic and social development.

8. Report suspected or observed acts that contradict any ethical business principles

   The ethics charter provides for channels of anonymous reporting of suspected incidences or observations of unethical behaviour. Employees in the group must use these for reporting unethical behaviour, even if only suspected, as not reporting these is contrary to the ethical business principles as set out in the ethics charter.

   Anonymous reporting can be done via the group's Ethics Hotline on 0800 212 767 or by e-mailing alert@tip-offs.com. It is only through regular and unrelenting defence of and commitment to the principles outlined in this ethics charter that Transaction Capital can live up to its goal of operating as a highly-respected, highly-ethical and commercially successful group of financial services companies.

Annual financial statements



Annual financial statements

Contents

Notice under section 29(1)(e) of the Companies Act 2008

The annual financial statements were prepared under the supervision of T Jacobs, CA(SA) and have been audited by Deloitte & Touche.

Directors' responsibility statement

The directors of Transaction Capital (Proprietary) Limited are responsible for the preparation and fair presentation of the annual financial statements of the company and the group in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2008, of South Africa.

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

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

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

The annual financial statements on pages 65 to 118 were approved by the board of directors on 12 January 2012, and are signed on their behalf.

Mark J Lamberti
Chief executive officer

Tim Jacobs
Chief financial officer

Company secretary certificate

In terms of section 88(2)(e) of the Companies Act, 2008, I certify that, to the best of my knowledge and belief, the company has filed all required returns and notices in terms of the Act, in respect of the year under review, with the Companies and Intellectual Property Commission and that all such returns and notices appear to be true, correct and up to date.

Peter Katzenellenbogen
Company secretary

12 January 2012

Independent auditor's report

We have audited the consolidated annual financial statements and annual financial statements of Transaction Capital (Proprietary) Limited, which comprise the directors' report, the consolidated and separate statements of financial position as at 30 September 2011, and 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, a summary of significant accounting policies and other explanatory notes, as set out on pages 65 to 118.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Transaction Capital (Proprietary) Limited as at 30 September 2011, and consolidated and separate financial performance and its 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.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Lito Nunes
Partner

12 January 2012

Deloitte Place
The Woodlands
Woodlands Drive
Woodmead Sandton

National Executive: GG Gelink Chief Executive, AE Swiegers Chief Operating Officer, GM Pinnock Audit, DL Kennedy Risk Advisory & Legal Services, NB Kader Tax, L Geering Consulting, L Bam Corporate Finance, JK Mazzocco Human Resources, CR Beukman Finance, TJ Brown Chairman of the Board, MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request.
B-BBEE rating: Level 2 contributor/AAA (certified by Empowerdex)
Member of Deloitte Touch Tohmatsu Limited

Audit committee report

Refer to audit committee page 57

In accordance with the requirements of the Companies Act, 2008, King III and its charter, the audit committee discharged its responsibilities as follows:

- Considered and satisfied itself that the external auditor is independent of the company;
- Determined the fees paid to the external auditor for the 2011 financial year;
- Confirmed the nature and extent of the non-audit services which the external auditor performed during the 2011 financial year;
- Nominated the external auditors for appointment for the 2012 financial year;
- Approved the internal audit plan for the 2012 financial year;
- Held separate meetings with management and the external auditor to discuss any reserved matters;
- Ensured that the audit committee complied with the membership criteria set out in the Companies Act;
- Considered the appropriateness and experience of the chief financial officer; and
- Reviewed the consolidated and company annual financial statements of Transaction Capital (Proprietary) Limited.

The audit committee recommended the 2011 annual report incorporating the consolidated and company annual financial statements for approval by the board on 12 January 2012.

D Konar

Dr Len Konar
Chairperson audit committee

Directors' report

Nature of business

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

The group operates in the two principal areas, lending and services. The nature of the business of the main operating subsidiaries and a review of each is set out in the group profile commencing on page 10 of this report. Details of acquisitions and disposals made by the company are set out in the chief financial officer's report commencing on page 28 of this report.

Financial results

The results of the company and the group are set out in the annual financial statements. The results of each division are discussed in the operational review section commencing on page 43 of this report.

Directorate and secretary

The names and brief *curriculum vita* of the directors and company secretary in office at the date of this report are set out in the directorate section commencing on page 17 of this report.

There were no changes during the period under review.

Interest of directors in the company's shares

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

	Number of shares 2011 '000	Number of shares 2010 '000
Non-beneficial		
Executive directors		
T N Jacobs	3 060	2 938
J M Jawno	94 791	94 791
S Kark	33 648	33 649
M J Lamberti	37 000	32 711
Non-executive directors		
D Konar	–	–
P Langeni	–	–
B Madumise	–	–
M P Mendelowitz	94 791	94 791
R Rossi	94 791	94 791
C Seabrooke	1 000	1 000
R Shuter	750	750
D Tabata	–	–
S Zagnoev	40 395	40 395
	400 226	395 816
Percentage of issued shares	84.9%	87.0%

None of the directors has a direct beneficial shareholding in the ordinary shares of the company.

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

The directors are not aware of any shareholder, other than a director who is directly or indirectly interested in 5% or more of the company's shares of any class.

Dividends

No dividends were declared or paid in respect of the years ended 30 September 2011 and 2010.

Share capital and premium

The following changes took place during the year under review:

	2011 Number of shares '000	2011 R'000	2010 Number of shares '000	2010 R'000
Beginning of the year	455 085	834 806	420 876	584 392
Issued for acquisitions*	5 524	35 851	13 523	106 842
Issued for cash	262	1 719	–	–
Issued in terms of the Transaction Capital Share Scheme	7 361	50 114	6 811	49 379
Issued in terms of the assisted offers	6 427	46 116	14 730	102 291
Issued in terms of service agreement	–	–	2 000	12 600
Repurchased and cancelled	(3 483)	(22 978)	(2 855)	(20 698)
Share issue pricing adjustment	–	(37 339)	–	–
	471 176	908 289	455 085	834 806

**5,523,993 shares were issued in the current year for acquisition of Bayport Financial Services (Proprietary) Limited in the prior year. The initial cost of the investment in 2010 includes the issue price of these shares.*

Loans payable of R225 million may, at the option of the loan creditors, be converted into ordinary shares if the company lists on the JSE Limited, at a 10% discount to the listing price.

Preference shares

79 250 preference shares were redeemed for cash at par (R79.25 million) during the year under review. There are no preference shares in issue.

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 14 to the consolidated annual financial statements

Litigation

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

Subsidiaries

Details of subsidiaries and of changes in holdings are set out on pages 117 and 118 of this report.

Subsequent events

No material events took place subsequent to year-end.

Employee incentive schemes

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

Transaction Capital general share scheme

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

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

	Number of shares '000	R'000
Offers accepted at 725 cents per share	6 811	49 379
P ayments made	–	(4 503)
Interest charged	–	3 178
Withdrawals	(25)	(187)
Balances at 30 September 2010	6 786	47 867
Offers accepted at 658 cents to 779 cents per share	11 509	80 520
Payments made	–	(605)
Interest charged	–	6 621
Repricing	–	(5 176)
Withdrawals	(712)	(4 739)
Balances at 30 September 2011	17 583	124 488
Shares held by directors under scheme at the end of year included above		
– 30 September 2011	5 688	40 876
– 30 September 2010	1 278	8 843
Shares held by prescribed officers under scheme at the end of year included above:		
– 30 September 2011	2 030	14 162
– 30 September 2010	891	5 879

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

Employees will be offered the opportunity to acquire further shares under the scheme on an annual basis after the completion of the audit of the annual financial statements.

Assisted offers

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

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

	Number of shares '000	R'000
Shares issued	14 730	102 291
Payments made	(7 167)	(70 513)
Interest charged	–	805
Balances at 30 September 2010	7 563	32 583
Shares issued	2 279	15 710
Payments made	–	–
Interest charged	–	1 104
Repricing	–	(3 448)
Withdrawals	(69)	(454)
Balances at 30 September 2011	9 773	45 495
Shares held by directors under scheme at the end of year included above:		
– 30 September 2011	3 608	19 675
– 30 September 2010	3 608	20 903
Assisted shares held by prescribed officers under scheme at the end of year included above:		
– 30 September 2011	1 414	8 600
– 30 September 2010	414	703

The shares must be paid for in full within three years of issue. Grants during 2011 bear interest at the official interest rate. Prior grants bear interest at the prime overdraft rate less 5%.

Transaction Capital Share Trust

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

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

	Number of shares '000	R'000
Balances at 30 September 2009	14 445	43 379
Shares issued	2 000	12 500
Payments made (shares released)	(100)	(8 541)
Interest charged	–	4 463
Balances at 30 September 2010	16 345	51 801
Withdrawals	(1 781)	(4 107)
Repricing	–	(1 320)
Interest charged	–	3 822
Balances at 30 September 2011	14 564	50 196
Shares held by directors under scheme at the end of the year included above:		
– 30 September 2011	10 464	37 889
– 30 September 2010	10 464	36 504

Special resolutions passed by subsidiaries

None of the company's subsidiaries passed special resolutions relating to their capital structure, borrowing powers or objects clause contained in the memorandum of association or any other material matter.

Consolidated statement of financial position

at 30 September

	Note	2011 R'000	2010 R'000	Restated 2009 R'000
ASSETS				
Cash and cash equivalents	1	695 540	574 853	369 360
Tax receivables		64 168	14 093	11 823
Trade and other receivables	2	494 764	279 662	133 512
Inventories	3	156 392	209 168	48 003
Loans and advances	4	6 720 185	5 716 409	3 153 531
Purchased book debts	5	307 780	244 540	249 555
Other loans receivable	6	230 496	220 748	56 084
Deferred tax assets	7	131 248	108 966	46 323
Other investments	8	6 988	21 787	2 425
Investments in associates		–	–	94 259
Intangible assets	9	39 319	40 389	9 498
Property and equipment	10	279 059	290 148	261 114
Goodwill	11	930 237	931 762	515 496
Total assets		10 056 176	8 652 525	4 950 983
LIABILITIES				
Bank overdrafts	1	182 946	192 047	33 402
Tax payables		14 164	89 665	3 638
Provisions	12	1 999	2 588	2 837
Trade and other payables	13	544 909	506 843	326 124
Interest-bearing liabilities	14	7 469 162	6 414 191	3 492 029
Deferred tax liabilities	7	133 542	68 950	65 168
Total liabilities		8 346 722	7 274 284	3 923 198
EQUITY				
Ordinary share capital	15	471	455	421
Share premium	15	907 818	834 351	583 971
Cash flow hedging reserves		(3 077)	(482)	126
Retained earnings		731 780	500 172	392 245
Equity attributable to ordinary equity holders of the parent		1 636 992	1 334 496	976 763
Non-controlling interests	16	72 462	43 745	51 022
Total equity		1 709 454	1 378 241	1 027 785
Total equity and liabilities		10 056 176	8 652 525	4 950 983
Net asset value per share				
Number of shares ('000)		471 176	455 085	420 876
Net asset value per share (cents)		347.4	293.2	232.1
Tangible net asset value per share (cents)		141.7	79.6	107.3

Consolidated statement of comprehensive income

for the year ended 30 September

	Note	2011 R'000	2010 R'000	Restated 2009 R'000
Interest and other similar income	17	1 784 840	1 216 784	739 046
Interest and other similar expense	17	(797 655)	(608 362)	(403 440)
Net interest income	17	987 185	608 422	335 606
Impairment of loans and advances	18	(566 391)	(278 038)	(65 759)
Risk adjusted net interest income		420 794	330 384	269 847
Non-interest revenue	19	1 820 774	1 553 512	1 115 962
Direct costs	20	(797 706)	(649 685)	(537 380)
Non-interest gross profit		1 023 068	903 827	578 582
Indirect costs	21	(990 206)	(905 672)	(489 972)
Operating income		453 656	328 539	358 457
Income from associates		–	(5 028)	5 566
Profit before tax		453 656	323 511	364 023
Income tax expense	22	(107 993)	(94 914)	(105 524)
Profit from continuing operations		345 663	228 597	258 499
Loss from discontinued operations	23	(69 614)	(3 983)	(1 531)
Profit for the year		276 049	224 614	256 968
Other comprehensive income				
Cash flow hedging	24	(2 595)	(608)	201
Total comprehensive income for the year		273 454	224 006	257 169
Profit for the year attributable to:				
Ordinary equity holders of the parent		250 479	200 847	236 045
Non-controlling interests		25 570	23 767	20 923
		276 049	224 614	256 968
Total comprehensive income attributable to:				
Ordinary equity holders of the parent		247 884	200 239	236 246
Non-controlling interests		25 570	23 767	20 923
		273 454	224 006	257 169
Earnings per share from continuing operations				
Basic (cents per share)	25	69.2	46.0	56.4
Diluted basic (cents per share)	25	69.2	46.0	56.4
Headline (cents per share)	25	69.6	47.9	56.6

Consolidated statement of changes in equity

for the year ended 30 September

	Number of ordinary shares '000	Share capital R'000	Share premium R'000	Cash flow hedging reserves R'000	Retained earnings R'000	Ordinary equity holders of the parent R'000	Non-controlling interests R'000	Total equity R'000
Balance at 30 September 2008	**416 681**	**417**	**590 268**	**(75)**	**222 512**	**813 122**	**36 726**	**849 848**
Total comprehensive income				201	236 045	236 246	20 923	257 169
Profit for the year as previously stated					279 344	279 344	22 262	301 606
Other comprehensive income				201		201		201
Restatement					(43 299)	(43 299)	(1 339)	(44 638)
Dividends paid to ordinary shareholders					(53 335)	(53 335)	(8 260)	(61 595)
Transactions with non-controlling interest					(12 977)	(12 977)	1 633	(11 344)
Issue of shares	5 855	6	4 585			4 591		4 591
Repurchase of shares	(1 660)	(2)	(10 882)			(10 884)		(10 884)
Restated balance at 30 September 2009	**420 876**	**421**	**583 971**	**126**	**392 245**	**976 763**	**51 022**	**1 027 785**
Total comprehensive income				(608)	200 847	200 239	23 767	224 006
Profit for the year					200 847	200 847	23 767	224 614
Other comprehensive income				(608)		(608)		(608)
Dividends paid to ordinary shareholders					(84 575)	(84 575)	(18 522)	(103 097)
Transactions with non-controlling interest					7 877	7 877	(7 877)	–
Purchase of non-controlling interests					(16 222)	(16 222)	(28 381)	(44 603)
Issue of shares	37 064	37	271 075			271 112		271 112
Repurchase of shares	(2 855)	(3)	(20 695)			(20 698)		(20 698)
Capital introduced by non-controlling interest							4 121	4 121
Business combination							19 615	19 615
Balance at 30 September 2010	**455 085**	**455**	**834 351**	**(482)**	**500 172**	**1 334 496**	**43 745**	**1 378 241**
Total comprehensive income				(2 595)	250 479	247 884	25 570	273 454
Profit for the year					250 479	250 479	25 570	276 049
Other comprehensive income				(2 595)		(2 595)		(2 595)
Dividends paid							(13 515)	(13 515)
Transactions with non-controlling interest							21 612	21 612
Purchase of non-controlling interests					(18 871)	(18 871)	(4 950)	(23 821)
Issue of shares	19 574	19	133 784			133 803		133 803
Repurchase of shares	(3 483)	(3)	(22 978)			(22 981)		(22 981)
Distributions from share premium			(37 339)			(37 339)		(37 339)
Balance at 30 September 2011	**471 176**	**471**	**907 818**	**(3 077)**	**731 780**	**1 636 992**	**72 462**	**1 709 454**

Consolidated statement of cash flows

for the year ended 30 September

	Note	2011 R'000	2010 R'000	Restated 2009 R'000
Cash flow from operating activities				
Cash generated by operations	26	791 996	656 077	511 977
Income taxes paid	27	(190 759)	(87 396)	(60 553)
Dividends paid	29	(13 515)	(103 097)	(61 595)
Cash flow from operating activities before changes in operating assets and liabilities		587 722	465 584	389 829
Increase in operating assets and liabilities		(370 132)	(201 304)	(108 047)
Loans and advances		(1 220 313)	(1 554 261)	(819 762)
Purchased book debts		(108 256)	(33 211)	(85 125)
Net funding of loans and advances and purchased book debts		958 437	1 386 168	796 840
Increase in working capital		(225 717)	(126 942)	28 457
Inventories		(51 907)	(148 608)	(20 925)
Trade and other receivables		(194 546)	(97 831)	30 292
Trade and other payables		20 736	119 497	19 090
Net cash generated by operating activities		22 784	137 338	310 239
Cash flow from investing activities				
Business combinations	28	–	(164 561)	–
Additional payment for goodwill		–	(11 000)	–
Acquisition of property and equipment		(96 740)	(99 978)	(114 300)
Acquisition of intangible assets		(15 904)	(14 377)	(7 063)
Disposal of property and equipment		21 407	11 667	12 103
Disposal of intangible assets		350	1 826	1 265
Decrease/(increase) in unlisted investments		14 799	(19 352)	(10 139)
Disposal of unlisted investment		–	61 231	6 396
Discontinued operation		(29 503)	–	15 071
Decrease/(increase) in other loans receivable		74 944	(100 500)	(9 075)
Net cash utilised by investing activities		(30 647)	(335 044)	(105 742)
Cash flow from financing activities				
Issue of shares for cash and settlement of business combination obligation		37 570	73 434	6
Repurchase and repricing of shares		(50 476)	(20 698)	(10 884)
Acquisition of non-controlling interests in subsidiaries		(23 821)	(31 583)	(37 291)
Funds introduced by non-controlling interests		21 612	4 121	–
Repayment of interest-bearing liabilities		(293 628)	(30 720)	–
Proceeds from raising interest-bearing liabilities		477 305	250 000	44 598
Net cash raised by financing activities		168 562	244 554	(3 571)
Net increase in cash and cash equivalents		129 788	46 848	200 926
Cash and cash equivalents at beginning of the year		382 806	335 958	135 032
Cash and cash equivalents at end of the year		512 594	382 806	335 958

Segmental report

for the year ended 30 September

	Asset-backed lending R'000	Unsecured lending R'000	Lending R'000	Credit services R'000	Payment services R'000	Services R'000	Corporate support R'000	Group R'000
2011								
Statement of comprehensive income								
Interest and other similar income	935 975	797 581	1 733 556	3 207	9 151	12 358	38 926	1 784 840
Interest and other similar expense	(441 821)	(273 563)	(715 384)	(11 375)	(9 431)	(20 806)	(61 465)	(797 655)
Net interest income	494 154	524 018	1 018 172	(8 168)	(280)	(8 448)	(22 539)	987 185
Impairment of loans and advances	(242 394)	(322 853)	(565 247)	–	–	–	(1 144)	(566 391)
Non-interest revenue	156 305	609 450	765 755	631 822	428 110	1 059 932	(4 913)	1 820 774
Profit before tax	137 332	194 730	332 062	90 525	50 052	140 577	(18 983)	453 656
Other information								
Depreciation	5 564	10 252	15 816	8 430	55 253	63 683	515	80 014
Amortisation of intangible assets	2 392	15 773	18 165	1 462	2 150	3 612	1 163	22 940
Statement of financial position								
Assets								
Inventories	–	131 822	131 822	–	22 979	22 979	1 591	156 392
Loans and advances	4 011 218	2 635 269	6 646 487	–	–	–	73 698	6 720 185
Purchased book debts	–	–	–	307 608	–	307 608	172	307 780
Property and equipment	14 838	30 244	45 082	13 996	218 681	232 677	1 300	279 059
Goodwill and intangibles	62 860	475 592	538 452	65 078	10 619	75 697	355 407	969 556
Goodwill	61 835	446 912	508 747	64 369	899	65 268	356 222	930 237
Intangibles	1 025	28 680	29 705	709	9 720	10 429	(815)	39 319
Other assets and receivables	594 544	249 923	844 467	153 207	148 637	301 844	476 893	1 623 204
Total assets	4 683 460	3 522 850	8 206 310	539 889	400 916	940 805	909 061	10 056 176
Liabilities								
Interest-bearing liabilities	4 088 354	2 733 130	6 821 484	70 578	91 302	161 880	485 798	7 469 162
Group	197 483	285 316	482 799	–	–	–	(482 799)	–
External	3 890 871	2 447 814	6 338 685	70 578	91 302	161 880	968 597	7 469 162
Other liabilities and payables	334 974	144 320	479 294	185 547	170 997	356 544	41 722	877 560
Total liabilities	4 423 328	2 877 450	7 300 778	256 125	262 299	518 424	527 520	8 346 722
Segment net assets	260 132	645 400	905 532	283 764	138 617	422 381	381 541	1 709 454
2010								
Statement of comprehensive income								
Interest and other similar income	754 060	413 555	1 167 615	3 430	9 262	12 692	36 477	1 216 784
Interest and other similar expense	(385 190)	(143 280)	(528 470)	(14 864)	(9 922)	(24 786)	(55 106)	(608 362)
Net interest income	368 870	270 275	639 145	(11 434)	(660)	(12 094)	(18 629)	608 422
Impairment of loans and advances	(131 883)	(146 155)	(278 038)	–	–	–	–	(278 038)
Non-interest revenue	142 355	357 877	500 232	608 093	404 201	1 012 294	40 986	1 553 512
Profit before tax	102 559	128 900	231 459	75 596	54 751	130 347	(38 295)	323 511
Other information								
Depreciation	4 339	4 994	9 333	10 009	53 322	63 331	682	73 346
Amortisation of intangible assets	3 463	9 454	12 917	2 290	644	2 934	337	16 188
Statement of financial position								
Assets								
Inventories	–	66 334	66 334	–	25 973	25 973	116 861	209 168
Loans and advances	3 833 794	1 743 463	5 577 257	–	–	–	139 152	5 716 409
Purchased book debts	–	–	–	244 024	–	244 024	516	244 540
Property and equipment	14 999	17 476	32 475	18 738	221 578	240 316	17 357	290 148
Goodwill and intangibles	62 834	487 731	550 565	89 076	1 278	90 354	331 232	972 151
Goodwill	60 000	448 437	508 437	87 122	899	88 021	335 304	931 762
Intangibles	2 834	39 294	42 128	1 954	379	2 333	(4 072)	40 389
Other assets and receivables	331 221	438 370	769 591	175 540	125 872	301 412	149 106	1 220 109
Total assets	4 242 848	2 753 374	6 996 222	527 378	374 701	902 079	754 224	8 652 525
Liabilities								
Interest-bearing liabilities	3 660 898	2 085 176	5 746 074	118 165	78 537	196 702	471 415	6 414 191
Group	10 024	170 719	180 743	20 554	–	20 554	(201 297)	–
External	3 650 874	1 914 457	5 565 331	97 611	78 537	176 148	672 712	6 414 191
Other liabilities and payables	412 105	123 701	535 806	148 403	138 248	286 651	37 636	860 093
Total liabilities	4 073 003	2 208 877	6 281 880	266 568	216 785	483 353	509 051	7 274 284
Segment net assets	169 845	544 497	714 342	260 810	157 916	418 726	245 173	1 378 241

for the year ended 30 September

	Asset-backed lending R'000	Unsecured lending R'000	Lending R'000	Credit services R'000	Payment services R'000	Services R'000	Corporate support R'000	Group R'000
2009 – Restated								
Statement of comprehensive income								
Interest and other similar income	679 664	–	679 664	6 325	16 275	22 600	36 782	739 046
Interest and other similar expense	(328 608)	–	(328 608)	(14 280)	(14 607)	(28 887)	(45 945)	(403 440)
Net interest income	351 056	–	351 056	(7 955)	1 668	(6 287)	(9 163)	335 606
Impairment of loans and advances	(65 759)	–	(65 759)	–	–	–	–	(65 759)
Non-interest revenue	92 625	–	92 625	583 746	364 603	948 349	74 988	1 115 962
Profit before tax	205 836	–	205 836	92 315	53 763	146 078	12 109	364 023
Other information								
Depreciation	2 838	–	2 838	10 359	44 082	54 441	962	58 241
Amortisation of intangible assets	3 143	–	3 143	2 637	2 460	5 097	1 251	9 491
Statement of financial position								
Assets								
Inventories	–	–	–	–	23 325	23 325	24 678	48 003
Loans and advances	3 014 205	–	3 014 205	–	–	–	139 326	3 153 531
Purchased book debts	–	–	–	248 696	–	248 696	859	249 555
Property and equipment	10 814	–	10 814	21 993	217 557	239 550	10 750	261 114
Goodwill and intangibles	48 001	–	48 001	90 752	3 392	94 144	382 849	524 994
Goodwill	45 000	–	45 000	87 122	899	88 021	382 475	515 496
Intangibles	3 001	–	3 001	3 630	2 493	6 123	374	9 498
Other assets and receivables	161 365	–	161 365	183 059	92 231	275 290	277 131	713 786
Total assets	3 234 385	–	3 234 385	544 500	336 505	881 005	835 593	4 950 983
Liabilities								
Interest-bearing liabilities	2 954 080	–	2 954 080	126 273	84 344	210 617	327 332	3 492 029
Group	41 642	–	41 642	21 778	–	21 778	(63 420)	–
External	2 912 438	–	2 912 438	104 495	84 344	188 839	390 752	3 492 029
Other liabilities and payables	133 096	–	133 096	156 059	114 058	270 117	27 956	431 169
Total liabilities	3 087 176	–	3 087 176	282 332	198 402	480 734	355 288	3 923 198
Segment net assets	147 209	–	147 209	262 168	138 103	400 271	480 305	1 027 785

Accounting policies

The financial statements of the company and the group are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, and the requirements of the South African Companies Act, 2008.

The following standards and interpretations are referred to in the accounting policies:

IFRS 3: Business Combinations

IFRS 5: Non-current Assets Held for Sale and Discontinued Operations

IFRS 7: Financial Instruments: Disclosures

IAS 2: Inventories

IAS 19: Employee Benefits

IAS 27: Financial Instruments: Presentation

IAS 39: Financial Instruments: Recognition and mMeasurement

SIC 12: Consolidated Special Purpose Entities

The company and group annual financial statements are prepared on the historical cost basis modified by the measurement of financial instruments accounted for in terms of IAS 39 and inventories accounted for in terms of IAS 2.

The company and group statement of financial position are presented in order of liquidity. Reference to the current maturities of these financial assets and liabilities are disclosed in the statement of financial position notes and in the analysis of financial assets and liabilities. The accounting policies are consistent with the previous year, except where otherwise specifically stated.

As part of its annual improvements project the IASB made amendments to a number of accounting standards. The aim is to clarify and improve the accounting standards. The improvements include those involving terminology or editorial changes with minimal effect on recognition and measurement. The annual improvements project for 2009 is effective for annual periods commencing on or after 1 January 2010 and the improvements made to IFRS 3 and IAS 27 as part of the 2010 annual improvements project is effective for annual periods commencing on or after 1 July 2010. The group has adopted these amendments during the current financial year. These amendments have not had a significant impact on the group's results nor has it resulted in the restatement of prior year numbers.

The group adjusted comparative figures to conform to changes in presentation in the current year.

All monetary information and figures presented in these consolidated financial statements are stated in thousands of South African Rand (R'000), unless otherwise indicated.

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.

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

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

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

Special purpose entities

Securitisation vehicles and other special purpose entities are consolidated in the group annual financial statements in accordance with the provisions of IFRS, specifically those in IAS 27 and SIC 12.

Business combinations

Business combinations are accounted for in accordance with the acquisition method of accounting.

Subsidiaries are consolidated from the dates on which the group acquires effective control of the entity. Consolidation ceases from the date control no longer exists.

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

The consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised. Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured 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. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19, respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

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

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

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

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

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.

Judgements made by management

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

Asset lives and residual values

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

Deferred tax assets

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

Impairment of assets

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

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

Impairment of loans and receivables

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

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

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

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

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

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

Property and equipment

Freehold land is shown at cost and is not depreciated. Property and equipment is stated at cost less accumulated depreciation and impairment losses.

Property and equipment is initially recognised at cost. Directly attributable costs are included in the initial measurement. Subsequent costs are recognised to the extent that it is probable that the future economic benefits that are associated with them will flow to the entity, and the cost can be measured reliably. If a replacement part is recognised in the carrying amount of equipment, the carrying amount of the replaced part is derecognised. Repairs and maintenance are expensed as and when incurred.

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

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

The residual values and estimated useful lives of the assets are reviewed at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if that asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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

Investments in associates and subsidiaries

Associates

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

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

Attributable income or losses and movements on reserves since acquisition, less dividends received, are included in the carrying value of these investments.

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

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

Financial statements of company

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

Goodwill

Goodwill is the excess of the cost of acquisition over the group's share of the net assets and contingent liabilities, fairly valued, on acquisition date of the subsidiary or associate. Where the group elects to account for the non-controlling interest on a business combination at fair value, goodwill is recognised at full value.

Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (discount on acquisition) is credited to profit or loss in the period of acquisition.

At the acquisition date, goodwill acquired is allocated to cash-generating units and any impairment is determined using the value-in-use methodology in relation to these units. The carrying amount of goodwill is tested annually for impairment. Impairment losses on goodwill are not reversed.

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

Intangible assets

Development costs which relate to the design and testing of new improved products, systems or processes are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits. These assets are amortised on a straight-line basis over their estimated useful lives.

Intangible assets are initially recognised at cost if acquired separately or at fair value at the date of acquisition in a business combination. Subsequently intangible assets are carried at cost less accumulated amortisation and impairment. Computer and telephony software is amortised over 2 to 3 years. Intangible assets are amortised over their estimated economic lives (generally 4 to 7 years). Useful lives are reviewed at each financial year-end.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Costs include landed cost, freight and clearing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. The write down of inventory and reversals of write down of inventory is recognised in indirect costs through profit and loss. The reversals of the writedowns (i.e. no revaluations) are limited to the write-down of inventory.

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.

Financial instruments, as reflected on the statement of financial position, include all financial assets, financial liabilities, derivative instruments and equity instruments held for investment, trading, hedging or liquidity purposes, but exclude investments in subsidiaries, associated companies and joint ventures, employee benefit plans, investment property, property and equipment, inventory, assets and liabilities of insurance operations, deferred taxation, taxation payable, provisions, intangible assets and goodwill.

Financial instruments are accounted for under IAS 32 and IAS 39: Financial Instruments, and IFRS 7.

Financial assets are classified into the following categories:

- financial assets measured at fair value through profit or loss (comprising those designated as such upon initial recognition and those mandatorily measured at fair value);
- financial assets measured at amortised cost; and
- financial assets measured at fair value through other comprehensive income.

Financial liabilities are classified into the following categories:

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

The classification of financial assets and financial liabilities depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

Initial recognition and measurement

Financial assets and financial liabilities are initially measured at fair value when the related contractual rights or obligations exist. Transaction costs are included in the initial value recognised unless the instruments are within the category "at fair value through profit or loss".

The fair values of financial assets quoted in active markets are based on current bid prices. The fair values of financial liabilities quoted in active markets are based on current ask/offer prices. Alternatively, the group derives fair value from cash flow models or other appropriate valuation models where an active market does not exist. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

At fair value through profit or loss

Financial instruments at fair value through profit or loss consist of trading instruments and instruments that the group has elected, on the date of initial recognition, to designate as at fair value through profit or loss. Net gains and losses arising from financial instruments categorised as at fair value through profit or loss are determined inclusive of interest or dividend income.

Financial assets and financial liabilities that are held for trading purposes include marketable securities, fixed income securities and other derivative instruments. They are classified as " held for trading" which is included in the category "at fair value through profit or loss". An investment is classified as held for trading if:

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

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

- forms part of a group of financial assets and/or financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally to management on that basis; or
- eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

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

Fair value for identical assets and liabilities in an active market is determined using quoted prices.

Fair value of assets and liabilities which do not have quoted prices that are observable are determined either directly (as prices) or indirectly (that is derived from prices). The fair value of other assets and liabilities are not based on observable market data.

Loans and receivables

These instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognised at fair value. Subsequently loans and receivables are carried at amortised cost using the effective interest rate method, less any impairment losses.

Trade and other receivables

Trade receivables originated by the group are initially recorded at fair value. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows discounted at the market rate of interest for similar borrowers. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income within direct costs. When the trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

Subsequent recoveries of amounts previously written off are credited against direct costs in the statement of comprehensive income. The carrying amount of trade and other receivables approximates fair value as the effect of time value of money is immaterial.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention to trade the receivable. Loans and advances comprise personal unsecured loans or loans secured over vehicles, debtor claims or properties payable in fixed equal instalments.

Advances are classified as loans and receivables and are measured at amortised cost using the effective interest rate method, less any impairment losses through the use of an allowance account. Origination fees and service fees that are integral to the effective interest rate are capitalised to the value of the loan and amortised to the statement of comprehensive income over the contractual life of the loan using the effective interest rate method. Beyond the original contractual term of the loan, the service fee is recognised in the statement of comprehensive income as it is charged to the customer on a monthly basis.

Loans and advances are disclosed net of deferred origination fees, service fees and impairment provisions.

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

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in the payment of interest or principal;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower is over-indebted; or
- indication that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or
  - national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers or adverse changes in industry conditions that affect the borrowers in the group).

For the purposes of a collective evaluation of the impairment, financial assets are grouped on the basis of similar credit risk characteristics (e.g. on the basis of the group's grading process that considers asset type, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the group to reduce any differences between loss estimates and actual loss experience.

The recoverable amount is the sum of the estimated future cash flows, discounted to their present value using a discount rate that reflects the portfolio of advances' original effective interest rate.

If the recoverable amount of the advance is estimated to be less than the carrying amount, the carrying amount of the advance is reduced to its recoverable amount by raising an impairment provision (through the use of a separate allowance account), which is recognised as an expense in the statement of comprehensive income. Advances, which are deemed uncollectible, are written off either fully or partially against the impairment allowance account.

Where the impairment loss subsequently reverses, the carrying amount of the advance is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the advance in prior years. A reversal of an impairment loss is immediately recognised in the statement of comprehensive income.

Loans previously written off which subsequently result in certain minimum cash flows being received are written back onto the statement of financial position in the advances portfolio. The write back of a previously written off loan means the recording of the recoverable outstanding amount of the loan on the statement of financial position at amortised cost without an allowance account, at the time it meets the definition of an asset and certain predetermined performance criteria. This recoverable amount is determined by discounting the estimated future cash flows at the original effective interest rate. The estimated future cash flows are based on the historic cash collected on these loans since they were written off and on similar loans that were, subsequent to being written off, brought back onto the statement of financial position in prior reporting periods. Subsequent to this initial recording, an impairment allowance account is used in subsequent reporting periods to recognise any amount of the loan, the recovery of which is regarded as being doubtful or irrecoverable.

Cash collected on loans, which have previously been written off and which remain off the statement of financial position, is recognised in the statement of comprehensive income as bad debts recovered as and when the cash is received.

Loans are treated as past due when an instalment payment is overdue and remains unpaid as at the reporting date. In these instances, the full outstanding amount is considered overdue even if part of it is not yet due. The number of days past due is referenced to the earliest due date of the loan. The past due analysis is performed for disclosure purposes.

Financial assets that would otherwise be past due or impaired that have been renegotiated, are classified as neither past due nor impaired assets. Renegotiated advances are advances where, due to deterioration in the counterparty's financial condition, the group granted a concession where original terms and conditions of the facility were amended. Where the advances were reclassified as neither past due nor impaired, the adherence to the new terms and conditions are closely monitored. These assets are considered as part of the collective evaluation of impairment where financial assets are grouped on the basis of similar credit risk characteristics.

Purchased book debts

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

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

The book value of each portfolio corresponds to the present value of forecast future net cash flows discounted by an effective interest rate determined on the date the portfolio was acquired, based on the relation between cost and the forecast future cash flows on the acquisition date. Changes in the book value of the portfolios for the period are recognised as a direct cost through profit or loss.

On the basis of updated cash flow forecasts and original effective interest rates, a new book value for the portfolio is calculated in the closing accounts. Changes over time in the book value consist of a time and interest rate component and a component related to changes in estimates of cash flows. Changes in the cash flow forecasts are treated symmetrically, i.e. both increases and decreases in forecast flows affect the portfolio's book value and, as a result, earnings.

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

Financial liabilities

Financial liabilities are initially recognised at the fair value, and subsequently carried at amortised cost using the effective interest rate method. Where the time value of money is not considered to be material, instruments are not discounted as their nominal values approximate amortised cost.

Financial liabilities comprise interest-bearing liabilities including bank overdrafts and trade payables.

Derivative instruments

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date.

The group uses derivative financial instruments to manage its exposure to foreign exchange and interest rate risk. The group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments comprise foreign exchange contracts and interest rate swaps.

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

The fair value of non-traded derivatives is based on discounted cash flow models and option pricing models as appropriate. 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. When such evidence exists, the group recognises profits or losses on day one.

The group designates certain derivatives as a hedge of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction ("cash flow hedge"). The hedge of a foreign currency firm commitment is accounted for by the group as a cash flow hedge.

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 ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income. 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.

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

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

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, call deposits and bank overdrafts.

Cash and cash equivalents are measured at fair value.

Amortised cost

Amortised cost is calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the instrument. All fees, transaction costs and other premiums or discounts are included in the calculation.

Set-off

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

Derecognition

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

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

Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares held by subsidiaries are classified as treasury shares and presented as a deduction from total equity until they are reissued or sold. Where such shares are subsequently sold or reissued, any consideration received net of any directly attributable costs, is include in shareholders' equity.

Treasury shares are not included in the number of shares in issue for purpose of calculating earnings per share. The group does not recognise any gains or losses through the statement of comprehensive income when its own shares are repurchased.

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

Revenue recognition

General policy

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

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

Revenue excludes non-operating income and value-added taxation.

Interest revenue

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

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

While origination fees and services fees are regarded as integral parts of the effective interest rate, they are not accounted for as interest income, but as non-interest revenue.

In instances where a loan is in arrears for greater than three months and no qualifying payment has been received in the last three months, an assessment is made regarding the recoverability of the loan or group of loans and if necessary, based on available evidence at that date, the accrual of interest from that date is suspended and not recognised in the statement of comprehensive income.

Purchased book debts

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

Debt collection activities

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

Sales of goods

Revenue from sales is recognised when the significant risks and rewards of ownership are transferred to the buyer and it is probable that the economic benefits, which can be measured reliably, will flow to the group.

Rendering of services

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

Origination fees received on the granting of a loan are recognised over the life of the loan on the time proportion basis.

Royalties

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

Non-operating income

Dividends are recognised in profit or loss when the right to receive payment is established.

Government grants

Government grants are recognised when there is reasonable assurance that:

- the group will comply with the conditions attaching to them;
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate. A Government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Grants related to income are presented as a credit in the statement of comprehensive income (part of other income).

Direct costs

Direct costs comprise the cost of inventories expensed during the year, personnel costs, overheads and depreciation of equipment on assets directly attributable to the provision of goods and services in revenue generation.

Interest expense

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

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

Taxation

Current

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

Secondary Taxation on Companies

Secondary Taxation on Companies (STC) is recognised in the year dividends are declared.

A deferred taxation asset is recognised on unutilised STC credits when it is probable that such unused STC credits will be utilised in the future.

Deferred tax

Deferred tax is calculated using the liability method.

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

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

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

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

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

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

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

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

Indirect taxation

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

Lease accounting

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

All other leases are classified as operating leases.

Finance leases

Lessors:

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

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

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

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

Operating leases

Lessees:

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

Provisions, contingent liabilities and contingent assets

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

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

Impairment of assets, other than financial instruments

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

Recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (cash-generating unit) (CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. Impairment losses are allocated to assets within a CGU (i.e. first to goodwill and then to the other assets on a pro rata basis). For impairment testing purposes only, goodwill is allocated to the CGU expected to benefit from the synergies of the combination. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings other than investment property, in which case the impairment loss is treated as a revaluation decrease to the extent that it reverses a previous revaluation.

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

Employee benefits

Medical aid obligation

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

Retirement funds

The group's contributions to defined contribution plans are recognised as an expense in the period in which the related services are rendered.

Employees' leave entitlement

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

Termination benefits

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

Bonuses

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

Operating segments

An operating segment is a component of the group:

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

When funding is provided to segments, it is based on internally derived transfer pricing rates taking into account the funding structures of the group.

The group has been managed in terms of five primary segments:

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

Foreign currencies

Foreign currency transactions

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

Accounting policies continued

Financial statements of foreign operations

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

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

Borrowings

Borrowings are recognised initially at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

Share issue costs

Incremental costs directly related to the issue of new shares or options are shown as a deduction from equity, net of any related tax benefit.

Dividends paid

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

Disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets or disposal groups are available for immediate sale in its present condition and when management is committed to the sale which is expected to qualify for the recognition as a completed sale within on year from date of classification.

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

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

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

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

Discontinued operations

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

- it represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

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

Standards

Standards and interpretations effective in the current period

In the current period the group adopted the following new standards and interpretations. The early adoption of standards has no impact on the results of the group for the year ended 30 September 2011.

IAS 1:		• Clarification of statement of changes in equity	1 January 2011
IAS 1:		• Classification in other comprehensive income	1 July 2012
IAS 24:		• Clarification of definition of related party	1 January 2011

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective and have not yet been applied by the group:

IFRS 7:	Financial instruments: Disclosures	• Clarification of disclosures	1 January 2011
		• Enhancing disclosures about transfer of financial assets	1 July 2011
IFRS 9:	Financial Instruments	• New standard that forms the first part of a three part project to replace IAS 39: Financial Instruments: Recognition and Measurement	1 January 2015
IFRS 10:	Consolidated Financial Statements	• Replaces the consolidation requirements in SIC-12: Consolidation – Special Purpose Entities, and IAS 27: Consolidated and Separate Financial Statements	1 January 2013
IFRS 12:	Disclosure of Interests in Other Entities	• Disclosure requirements for all forms of interests in other entities	1 January 2013
IFRS 13:	Fair Value Measurement	• New guidance on fair value measurement and disclosure requirements	1 January 2013
IAS 27:	Consolidated and Separate Financial Statements	• Consequential amendments resulting from the issue of IFRS 10,11 and 12	1 January 2013
IAS 28:	Investments in Associates and Joint Ventures	• Sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures	1 January 2013
IAS 34:		• Interim financial reporting – significant events and transactions	1 January 2011

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the group and company.

The following new standards, amendments and interpretations which are in issue but not yet effective, are not relevant to the group's operations:

IFRS 1:	First-time Adoption of International Financial Reporting Standards (various amendments)
IFRS 11:	Joint Arrangements – Accounting for Joint Arrangements
IAS 12:	Income Taxes – Rebuttable Presumption that an Investment Property will be Recovered in its Entirety Through Sale
IAS 19:	Accounting for Defined Benefit Plans
IAS 21, 27, 28 and 31	The Effects of Changes in Foreign Exchange Rates – consequential amendments from changes to IAS 27 Consolidated and Separate Financial Statements
IAS 24:	Simplification of the Disclosure Requirements for Government related-Entities
IFRIC 13:	Customer Loyalty Programmes
IFRIC 14:	IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding

Notes to the consolidated financial statements

for the year ended 30 September

	2011 R'000	2010 R'000	Restated 2009 R'000
1. Cash and cash equivalents			
Bank balances	244 014	152 920	35 605
Call deposits	105 385	34 124	111 818
Securitisation special purpose vehicles*	244 578	295 172	169 806
Merchant re-imbursement accounts	101 303	80 363	38 791
Trust accounts	260	12 274	13 340
Total cash and cash equivalents	695 540	574 853	369 360
Bank overdrafts	(182 946)	(192 047)	(33 402)
Net cash and cash equivalents	512 594	382 806	335 958
Total overdraft facilities	293 600	281 600	250 600
*Ceded as part security for amortising securitisation debentures and loans as shown in note 14.			
2. Trade and other receivables			
Pre-payments	111 730	55 336	19 910
Trade receivables	275 531	137 040	101 712
Other	117 075	97 345	18 179
Impairment provision	(9 572)	(10 059)	(6 289)
Trade and other receivables	494 764	279 662	133 512
The carrying value of trade and other receivables approximates fair value.			
Ceded as security for bank facilities as shown in note 1.	45 887	38 826	38 706
Allowance for impairment			
Balance at the beginning of the year	(10 059)	(6 289)	(6 103)
Impairments recognised in profit or loss	487	(2 568)	(5 231)
Utilisation of impairments	–	1 567	4 773
Business combination	–	(3 109)	–
Reversals of impairments recognised in profit or loss in prior years	–	340	272
	(9 572)	(10 059)	(6 289)
Trade and other receivables are tested for impairment by reference to the currency of the receivable as denominated in trade terms, payment history, subsequent receipts and arrangements with the debtors.			
Trade and other receivables past due but not impaired			
Amounts 30 days overdue	7 357	11 125	12 650
Amounts 31 to 60 days overdue	15 008	3 414	3 934
Amounts 61 to 90 days overdue	7 061	2 048	5 383
Amounts in excess of 90 days overdue	3 993	4 917	8 604
	33 419	21 504	30 571
Maximum exposure to credit losses of trade receivables	383 034	224 326	113 602
Carrying value of trade receivables less provision	265 959	126 981	95 423
Assets held as collateral	–	–	–
Residual exposure	265 959	126 981	95 423
3. Inventories			
Properties	2 450	122 804	34 891
Impairment provision for properties	(859)	(5 943)	(10 213)
Components and spares	22 856	26 588	22 719
Impairment provision for components and spares	(900)	(1 275)	–
Pre-paid vouchers	121 332	56 131	606
Impairment provision for pre-paid vouchers	(2 831)	–	–
Merchandise for sale	15 677	10 863	–
Impairment provision for merchandise for sale	(1 333)	–	–
	156 392	209 168	48 003
Inventories carried at net realisable value included above	1 590	8 149	6 515
Write down of inventories during the year**	7 246	4 654	182
Reversals of write downs during the year**	4 120	6 338	701

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

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

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

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

for the year ended 30 September

	2011 R'000	2010 R'000	Restated 2009 R'000
4. Loans and advances			
Gross loans and advances	7 289 459	6 069 146	3 249 531
Impairment provision	(569 274)	(352 737)	(96 000)
Loans and advances	6 720 185	5 716 409	3 153 531
The carrying value of loans and advances approximates fair value.			
Ceded as part security for amortising securitisation debentures and loans as shown in note 14.			
Gross loans and advances by asset type			
Finance leases	4 045 279	3 807 388	3 026 534
Mortgage loans	80 547	145 459	165 915
Discounted invoices	138 609	139 343	56 594
Unsecured loans	3 025 023	1 976 956	488
Gross loans and advances	7 289 459	6 069 146	3 249 531
Finance leases			
Finance leases including unearned finance charges	5 712 639	5 667 156	4 271 874
Unearned finance charges	(1 667 360)	(1 859 768)	(1 245 340)
Gross finance leases	4 045 279	3 807 388	3 026 534
Impairment provision	(169 259)	(111 075)	(67 661)
Net finance leases	3 876 020	3 696 313	2 958 873
Impairment provision			
Balance at the beginning of the year	(352 737)	(96 000)	(71 659)
Net impairments recognised in profit and loss	(566 391)	(278 038)	(65 759)
Impairments recognised in profit and loss	(582 878)	(284 910)	(65 759)
Reversals of impairments recognised in profit or loss in prior years	16 487	6 872	–
Business combination	–	(176 981)	–
Utilisation of impairment provision	349 854	198 282	41 418
	(569 274)	(352 737)	(96 000)
Related credit risk exposure and enhancements			
Maximum exposure to credit losses of loans and advances	6 720 185	5 716 409	3 153 531
Credit risk exposure mitigated through unguaranteed residual asset values held as collateral:			
– Vehicles	5 107 598	4 792 694	3 795 866
– Properties	422 729	735 842	457 398
– Discounted invoices	344 383	238 268	114 877
Fair value of collateral held for impaired financial assets	1 570 264	739 277	565 535
Fair value of collateral held for financial assets past due but not specifically impaired	830 481	1 214 803	806 613
Collateral attached comprises vehicles, properties and debtors which are readily realised into cash.			
Loans and advances past due but not specifically impaired			
Amounts 30 to 90 days overdue	870 914	1 007 553	596 024
Amounts in excess of 90 days overdue	339 637	40 020	40 148
	1 210 551	1 047 573	636 172
5. Purchased book debts			
Cost	484 856	376 600	331 216
Accumulated amortisation	(177 076)	(132 060)	(81 661)
Purchased book debts	307 780	244 540	249 555
Balance at the beginning of the year	244 540	249 555	208 287
Additions	108 256	33 211	85 125
Amortisation	(45 016)	(38 226)	(43 857)
Balance at the end of the year	307 780	244 540	249 555
Fair value of purchased book debts	334 658	279 029	269 820
Ceded as security for amortising securitisation debentures and loans as shown in note 14	307 780	244 540	248 696

for the year ended 30 September

	2011 R'000	2010 R'000	Restated 2009 R'000
6. Other loans receivable			
Gross loans receivable	232 193	220 748	56 084
Impairment provision	(1 697)	–	–
Net other loans receivable	230 496	220 748	56 084
Gross loans receivable by asset type			
Loans to executives under the group share schemes*	220 178	132 208	43 379
Deferred proceeds on disposal of associate	–	35 486	–
Short-term loans to employees	4 441	2 651	2 600
Other loans receivable	7 574	50 403	10 105
Gross other loans receivable	232 193	220 748	56 084
Reconciliation of movements in the year			
Balance at the beginning of the year	220 748	56 084	66 935
Loans advanced	88 861	204 987	74 186
Interest	11 491	8 308	6 261
Repaid	(88 907)	(48 631)	(26 585)
Impairment	(1 697)	–	(3 828)
Reclassified to inventories	–	–	(60 885)
Other loans receivable	230 496	220 748	56 084
Maturity analysis			
Within one year	5 403	3 725	44 129
Greater than one year	225 093	217 023	11 955
	230 496	220 748	56 084
The carrying value of other loans receivable approximates fair value			
7. Deferred tax			
Deferred tax is presented on the balance sheet, as follows:			
Deferred tax assets	131 248	108 966	46 323
Deferred tax liabilities	(133 542)	(68 950)	(65 168)
Net deferred tax assets/(liabilities)	(2 294)	40 016	(18 845)
The movements during the year are analysed as follows:			
Net deferred tax assets/(liabilities) at the beginning of the year	40 016	(18 845)	54 070
Recognised in profit or loss for the year	(42 810)	68 242	(69 651)
Recognised in equity	1 070	–	–
Business combination	–	(8 293)	–
Discontinued operations	(570)	–	(3 264)
Realised	–	(1 088)	–
Net deferred tax assets/(liabilities) at the end of the year	(2 294)	40 016	(18 845)
8. Other investments			
Total other investments			
At cost	520	2 209	10
Accrual for dividends	6 468	19 578	2 415
Fair value	6 988	21 787	2 425
Club Mykonos Langebaan Limited – 1 094 570 shares			
Fair value	–	2 189	–
Hollard Business Associates (Proprietary) Limited – 50 AB ordinary shares			
At cost	10	10	–
Accrual for dividends	6 468	1 961	–
Fair value	6 478	1 971	–
Hollard Business Associates (Proprietary) Limited – 50 AM ordinary shares			
At cost	10	10	10
Accrual for dividends	–	17 617	2 415
Fair value	10	17 627	2 425
Guardrisk Insurance Company Limited – 10 A ordinary shares			
At cost	500	–	–
Accrual for dividends	–	–	–
Fair value	500	–	–

**Interest-bearing loans to group executives at rates ranging from prime less 5% to 11.7% granted with a maximum term not exceeding six years.*

for the year ended 30 September

	Computer and telephony software R'000	Distribution channel R'000	Total R'000
9. Intangible assets			
Cost			
At 30 September 2008	29 744	–	29 744
Additions	7 063	–	7 063
Disposals	(3 608)	–	(3 608)
At 30 September 2009 – restated	33 199	–	33 199
Additions	14 377	–	14 377
Business combination	15 923	24 447	40 370
Disposals	(4 643)	–	(4 643)
At 30 September 2010	58 856	24 447	83 303
Additions	15 904	–	15 904
Disposals	(3 895)	–	(3 895)
Reclassifications from property and equipment	18 800	–	18 800
At 30 September 2011	89 665	24 447	114 112
Accumulated amortisation and impairment			
At 30 September 2008	(16 552)	–	(16 552)
Disposals	2 342	–	2 342
Amortisation expense	(9 491)	–	(9 491)
At 30 September 2009 – restated	(23 701)	–	(23 701)
Business combination	(5 842)	–	(5 842)
Disposals	2 817	–	2 817
Amortisation expense	(10 022)	(6 166)	(16 188)
At 30 September 2010	(36 748)	(6 166)	(42 914)
Disposals	3 545	–	3 545
Amortisation expense	(13 695)	(9 245)	(22 940)
Reclassifications from property and equipment	(12 484)	–	(12 484)
At 30 September 2011	(59 382)	(15 411)	(74 793)
Cost	89 665	24 447	114 112
Accumulated amortisation	(59 382)	(15 411)	(74 793)
Net carrying value at 30 September 2011	30 283	9 036	39 319
Cost	58 856	24 447	83 303
Accumulated amortisation	(36 748)	(6 166)	(42 914)
Net carrying value at 30 September 2010	22 108	18 281	40 389
Cost	33 199	–	33 199
Accumulated amortisation	(23 701)	–	(23 701)
Net carrying value at 30 September 2009 – restated	9 498	–	9 498

	Automated teller machines R'000	Vehicles R'000	Office and computer equipment R'000	Freehold land and buildings R'000	Total R'000
10. Property and equipment					
Cost					
At 30 September 2008	219 022	11 439	132 422	–	362 883
Additions	77 946	1 899	24 919	9 536	114 300
Disposals	(53 974)	(2 026)	(30 319)	–	(86 319)
Disposal of business	–	–	(3 350)	–	(3 350)
Translation differences	–	–	(4)	–	(4)
At 30 September 2009 – restated	242 994	11 312	123 668	9 536	387 510
Additions	49 815	8 736	34 901	6 525	99 977
Business combination	–	1 420	22 665	4 744	28 829
Disposals	(4 157)	(2 420)	(28 464)	–	(35 041)
Translation differences	–	–	(14)	–	(14)
At 30 September 2010	288 652	19 048	152 756	20 805	481 261
Additions	54 295	6 760	36 351	–	97 406
Disposals	(20 847)	(2 756)	(5 701)	(14 777)	(44 081)
Reclassifications to intangible assets	(7 833)	–	(10 967)	–	(18 800)
Reclassified	–	–	6 028	(6 028)	–
At 30 September 2011	314 267	23 052	178 467	–	515 786

	Automated teller machines R'000	Vehicles R'000	Office and computer equipment R'000	Freehold land and buildings R'000	Total R'000
10. Property and equipment (continued)					
Accumulated depreciation and impairment					
At 30 September 2008	(56 726)	(4 239)	(79 800)	–	(140 765)
Depreciation expense	(32 890)	(2 846)	(22 474)	(31)	(58 241)
Disposals	47 623	1 238	23 747	–	72 608
Translation differences	–	–	2	–	2
At 30 September 2009 – restated	(41 993)	(5 847)	(78 525)	(31)	(126 396)
Depreciation expense	(44 855)	(3 618)	(23 729)	(1 144)	(73 346)
Impairment loss	–	–	60	–	60
Additions	–	–	–	(2 682)	(2 682)
Business combination	–	(816)	(10 651)	–	(11 467)
Disposals	1 325	2 202	19 171	–	22 698
Translation differences	–	(2)	22	–	20
At 30 September 2010	(85 523)	(8 081)	(93 652)	(3 857)	(191 113)
Depreciation expense	(46 986)	(4 326)	(28 590)	(112)	(80 014)
Disposals	14 703	2 368	4 669	176	21 916
Reclassifications to intangible assets	4 978	–	7 506	–	12 484
Reclassified	–	–	(3 793)	3 793	–
At 30 September 2011	(112 828)	(10 039)	(113 860)	–	(236 727)
Cost	314 267	23 052	178 467	–	515 786
Accumulated depreciation and impairment	(112 828)	(10 039)	(113 860)	–	(236 727)
Net carrying value at 30 September 2011	201 439	13 013	64 607	–	279 059
Cost	288 652	19 048	152 756	20 805	481 261
Accumulated depreciation and impairment	(85 523)	(8 081)	(93 652)	(3 857)	(191 113)
Net carrying value at 30 September 2010	203 129	10 967	59 104	16 948	290 148
Cost	242 994	11 312	123 668	9 536	387 510
Accumulated depreciation and impairment	(41 993)	(5 847)	(78 525)	(31)	(126 396)
Net carrying value at 30 September 2009 – restated	201 001	5 465	45 143	9 505	261 114

Interest-bearing liabilities of R91,3 million (2010: R78,5 million, 2009: R84,3 million) are secured over automated teller machines.

	2011 R'000	2010 R'000	Restated 2009 R'000
11. Goodwill			
Carrying value at the beginning of the year	931 762	515 496	476 765
Additions recognised from business combinations	–	405 268	–
Other additions	–	10 998	42 734
Disposals	–	–	(3 733)
Impairment loss	(1 525)	–	(270)
Carrying value at the end of the year	930 237	931 762	515 496
Composition of goodwill per cash-generating unit			
SA Taxi Holdings	63 142	63 142	52 144
Rand Trust Financiers	31 859	31 859	31 859
Bayport Financial Services 2010	403 743	405 268	–
Paycorp	333 506	333 506	333 506
MBD Credit Solutions	75 062	66 250	66 250
PIC Solutions	22 925	22 925	22 925
Mortgage Capital	–	8 812	8 812
Total goodwill	930 237	931 762	515 496

11. Goodwill (continued)

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

The group prepares cash flow forecasts based on CGU results for the next five years. A terminal value is calculated based on a conservative growth rate of 3% (2010: 3%, 2009: 3%). This rate does not exceed the average long term growth rate for the relevant markets. The value in use of the CGU's which are lending businesses are determined by discounting free cash flows by the cost of equity. The value of use of CGU's which are service businesses is determined by discounting free cash flows by the weighted average cost of capital. The valuation method applied is consistent with that of the prior period.

Goodwill of R1,5 million (2010: nil) was impaired during the year relating to M-Stores (Proprietary) Limited, a subsidiary of Bayport Financial Services 2010 (Proprietary) Limited.

	2011 R'000	2010 R'000	Restated 2009 R'000
12. Provisions			
Provision for long-term incentives			
Balance at the beginning of the year	2 588	2 837	1 885
Amounts raised	–	1 764	715
Amounts utilised	(589)	(2 013)	–
Change in discount to present value	–	–	237
	1 999	2 588	2 837
13. Trade and other payables			
Trade payables and accruals	214 432	213 908	118 821
Merchant re-imbursements	100 067	86 729	27 082
Revenue received in advance	50 976	115 592	100 933
Leave pay accrual	22 992	14 341	11 347
Bonus accrual	108 224	34 606	25 227
Deferred lease liability	3 702	2 979	1 287
Trust creditors	–	1 498	5 263
Other	44 516	37 190	36 164
	544 909	506 843	326 124
The carrying value of trade and other payables approximates fair value			
14. Interest-bearing liabilities			
Cumulative redeemable preference shares	–	79 250	99 699
Amortising securitisation debentures and loans	6 266 458	5 633 317	3 166 053
Loans	1 001 718	521 109	218 616
Other interest-bearing liabilities	200 986	180 515	7 661
	7 469 162	6 414 191	3 492 029
Payable within 12 months	1 243 543	1 099 695	735 815
Payable thereafter	6 225 619	5 314 496	2 756 214
	7 469 162	6 414 191	3 492 029
Cumulative redeemable preference shares			
Five-year preference shares with a cumulative dividend of 85% of the prime overdraft rate	–	79 250	99 699
Amortising securitisation debentures and loans			
Secured by cession of loans and advances as shown in note 4			
4 – 6 year amortising debentures and loans bearing interest at 5% to 7% above JIBAR	3 496 182	3 435 012	2 862 259
Amortising loans and securitisation debentures bearing interest at 1.8% to 4.0% above JIBAR, repayable in monthly instalments over 36 to 84 months from date of issue	51 321	217 217	114 956
Interest-bearing variable loans bearing interest rates at 4.7% to 7.8% above JIBAR, repayable in January 2017	1 145 461	1 150 000	–
Interest-bearing fixed loan bearing interest at between 11.9% to 18.7%, repayable in March 2016	590 000	546 002	–
Debentures bearing interest at 11% and 14%. Interest rates have been fixed for the period of the debenture	109 290	73 938	–
Securitisation loans bearing interest at 30-day JIBAR plus margin	–	35 000	–

	2011 R'000	2010 R'000	Restated 2009 R'000
14. Interest-bearing liabilities (continued)			
Five-year amortising mezzanine debentures and loans repayable in fixed quarterly instalments from 31 December 2011 to 30 June 2016 bearing interest at 11.5%	96 254	–	–
Five-year amortising senior debentures and loans repayable in quarterly instalments from 31 December 2011 to 31 March 2016 bearing interest at 3-month JIBAR plus 5.0%	273 989	–	–
Six-year mezzanine loans repayable on 31 October 2016 bearing interest at 13.9% plus a profit share	120 368	–	–
Senior warehousing loans repayable from 31 December 2012 to 31 March 2013 bearing interest at prime plus 0.3% to prime plus 1.0%	200 000	–	–
Seven-year junior loan repayable in monthly instalments from 31 October 2011 to 30 September 2018 bearing interest at prime plus 1.5%	21 713	–	–
Secured by cession of purchased book debts as shown in note 5			
Five-year amortising debentures bearing interest at 9.9% to 14.4% secured by cession of purchased book debts	70 578	97 611	104 494
Secured over of ATM machines as shown in note 10			
Five-year amortising securitisation debentures and loans bearing interest at rates between 1.3% to 4.3% above JIBAR	91 302	78 537	84 344
	6 266 458	5 633 317	3 166 053
Loans			
Fixed term loan bearing interest at 11.7% p.a.	–	49 990	49 960
Fixed term loan payable in May 2015 bearing interest at 3.0% above JIBAR	149 993	149 813	49 988
Amortising term loan payable in 14 equal instalments.	–	214 378	74 504
Five-year loan payable on 1 July 2016 bearing interest at 13.1%	71 395	–	–
Five-year loan payable on 1 July 2016 bearing interest at 12.3%	77 295	–	–
Fixed term loan payable on 30 November 2017 bearing interest at 5.0% above JIBAR	150 000	–	–
Convertible loan payable on 31 August 2016 bearing interest at 6.0% above JIBAR			
This loan is convertible into ordinary shares of the company at the option of the lender should the company list on the JSE Limited on or before 31 August 2013. The option is exercisable within 120 days of the listing at a price 10% lower than the initial listing price. Should the company not list on the JSE Limited on or before 31 August 2013, the interest rate will increase to JIBAR plus 850 bps and the loan will become repayable in full on 31 August 2016	190 000	–	–
Convertible loan payable on 31 August 2016 bearing interest at 6.0% above JIBAR			
This loan is convertible into ordinary shares of the company at the option of the lender should the company list on the JSE Limited on or before 31 August 2013. The option is exercisable on the day of the listing at a price 10% lower than the initial listing price. Should the company not list on the JSE Limited on or before 31 August 2013, the interest rate will increase to JIBAR plus 850 bps and the loan will become repayable in full on 31 August 2016	35 000	–	–
Embedded derivative arising from the convertible loans	25 000	–	–
Junior debt repayable on 31 July 2019	65 400	–	–
Loans bearing interest between 12.3% and 15.0% repayable on 30 September 2016 and 1 June 2018. The interest is payable quarterly	220 000	–	–
Other loans	17 635	106 928	44 164
	1 001 718	521 109	218 616
Other interest-bearing liabilities			
Other loans bearing interest at rates related to prime	–	–	7 661
Performance-related payment due in December 2011 to the vendors of Bayport Financial Services (Proprietary) Limited	200 986	180 515	–
	200 986	180 515	7 661
Total long-term liabilities	7 469 162	6 414 191	3 492 029

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

The fair value of the liabilities is estimated to be R7 436.2 million (2010: R6 425.1 million, 2009: R3 427.8 million)

for the year ended 30 September

	2011 R'000	2010 R'000	Restated 2009 R'000
15. Ordinary share capital and share premium			
Authorised			
1 000 000 000 ordinary shares of 0.1 cent each	1 000	1 000	1 000
Issued			
471 176 222 (2010: 455 085 345, 2009: 420 875 874) ordinary shares of 0.1 cent each	471	455	421
Ordinary share capital	471	455	421
Share premium	907 818	834 351	583 971
Ordinary share capital and share premium	908 289	834 806	584 392
Preference share capital			
Authorised			
100 000 cumulative redeemable preference shares of R1 000 each	100 000	100 000	100 000
Issued			
NIL (2010: R79 250, 2009: R100 000) preference shares of R1 000 each	–	79 250	99 699
The cumulative redeemable preference shares were redeemed in July 2011.			
16. Non-controlling interests			
Share of equity of subsidiaries	25 041	17 936	46 666
Loans payable	47 421	25 809	4 356
Non-controlling interests	72 462	43 745	51 022
17. Interest			
Interest and other similar income is earned from:			
Cash and cash equivalents	39 064	43 091	66 655
Loans and advances	1 678 927	1 115 425	626 125
Other loans receivable	12 703	10 629	12 100
Other	54 146	47 639	34 166
Interest and other similar income	1 784 840	1 216 784	739 046
Interest and other similar expenses are paid on:			
Bank overdrafts	(23 536)	(8 758)	(16 836)
Interest-bearing liabilities	(763 201)	(580 764)	(374 867)
Cumulative redeemable preference shares	(3 394)	(7 119)	(11 439)
Other	(7 524)	(11 721)	(298)
Interest and other similar expense	(797 655)	(608 362)	(403 440)
Interest and other similar income	1 784 840	1 216 784	739 046
Interest and other similar expense	(797 655)	(608 362)	(403 440)
Net interest income	987 185	608 422	335 606
18. Impairment of loans and advances			
Impairment comprises:			
Net impairments of loans and advances	(216 537)	(79 756)	(24 341)
Net bad debts written off	(349 854)	(198 282)	(41 418)
Total impairment	(566 391)	(278 038)	(65 759)
19. Non-interest revenue **			
Non-interest revenue comprises:			
Commission income	456 207	431 698	383 947
Fee income	650 131	520 549	408 755
Investment income	98 189	50 491	2 415
Revenue from purchased book debts	222 455	207 102	213 898
Rental income	39 596	43 387	44 507
Revenue from sale of goods	316 600	159 692	6 956
Other income	37 596	140 593	55 484
	1 820 774	1 553 512	1 115 962

Notes to the consolidated financial statements

continued

	2011 R'000	2010 R'000	Restated 2009 R'000
20. Direct costs **			
Direct costs comprise:			
Amortisation of purchased book debts	(45 016)	(38 226)	(43 857)
Bank charges	(28 001)	(14 506)	(1 710)
Cashing	(66 538)	(62 839)	(54 617)
Commissions paid	(82 015)	(51 720)	(18 137)
Communication	(63 248)	(85 234)	(73 742)
Cost of sale of goods	(121 542)	(73 884)	(284)
Depreciation	(46 986)	(44 855)	(32 890)
Direct employee expenses	(183 586)	(197 370)	(210 220)
Legal fees	(31 731)	(17 895)	(10 366)
Loss on disposal of property and equipment	(91)	(534)	–
Maintenance	(20 414)	(16 408)	(33 991)
Origination fees	(1 201)	(3 068)	(3 759)
Processing fees	(10 507)	(7 843)	(5 147)
Transaction fees	(40 502)	(35 157)	(31 448)
Other direct expenses	(56 328)	(146)	(17 212)
	(797 706)	(649 685)	(537 380)
21. Indirect costs **			
Indirect costs comprises:			
Advertising, marketing and public relations	(9 926)	(11 675)	(3 274)
Amortisation of intangibles	(22 940)	(16 188)	(9 491)
Bank charges	(8 570)	(14 687)	(11 869)
Communication costs	(44 554)	(30 101)	(15 837)
Consulting fees	(22 699)	(41 861)	(24 261)
Depreciation	(33 028)	(28 491)	(25 351)
Employee expenses	(516 168)	(466 180)	(266 621)
Impairments	85	427	(4 712)
Trade and other receivables	488	(2 568)	(5 231)
Other loans receivable	(1 697)	–	–
Inventory	1 294	2 995	519
Information technology costs	(46 396)	(42 983)	(20 354)
Maintenance	(8 634)	(9 283)	(5 262)
Motor vehicles	(6 751)	(16 621)	(3 344)
Printing and stationery	(8 827)	(7 558)	(4 652)
Audit fees	(13 506)	(10 154)	(5 326)
Audit fees – current year	(11 695)	(8 169)	(4 449)
Audit fees – prior periods	(1 139)	(1 307)	(246)
Other fees	(672)	(678)	(631)
Legal fees	(16 959)	(16 499)	(7 846)
(Loss)/profit on sale of investment	–	(10 479)	511
Professional fees	(2 095)	(5 353)	(1 223)
Operating lease rentals – premises	(47 536)	(43 008)	(30 228)
Risk management	(17 083)	(18 454)	(10 553)
Staff welfare	(12 169)	(9 953)	(5 098)
Subscriptions	(4 419)	(4 259)	(3 057)
Training and seminars	(13 161)	(10 524)	(6 205)
Travel	(10 865)	(10 557)	(8 933)
VAT apportionment disallowed	(47 224)	(24 696)	(6 164)
Other indirect expenses	(76 781)	(56 535)	(10 822)
	(990 206)	(905 672)	(489 972)
Number of employees*	4 263	4 243	3 547

**Number of employees relates to employees expenses in both direct and indirect costs.*

***Prior year presentation and disclosure has been realigned to be consistent with the current year in order to provide more relevant disclosure.*

for the year ended 30 September

	2011 R'000	2010 R'000	Restated 2009 R'000
22. Income tax expense			
South African tax	(62 956)	(153 630)	(34 335)
Current year	(69 352)	(153 715)	(33 872)
Prior years	6 396	85	(463)
Deferred tax	(39 810)	66 362	(66 897)
Current year	(37 455)	66 366	(67 772)
Prior years	(2 355)	(4)	804
Capital gains tax	–	–	71
Secondary tax on companies	(5 228)	(7 594)	(4 013)
Current	(2 228)	(9 474)	(1 259)
Deferred	(3 000)	1 880	(2 754)
Foreign tax	1	(52)	(279)
Income tax expense	(107 993)	(94 914)	(105 524)
Tax rate reconciliation:			
South African tax rate	28.0%	28.0%	28.0%
Tax effects of:			
Income not subject to tax – dividends	(5.9)%	(15.9)%	(0.3)%
Expenses not deductible for tax purposes	1.7%	5.2%	1.0%
Tax losses not recognised	1.4%	10.4%	–
Prior year taxes	1.2%	1.3%	1.0%
Permanent differences	(2.6)%	0.3%	(0.7)%
Effective tax rate	23.8%	29.4%	29.0%
23. Discontinued operations			
The following operations were disposed: – CUF Properties (Proprietary) Limited on 1 September 2011* – Cash Connect Management Solutions (Proprietary) Limited on 1 January 2009			
Interest and other similar income	869	285	(309)
Interest and other similar expense	(8 657)	(3 457)	–
Non-interest revenue	48 568	23 390	11 349
Direct costs	(47 042)	(9 886)	(9 057)
Indirect costs	(19 835)	(15 864)	(4 125)
Income tax expense	1 421	1 549	515
Loss from discontinued operations	(24 676)	(3 983)	(1 627)
Net capital (loss)/gain	(44 938)	–	96
Discontinued operations	(69 614)	(3 983)	(1 531)
Cash flows attributable to discontinued operations:			
Operating activities	101 053	(108 865)	(7 105)
Investing activities	–	7	(2 223)
Financing activities	(105 500)	105 500	(11 802)
Net assets and liabilities disposed of:			
Non-current assets	(1 991)	–	9 949
Current assets	(140 699)	–	5 658
Current liabilities	1 044	–	(4 299)
Non-controlling interest and other	112 143	–	3 763
	(29 503)	–	15 071

**The amounts in the 2010 and 2009 statement of comprehensive income relating to CUF Properties (Proprietary) Limited were reclassified from continuing to discontinued operations.*

	2011 R'000	2010 R'000	Restated 2009 R'000
24. Other comprehensive income			
Cash flow hedging	(3 665)	(608)	201
Tax	1 070	–	–
	(2 595)	(608)	201
25. Earnings per share			
Basic earnings per share			
From continuing operations (cents)	69.2	46.0	56.4
From discontinued operations (cents)	(15.1)	(0.9)	(0.4)
Total basic earnings per share (cents)	54.1	45.1	56.0
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows.			
Profit for the year attributable to ordinary equity holders	250 479	200 847	236 045
Profit for the year from discontinued operations	69 614	3 983	1 531
Earnings used in the calculation of basic earnings per share from continuing operations	320 093	204 830	237 576
Weighted average number of ordinary shares for the purposes of basic earnings per share			
Issued shares at the beginning of the year	455 085	420 876	416 681
Effect of shares issued during the year and to be issued	10 704	26 319	5 000
Effect of shares repurchased during the year	(3 297)	(1 768)	(699)
	462 492	445 427	420 982
Diluted earnings per share			
From continuing operations (cents)	69.2	46.0	56.4
From discontinuing operations (cents)	(15.0)	(0.9)	(0.4)
Total basic earnings per share (cents)	54.2	45.1	56.0
The earnings used in the calculation of diluted earnings per share are as follows.			
Earnings used in the calculation of basic earnings per share	250 479	200 847	236 045
Interest on convertible notes (after tax at 28%)	1 498	–	–
Earnings used in the calculation of diluted earnings per share	251 977	200 847	236 045
Loss for the year from discontinued operations	69 614	3 983	1 531
Earnings used in the calculation of diluted earnings per share from continuing operations	321 591	204 830	237 576
Reconciliation of weighted average number of ordinary shares for diluted earnings per share:			
Weighted average number of ordinary shares used in the calculation of basic earnings per share:	462 492	445 427	420 982
Shares deemed to be issued for no consideration in respect of convertible loans	2 055	–	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	464 547	445 427	420 982

Headline earnings

	2011 R'000* Gross	2011 R'000** Net	2010 R'000* Gross	2010 R'000** Net	Restated 2009 R'000* Gross	Restated 2009 R'000** Net
Headline earnings are determined as follows:						
Profit attributable to ordinary equity holders		250 479		200 847		236 045
Adjustments for:						
Loss on disposal of property and equipment	91	65	676	487	1 611	1 160
Impairment on goodwill	1 525	1 525				
Loss/(profit) on disposal of associate	–	–	10 479	10 479	(511)	(511)
Capital loss/(gain) on discontinued operations	44 938	44 938	–	–	(96)	(96)
Headline earnings		297 007		211 813		236 598
Headline earnings per share (cents)		64.2		47.6		56.2
Headline earnings from continuing operations are determined as follows:						
Headline earnings		297 007		211 813		236 598
Adjustments for:						
Trading loss on discontinued operations	26 097	24 676	5 532	3 983	2 259	1 627
Profit on sale of assets	–	–	(3 175)	(2 286)	–	–
Headline earnings from continuing operations		321 683		213 510		238 225
Headline earnings per share from continuing operations (cents)		69.6		47.9		56.6

**Adjustment pre tax*
*** Adjustment post tax*

	2011 R'000	2010 R'000	Restated 2009 R'000
26. Cash generated by operations			
Profit before taxation	453 656	323 511	364 023
Adjusted for:			
Retained loss/(income) of associates	–	5 028	(2 156)
Discontinued operations	(26 097)	(5 532)	(1 017)
Depreciation	80 014	73 346	58 241
Amortisation of purchased book debts	45 016	38 226	43 857
Amortisation of intangible assets	22 940	16 188	9 491
Impairment of loans and advances	216 537	190 169	41 312
Costs of acquisition of subsidary	–	3 214	–
Loss on disposal of property and equipment	91	676	1 611
Loss/(profit) on disposal of unlisted investment	–	10 479	(511)
Increase/(decrease) in deferred lease liability	723	1 692	(294)
Movement in provisions	(589)	(249)	952
Other non-cash flow items	(295)	(671)	(3 532)
Cash generated by operations	791 996	656 077	511 977

	2011 R'000	2010 R'000	Restated 2009 R'000
27. Income taxes paid			
Amounts payable/(receivable) at the beginning of the year	(75 572)	8 185	(16 780)
Charged in statement of comprehensive income	(107 993)	(93 365)	(105 239)
Deferred taxation	42 810	(68 242)	69 651
Business combinations	–	(10 634)	–
Deferred tax realised	–	1 088	–
Amounts payable/(receivable) at the end of the year	(50 004)	75 572	(8 185)
Income taxes paid	(190 759)	(87 396)	(60 553)
28. Business combinations			
Property and equipment	–	14 680	–
Intangible assets	–	34 528	–
Investments	–	10	–
Inventories	–	32 519	–
Loans and advances	–	1 178 164	–
Trade and other receivables	–	48 980	–
Cash and cash equivalents	–	31 238	–
Interest-bearing liabilities	–	(1 148 608)	–
Deferred tax liabilities	–	(8 293)	–
Trade and other payables	–	(59 531)	–
Tax liabilities	–	(10 634)	–
Fair value of assets acquired	–	113 053	–
Non-controlling interests	–	(19 615)	
	–	93 438	–
Goodwill		405 268	–
Purchase consideration	–	498 706	-
Costs of acquisition		3 214	–
Cash and cash equivalents acquired		(31 328)	–
Outflow on acquisition – net of cash acquired	–	470 592	–
Purchase consideration paid	–	498 706	–
Issue of shares	–	93 823	–
Shares to be issued	–	44 192	–
Cash and cash equivalents paid	–	192 585	–
Contingent consideration	–	168 106	–
Net out flow of cash and cash equivalents paid	–	(164 561)	-
Cash and cash equivalents paid	–	(192 585)	–
Costs of acquisition	–	(3 214)	–
Cash and cash equivalents acquired	–	31 238	–
29. Dividends paid to ordinary shareholders			
Ordinary dividends for the year	–	(84 575)	(53 335)
Paid to non-controlling interests	(13 515)	(18 522)	(8 260)
Dividends paid	(13 515)	(103 097)	(61 595)

for the year ended 30 September

	2011 R'000	2010 R'000	Restated 2009 R'000
30. Contingencies and commitments			
Capital commitments			
Approved	3 810	120	–
Contracted	518	1 917	–
Total	4 328	2 037	–
Operating lease commitments			
Future minimum payments under non-cancellable operating leases.			
Premises			
Year 1	39 825	24 037	19 055
Year 2	34 655	17 075	17 900
Year 3	27 174	13 180	1 851
Year 4	16 120	9 435	1 214
Year 5	7 278	5 789	1 204
	125 052	69 516	41 224
Other operating leases			
Year 1	367	235	2 595
Year 2	310	215	545
Year 3	304	151	–
Year 4	1	153	–
Year 5	–	92	–
	982	846	3 140

The group has no contigent liabilities at year-end.

31. Reclassifications

	Previously reported R'000	Reclassified* R'000	Discontinued operations R'000	Revised reported R'000
2010				
Assets				
Inventories	339 632	(130 464)	–	209 168
Loans and advances	5 585 945	130 464	–	5 716 409
Statement of comprehensive income				
Interest and other similar income	1 217 069	–	(285)	1 216 784
Interest and other similar expense	(611 819)	–	3 457	(608 362)
Non-interest revenue	1 560 338	16 564	(23 390)	1 553 512
Direct costs	(643 007)	(16 564)	9 886	(649 685)
Indirect costs	(921 536)	–	15 864	(905 672)
Income tax expense	(93 365)	–	(1 549)	(94 914)
Profit from continuing operations	224 613	–	3 983	228 597
Loss from discontinued operations	–	–	(3 983)	(3 983)
Profit for the year	224 613	–	–	224 613
2009				
Assets				
Inventories	109 975	(61 972)	–	48 003
Loans and advances	3 091 559	61 972	–	3 153 531
Statement of comprehensive income				
Interest and other similar income	739 105	–	(59)	739 046
Non-interest revenue	1 122 374	–	(6 412)	1 115 962
Direct costs	(540 743)	–	3 363	(537 380)
Indirect costs	(494 097)	–	4 125	(489 972)
Income tax expense	(105 239)	–	(285)	(105 524)
Profit from continuing operations	257 767	–	732	258 499
Loss from discontinued operations	(799)	–	(732)	(1 531)
Profit for the year	256 968	–	–	256 968

**Vehicles in possession has been reclassified from inventories to loans and advances to provide more relevant disclosure.*

32. Financial risk management

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

The responsibility for day-to-day management of risks falls to each of the respective subsidiary's chief executive officer's 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 risk officer.

32.1 *Credit risk*

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

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

Credit risk management and measurement

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

SA Taxi

The credit committee is responsible for providing executive management and oversight for all credit risk arising within and impacting on the SA Taxi balance sheet, these meetings are attended by the company chief executive officer and chief financial officer, group chief financial officer and group chief risk officer.

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 apply the following approach to credit advancement:

- Vehicle Type
- Validity of the taxi route
- Clients ability to pay using a route calculator (affordability check)
- Verification of details and credit history against two independent credit bureaus

Collections of instalments is made through a mix of cash and debit order collections with 70% of the portfolio being cash payers.

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

Rand Trust

The credit committee, consisting of the executive committee, assess all applications for credit and will approve a facility based on the risk profile of the applicant and an assessment of the collectability of their trade receivables. Ongoing risk management remains the responsibility of the credit committee while collections are handled by experienced credit controllers.

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

Bayport

The credit committee is responsible for providing executive management and oversight for all credit risk arising within and impacting on the Bayport balance sheet.

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

for the year ended 30 September

32. Financial risk management (continued)

32.1 *Credit risk (continued)*

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

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

MBD

Investment process:

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

Collections process:

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

Method of provisioning and fair valuing:

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

32.1.1 *Financial assets subject to risk*

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

	Loans and advances R'000	Other loans receivable R'000	Trade and other receivables R'000	Other R'000	Total R'000
2011					
Neither past due nor impaired	4 230 733	232 193	465 565	307 780	5 236 271
Past due but not impaired	1 210 551	–	33 419	–	1 243 970
Impaired	1 848 175	–	5 352	–	1 853 527
Impairment allowance	(569 274)	(1 697)	(9 572)	–	(580 543)
Non-performing loans and advances	(569 274)	–	–	–	(569 274)
	–	(1 697)	–	–	(1 697)
Non-performing trade and other receivables	–	–	(9 572)	–	(9 572)
Carrying value of financial assets	6 720 185	230 496	494 764	307 780	7 753 225
2010					
Neither past due nor impaired	3 783 313	220 748	255 957	244 540	4 504 558
Past due but not impaired	1 047 573	–	21 504	–	1 069 077
Impaired	1 238 260	–	12 260	–	1 250 520
Impairment allowance	(352 737)	–	(10 059)	–	(362 796)
Non-performing loans and advances	(352 737)	–	–	–	(352 737)
Non-performing trade and other receivables	–	–	(10 059)	–	(10 059)
Carrying value of financial assets	5 716 409	220 748	279 662	244 540	6 461 359
2009					
Neither past due nor impaired	1 924 173	56 084	108 641	249 555	2 338 453
Past due but not impaired	636 172	–	30 571	–	666 743
Impaired	676 150	–	589	–	676 739
Impairment allowance	(82 964)	–	(6 289)	–	(89 253)
Non-performing loans and advances	(82 964)	–	–	–	(82 964)
Non-performing trade and other receivables	–	–	(6 289)	–	(6 289)
Carrying value of financial assets	3 153 531	56 084	133 512	249 555	3 592 682

32.1.2 Financial assets that are past due but not impaired

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

	Past due up to 1 month R'000	Past due up to 1 – 2 months R'000	Past due up to 2 – 3 months R'000	Past due up to 3 – 4 months R'000	Past due older than 4 months R'000	Total R'000
2011						
Loans and advances	492 632	231 781	146 501	335 815	3 822	1 210 551
Trade and other receivables	7 357	15 008	7 061	3 993	–	33 419
Financial assets that are past due but not Impaired	499 989	246 789	153 562	339 808	3 822	1 243 970
2010						
Loans and advances	627 528	250 251	129 774	40 020	–	1 047 573
Trade and other receivables	11 125	3 414	2 048	4 781	136	21 504
Financial assets that are past due but not Impaired	638 653	253 665	131 822	44 801	136	1 069 077
2009						
Loans and advances	297 046	176 804	122 174	40 148	–	636 172
Trade and other receivables	12 650	3 934	5 383	8 604	–	30 571
Financial assets that are past due but not Impaired	309 696	180 738	127 557	48 752	–	666 743

The group maintains cash and cash equivalents and short-term investments with various financial institutions. Deposits are placed only with South African banks.

Valuation of collateral

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

SA Taxi's collateral over the secured debt is valued with reference to the selling prices achieved in the active secondary market for vehicles and the TransUnion Auto Dealers Guide.

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

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

32.2 Interest rate risk

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

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

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

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

for the year ended 30 September

32.2.1 Risk profile of interest bearing liabilities and assets

Per segment 2011	Floating rate liabilities R'000	Fixed rate liabilities R'000	Floating rate assets R'000	Fixed rate assets R'000	Net asset/ (liability) R'000
Unsecured lending	1 508 415	1 224 715	–	2 635 269	(97 861)
Asset-backed lending	2 044 674	2 043 680	1 992 802	2 018 416	(77 136)
Credit services	–	70 578	–	–	(70 578)
Payment services	–	91 302	–	–	(91 302)
Corporate support	485 798	–	73 698	–	(412 100)
Total	4 038 887	3 430 275	2 066 500	4 653 685	(748 977)
2010					
Unsecured lending	1 914 457	–	–	1 743 463	(170 994)
Asset-backed lending	3 543 950	106 924	3 640 931	192 863	182 920
Credit services	–	97 611	–	–	(97 611)
Payment services	78 537	–	–	–	(78 537)
Corporate support	645 997	26 715	139 152	–	(533 560)
Total	6 182 941	231 250	3 780 083	1 936 326	(697 782)
2009					
Asset- backed lending	2 617 986	294 452	2 951 526	62 679	101 767
Credit services	–	104 495	–	–	(104 495)
Payment services	84 344	–	–	–	(84 344)
Corporate Support	390 752	–	139 326	–	(251 426)
Total	3 093 082	398 947	3 090 852	62 679	(338 498)

32.2.2 Weighted average interest rates are as follows:

	2011		2010		2009	
Per segment	Bank balances %	Borrowings %	Bank balances %	Borrowings %	Bank balances %	Borrowings %
Unsecured lending	5.6	11.8	4.4	11.0	–	–
Asset- backed lending	5.5	10.2	3.2	12.3	4.8	12.8
Credit services	9.0	13.0	5.1	12.8	6.5	13.3
Payment services	5.0	9.0	–	–	–	–
Corporate support	4.9	7.6	5.3	9.9	5.9	9.9

The group is exposed to interest rate risk associated with the effects of fluctuations in the prevailing market rates. The table below summaries the group's exposure to interest rate risk through grouping assets and liabilities into repricing categories, determined by date of maturity :

2011	Up to 1 month R'000	1 to 3 months R'000	4 to 12 months R'000	Beyond 12 months R'000	Non-interest sensitive items R'000	Total R'000
Assets						
Cash and cash equivalents	654 976	–	–	–	40 564	695 540
Trade and other receivables	–	–	–	–	494 764	494 764
Loans and advances	2 057 644	306	8 549	–	4 653 686	6 720 185
Purchased book debts	–	–	–	–	307 780	307 780
Other loans receivable	4 441	–	–	–	226 055	230 496
Other investments	–	–	–	–	6 988	6 988
Tax assets	–	–	–	–	64 168	64 168
Total assets	2 717 061	306	8 549	–	5 794 005	8 519 921
Liabilities						
Bank overdrafts	182 946	–	–	–	–	182 946
Trade and other payables	–	–	–	–	544 909	544 909
Interest-bearing liabilities	1 960 998	1 996 451	81 438	–	3 430 275	7 469 162
Tax liabilities	–	–	–	–	14 164	14 164
Total liabilities	2 143 944	1 996 451	81 438	–	3 989 348	8 211 181
Net asset/(exposure)	573 117	(1 996 145)	(72 889)	–	1 804 657	308 740

32.2.2 Weighted average interest rates (continued):

2010	Up to 1 month R'000	1 to 3 months R'000	4 to 12 months R'000	Beyond 12 months R'000	Non-interest sensitive items R'000	Total R'000
Assets						
Cash and cash equivalents	472 073	102 203	–	577	–	574 853
Trade and other receivables	–	17 913	–	–	261 749	279 662
Loans and advances	2 154 773	144 183	235 569	1 245 558	1 936 326	5 716 409
Purchased book debts	–	–	516	–	244 024	244 540
Other loans receivable	17 446	–	3 725	2 117	197 461	220 749
Other investments	2 199	–	–	–	19 588	21 787
Tax assets	–	–	69	669	13 355	14 093
Total assets	2 646 491	264 299	239 879	1 248 921	2 672 503	7 072 093
Liabilities and equity						
Bank overdrafts	188 665	3 382	–	–	–	192 047
Trade and other payables	29 942	3 776	7 207	96 951	368 967	506 843
Interest-bearing liabilities	3 069 708	–	439 383	2 673 850	231 250	6 414 191
Tax liabilities	–	–	1 335	–	88 330	89 665
Total liabilities	3 288 315	7 158	447 925	2 770 801	688 547	7 202 746
On balance sheet interest sensitivity	(641 824)	257 141	(208 046)	(1 521 880)	1 983 956	(130 653)
2009						
Assets						
Cash and cash equivalents	369 360	–	–	–	–	369 360
Trade and other receivables	779	5 866	–	23 778	103 089	133 512
Loans and advances	1 186 002	58 408	171 262	1 675 180	62 679	3 153 531
Purchased book debts	–	–	–	–	249 555	249 555
Other loans receivable	9 560	–	–	5 202	41 322	56 084
Other investments	–	–	–	2 425	–	2 425
Tax assets	–	–	560	2 378	8 885	11 823
Total assets	1 565 701	64 274	171 822	1 708 963	465 530	3 976 290
Liabilities and equity						
Bank overdrafts	33 402	–	–	–	–	33 402
Trade and other payables	16 105	–	–	–	310 019	326 124
Interest bearing liabilities	2 252 959	–	33 522	806 601	398 947	3 492 029
Tax liabilities	22	–	–	–	3 616	3 638
Total liabilities	2 302 488	–	33 522	806 601	712 582	3 855 193
On balance sheet interest sensitivity	(736 787)	64 274	138 300	902 362	(247 052)	121 097

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

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

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

32.3 *Liquidity risk management (continued):*

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

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

2011	On demand R'000	Within 1 year R'000	From 1 to 5 years R'000	More than 5 years R'000	Total R'000
Liabilities					
Bank overdrafts	182 946	–	–	–	182 946
Trade and other payables	146 012	398 898	–	–	544 910
Interest-bearing liabilities	327 353	2 741 767	5 763 729	334 645	9 167 494
Financial liabilities	656 311	3 140 665	5 763 729	334 645	9 895 350
Non-financial liabilities	56	16 456	–	131 062	147 574
Total liabilities	656 367	3 157 121	5 763 729	465 707	10 042 924
2010					
Liabilities					
Bank overdrafts	192 047	–	–	–	192 047
Trade and other payables	102 889	403 954	–	–	506 843
Interest-bearing liabilities	35 110	1 555 709	5 222 009	300 231	7 113 059
Financial liabilities	330 046	1 959 663	5 222 009	300 231	7 811 949
Non-financial liabilities	49 567	78 488	67 382	–	195 437
Total liabilities	379 613	2 038 151	5 289 391	300 231	8 007 386
2009					
Liabilities					
Bank overdrafts	33 402	–	–	–	33 402
Trade and other payables	307 679	16 580	1 865	–	326 124
Interest-bearing liabilities	1 800	662 710	2 312 052	515 467	3 492 029
Financial liabilities	342 881	679 290	2 313 917	515 467	3 851 555
Non-financial liabilities	–	–	–	71 643	71 643
Total liabilities	342 881	679 290	2 313 917	587 110	3 923 198

32.4 *Capital management*

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

The group defines capital as equity, group loans and mezzanine and junior debt.

Shareholder funding comprises permanent paid up capital, share premium, revenue and other reserves together with loans from shareholders. It is group policy to hold loans and advances, purchased book debts and automated teller machines in special purpose vehicles (SPV's) funded by debentures and loans. All these SPV's are consolidated.

The target is to maintain a strong capital base so as to retain investor and creditor confidence and to sustain future growth of the businesses of the group. 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 equity position.

32.5 *Insurance and assurance risk*

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

Exposure to insurance risk

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

Exposure to assurance risk

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

32.6 *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 foreign currency.

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

The following significant exchange rates applied during the year:

	Average rate			Reporting date closing rate		
	2011	2010	2009	2011	2010	2009
US dollars	7,1	7,6	8,9	7,9	7,0	7,4
Euro	9,7	10,1	–	10,9	9,5	–

Foreign amounts included in the financial statements at the end of the financial year (net liability).

In thousands of units of foreign currency:

	2011	2010	2009	2011	2010	2009
US dollars	348	6 576	(269)	348	6 057	(323)
Euro	15 000	–	–	15 000	–	–

32.7 *Sensitivity analysis*

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

Interest rate risk

	Value subject to interest rate risk R'000	Effect on profit before tax of 1% change in rates R'000	Total carrying value of asset class R'000	Fair value where materially different R'000
30 September 2011				
Assets				
Loans and advances	2 066 499	20 665	6 720 185	–
Other loans receivable	4 441	44	230 496	–
Trade and other receivables	–	–	494 764	–
Cash and cash equivalents	654 977	6 550	695 540	–
	2 725 917	27 259	8 140 985	–
Liabilities				
Interest-bearing borrowings	7 469 162	40 389	7 469 162	–
– Fixed rate borrowings	3 430 275	–	3 430 275	–
– Floating rate borrowings	4 038 887	40 389	4 038 887	–
Trade and other payables	–	–	544 909	–
Bank overdrafts	182 946	1 829	182 946	–
	7 652 108	42 218	8 197 017	–
Net exposure	(4 926 191)	(14 959)	(56 032)	–
30 September 2010				
Assets				
Loans and advances	3 780 083	37 801	5 716 409	–
Other loans receivable	23 287	233	220 748	–
Trade and other receivables	17 913	179	279 662	–
Cash and cash equivalents	574 853	5 749	574 853	–
	4 396 136	43 962	6 791 672	–
Liabilities				
Interest-bearing liabilities	6 414 191	61 829	6 414 191	–
– Fixed rate	231 250	–	231 250	–
– Floating rate	6 182 941	61 829	6 182 941	–
Trade and other payables	137 876	1 379	506 843	–
Bank overdrafts	192 047	1 920	192 047	–
	6 744 114	65 128	7 113 081	–
Net exposure	(2 347 978)	(21 166)	(321 409)	–

for the year ended 30 September

32.7 Sensitivity analysis (continued)

	Value subject to interest rate risk R'000	Effect on profit before tax of 1% change in rates R'000	Total carrying value of asset class R'000	Fair value where materially different R'000
30 September 2009				
Assets				
Loans and advances	3 090 852	30 909	3 153 531	–
Other loans receivable	14 762	148	56 084	–
Trade and other receivables	30 423	304	133 512	–
Cash and cash equivalents	369 360	3 694	369 360	–
	3 505 397	35 055	3 712 487	–
Liabilities				
Interest-bearing liabilities	3 492 029	30 931	3 492 029	–
– Fixed rate	398 947	–	398 947	–
– Floating rate	3 093 082	30 931	3 093 082	–
Trade and other payables	16 105	161	326 124	–
Bank overdrafts	33 402	334	33 402	–
	3 541 536	31 426	3 851 555	–
Net exposure	(36 139)	3 629	(139 068)	–

The fair values of the net assets and liabilities shown above are not materially different from their carrying values.

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.

Currency risk

	Value subject to currency risk R'000	Effect on profit before tax of 1% change in rates R'000	Total carrying value of asset class R'000
30 September 2011			
Assets			
Trade and other receivables	348	3	348
Liabilities			
Interest-bearing liabilities	15 000	150	15 000
30 September 2010			
Assets			
Trade and other receivables	5 393	54	5 393
Cash and cash equivalents	2 101	21	2 101
	7 494	75	7 494
Liabilities			
Trade and other payables	1 437	14	1 437
30 September 2009			
Assets			
Trade and other receivables	5 918	59	5 918
Cash and cash equivalents	4 352	44	4 352
	10 270	103	10 270
Liabilities			
Trade and other payables	10 593	106	10 593

Company statement of financial position

at 30 September

	Note	2011 R'000	2010 R'000	2009 R'000
ASSETS				
Cash and cash equivalents	1	188 239	100 282	80 124
Trade and other receivables	2	24 888	–	41
Other loans receivable	3	184 724	160 788	4 903
Deferred tax assets	4	4 730	7 506	3 028
Investment in subsidiaries	5	1 719 842	1 453 402	871 912
Investments in associates		–	–	82 404
Total assets		2 122 423	1 721 978	1 042 412
LIABILITIES				
Trade and other payables		12 974	9 066	4 936
Interest-bearing liabilities	6	902 073	676 351	274 151
Total liabilities		915 047	685 417	279 087
EQUITY				
Ordinary share capital	7	471	455	421
Share premium	7	907 818	834 351	583 971
Retained earnings		299 087	201 755	178 933
Total equity		1 207 376	1 036 561	763 325
Total equity and liabilities		2 122 423	1 721 978	1 042 412

Company statement of comprehensive income

for the year ended 30 September

	Note	2011 R'000	2010 R'000	2009 R'000
Interest and other similar income	8	48 343	27 134	13 907
Interest and other similar expense	8	(79 112)	(58 036)	(34 450)
Net interest income	8	(30 769)	(30 902)	(20 543)
Non-interest revenue	9	194 890	153 901	129 022
Non-interest gross profit		194 890	153 901	129 022
Indirect costs	10	(64 013)	(14 765)	11 324
Profit before tax		100 108	108 234	119 803
Income tax expense	11	(2 776)	(837)	(398)
Profit for the year		97 332	107 397	119 405

Company statement of changes in equity

for the year ended 30 September

	Number of ordinary shares '000	Share capital R'000	Share premium R'000	Retained earnings R'000	Total equity R'000
Balance at 30 September 2008	416 681	417	590 268	112 863	703 548
Total comprehensive income	–	–	–	119 405	119 405
Profit for the year	–	–	–	119 405	119 405
Dividends paid to ordinary shareholders				(53 335)	(53 335)
Issue of shares	5 855	6	4 585	–	4 591
Repurchase of shares	(1 660)	(2)	(10 882)	–	(10 884)
Balance at 30 September 2009	420 876	421	583 971	178 933	763 325
Total comprehensive income	–	–	–	107 397	107 397
Profit for the year	–	–	–	107 397	107 397
Dividends paid to ordinary shareholders	–	–	–	(84 575)	(84 575)
Issue of shares	37 064	37	271 075	–	271 112
Repurchase of shares	(2 855)	(3)	(20 695)	–	(20 698)
Balance at 30 September 2010	455 085	455	834 351	201 755	1 036 561
Total comprehensive income	–	–	–	97 332	97 332
Profit for the year	–	–	–	97 332	97 332
Issue of shares	19 574	19	133 784	–	133 803
Repurchase of shares	(3 483)	(3)	(22 978)	–	(22 981)
Distributions from share premium	–	–	(37 339)	–	(37 339)
Balance at 30 September 2011	471 176	471	907 818	299 087	1 207 376

Company statement of cash flows

for the year ended 30 September

	Note	2011 R'000	2010 R'000	2009 R'000
Cash flow from operating activities				
Cash utilised by operations	12	(31 285)	(45 667)	(19 888)
Income taxes paid	13	–	(5 315)	–
Dividends received		189 370	153 901	127 611
Dividends paid to ordinary shareholders		–	(84 575)	(53 335)
Cash flow from operating activities before changes in operating assets and liabilities		158 085	18 344	54 388
(Increase)/decrease in working capital		(20 980)	4 171	1 529
Trade and other receivables		(24 888)	41	102
Trade and other payables		3 908	4 130	1 427
Net cash generated by operating activities		137 105	22 515	55 917
Cash flow from investing activities				
Acquisition of investment in subsidiary companies		(324 417)	(506 943)	(89 130)
Acquisition of unlisted investments		–	–	(1 127)
Disposal of associate		–	46 918	–
(Decrease)/increase in other loans receivable		(23 936)	2 732	(4 903)
Net cash utilised by investing activities		(348 353)	(457 293)	(95 160)
Cash flow from financing activities				
Issue of shares for cash		133 803	73 434	6
Repurchase of shares		(22 981)	(20 698)	(10 884)
Distribution from share premium		(37 339)	–	–
Increase in group loans payable		–	2 405	–
Net proceeds from raising and repayment of interest-bearing liabilities		225 722	399 795	–
Net cash raised/(utilised) by financing activities		299 205	454 936	(10 878)
Net increase/(decrease) in cash and cash equivalents		87 957	20 158	(50 121)
Cash and cash equivalents at the beginning of the year		100 282	80 124	130 245
Cash and cash equivalents at the end of the year		188 239	100 282	80 124

Notes to the company financial statements

for the year ended 30 September

	2011 R'000	2010 R'000	2009 R'000
1. Cash and cash equivalents			
Bank balances	5 412	2 316	1 150
Call deposits	182 827	97 966	78 974
Total cash and cash equivalents	188 239	100 282	80 124
2. Trade and other receivables			
Pre-payments	24 421	–	–
Trade receivables	–	–	41
VAT receivable	467	–	–
Trade and other receivables	24 888	–	41
3. Other loans receivable			
Gross loans receivable	184 724	160 788	4 903
Impairment	–	–	–
Net other loans receivable	184 724	160 788	4 903
Gross loans receivable by asset type			
Loans to executives under the group share schemes*	182 690	80 406	–
Deferred proceeds on disposal of associate	–	35 486	–
Other loans receivable	2 034	44 896	4 903
Gross other loans receivable	184 724	160 788	4 903
Balance at the beginning of the year	160 788	4 903	–
Loans advanced	84 223	149 099	4 575
Interest	10 737	6 786	328
Repaid	(71 024)	–	–
Other loans receivable	184 724	160 788	4 903
Maturity analysis			
Within one year	–	67 094	750
Greater than one year	184 724	93 694	4 153
	184 724	160 788	4 903

Interest-bearing loans to group executives at rates ranging from prime less 5% to 11.7% granted with a maximum term not exceeding six years.

for the year ended 30 September

	2011 R'000	2010 R'000	2009 R'000
4. Deferred tax			
Deferred tax is presented on the balance sheet, as follows:			
Deferred tax assets	4 730	7 506	3 028
Net deferred tax assets	4 730	7 506	3 028
The movements during the year are analysed as follows:			
Net deferred tax assets at the beginning of the year	7 506	3 028	3 426
Recognised in profit or loss for the year	(2 776)	4 478	(398)
Net deferred tax assets at the end of the year	4 730	7 506	3 028
5. Investment in subsidiaries			
Shares at carrying value	1 168 458	1 111 099	806 676
Amounts receivable	551 384	342 303	65 236
Long term*	629 861	362 803	40 347
Current	–	–	45 389
Impairment	(78 477)	(20 500)	(20 500)
Investment in subsidiaries	1 719 842	1 453 402	871 912
A schedule of subsidiaries appears on page 117.			
Allowance for impairment			
Balance at the beginning of the year	(20 500)	(20 500)	(33 000)
Impairments in profit or loss	(57 977)	–	12 500
	(78 477)	(20 500)	(20 500)

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

Notes to the company financial statements
continued

	2011 R'000	2010 R'000	2009 R'000
6. Interest-bearing liabilities			
Cumulative redeemable preference shares	–	79 250	99 699
Loans	701 087	416 586	174 452
Other interest bearing liabilities	200 986	180 515	–
	902 073	676 351	274 151
Payable within 12 months	200 986	81 453	38 466
Payable thereafter	701 087	594 898	235 685
	902 073	676 351	274 151
Cumulative redeemable preference shares			
Five-year preference shares with a cumulative dividend of 85% of the prime overdraft rate.	–	79 250	99 699
Loans			
Fixed term loan bearing interest at 11.7% p.a.	–	49 990	49 960
Fixed term loan payable in May 2015 bearing interest at 3.0% above JIBAR	149 992	149 813	49 988
Amortising term loan payable in 14 equal instalments.	–	214 378	74 504
Five-year loan payable on 1 July 2016 bearing interest at 13.1%	71 395	–	–
Five-year loan payable on 1 July 2016 bearing interest at 12.3%.	77 295	–	–
Fixed term loan payable on the 30 November 2017 bearing interest at 5.0% above JIBAR	150 000	–	–
Convertible loan payable on the 31 August 2016 bearing interest at 6.0% above JIBAR.	190 000		
This loan is convertible into ordinary shares of the company at the option of the lender should the company list on the JSE Limited on or before 31 August 2013. The option is exercisable within 120 days of the listing at a price 10% lower than the initial listing price. Should the company not list on the JSE Limited on or before 31 August 2013 the interest rate will increase to JIBAR plus 850 bps and the loan will become repayable in full on 31 August 2016			
Convertible loan payable on the 31 August 2016 bearing interest at 6.0% above JIBAR.	35 000	–	–
This loan is convertible into ordinary shares of the company at the option of the lender should the company list on the JSE Limited on or before 31 August 2013. The option is exercisable on the day of the listing at a price 10% lower than the initial listing price. Should the company not list on the JSE Limited on or before 31 August 2013 the interest rate will increase to JIBAR plus 850 bps and the loan will become repayable in full on 31 August 2016		–	–
Embedded derivative arising from the convertible loans	25 000	–	–
Other loans	2 405	2 405	–
	701 087	416 586	174 452
Other interest-bearing liabilities			
Performance-related payment due in December 2011 to the vendors of Bayport Financial Services	200 986	180 515	–
Total interest-bearing liabilities	902 073	676 351	274 151

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

for the year ended 30 September

	2011 R'000	2010 R'000	2009 R'000
7. Ordinary share capital and share premium			
Authorised			
1 000 000 000 ordinary shares of 0.1 cent each	1 000	1 000	1 000
Issued			
471 176 222 (2010: 455 085 345, 2009: 420 875 874) ordinary shares of 0.1 cent each	471	455	421
Ordinary share capital	471	455	421
Share premium	907 818	834 351	583 971
Ordinary share capital and share premium	908 289	834 806	584 392
Preference share capital			
Authorised			
100 000 cumulative redeemable preference shares of R1 000 each	100 000	100 000	100 000
Issued			
NIL (2010: 79 250, 2009: R100 000) preference shares of R1 000 each	–	79 250	99 699
The cumulative redeemable preference shares were fully paid on 1 July 2011.			
8. Interest			
Interest and other similar income is earned from:			
Cash and cash equivalents	9 190	9 946	9 419
Other loans receivable	–	4 972	488
Subsidiaries	28 416	10 135	4 000
Share schemes	10 737	2 081	–
	48 343	27 134	13 907
Interest and other similar expenses are paid on:			
Bank overdrafts	(2 383)	–	–
Interest-bearing liabilities	(50 134)	(37 648)	(23 011)
Cumulative redeemable preference shares	(3 394)	(7 119)	(11 439)
Interest on additional payment to vendors of Bayport Financial Services (Proprietary) Limited	(23 201)	(13 269)	–
	(79 112)	(58 036)	(34 450)
Interest and other similar income	48 343	27 134	13 907
Interest and other similar expense	(79 112)	(58 036)	(34 450)
Net interest income	(30 769)	(30 902)	(20 543)
9. Non-interest revenue			
Non-interest revenue comprises:			
Dividends received from associates	–	–	3 410
Dividends received from subsidiaries	189 370	153 901	124 201
Other non-interest revenue	5 520	–	1 411
	194 890	153 901	129 022

Notes to the company financial statements
continued

	2011 R'000	2010 R'000	2009 R'000
10. Indirect costs			
Included in indirect costs are the following:			
Auditor's remuneration	117	120	87
Insurance fees	155	320	–
Consulting fees	–	3 020	–
Loss on disposal of associate	–	4 032	–
Professional fees	594	4 135	–
Legal fees	418	3 988	–
Secretarial fees	176	147	–
Impairment of loan receivables	57 977	–	(12 500)
Raised	57 977		
Reversed	–	–	(12 500)
Directors' fees	5 148	4 383	608
11. Income tax expense			
Deferred tax	224	2 598	2 356
Current year	224	2 598	2 294
Prior years	–	–	(9)
Capital gains tax	–	–	71
Secondary tax on companies	(3 000)	(3 435)	(2 754)
Current	–	(5 315)	–
Deferred	(3 000)	1 880	(2 754)
Income tax expense	(2 776)	(837)	(398)
Tax rate reconciliation:			
South African tax rate	28.0%	28.0%	28.0%
Tax effects of:			
Income not subject to tax			
Dividends	(53.0)%	(39.8)%	(33.0)%
Expenses not deductable for tax purposes	14.4%	11.0%	3.0%
Tax losses not recognised	6.4%	–	–
Prior year taxes	7.0%	1.6%	2.6%
Permanent differences			
Effective tax rate	2.8%	0.8%	0.6%
12. Cash generated by operations			
Profit before taxation	100 108	108 234	119 803
Adjusted for:			
Investment Income	(189 370)	(153 901)	(127 611)
Impairment of investment in subsidiaries	57 977	–	(12 080)
Cash utilised by operations	(31 285)	(45 667)	(19 888)
13. Income taxes paid			
Charged in statement of comprehensive income	(2 776)	(837)	398
Deferred taxation	2 776	(4 478)	(398)
	–	(5 315)	–

for the year ended 30 September

	2011 R'000	2010 R'000	2009 R'000
14. Related parties			
342 Jan Smuts Avenue (Proprietary) Limited owns property occupied by MBD Credit Solutions Holdings (Proprietary) Limited subsidiaries			
J M Jawno, M P Mendelowitz and R Rossi, who are directors of the company are directors of the affiliate.			
Their family trusts each own 33.33% of its share capital.			
Transactions during the year			
Rent paid	10 699	9 003	5 023
Blend Property Management (Proprietary) Limited manages a property occupied by ATM Solutions (Proprietary) Limited and Bayport Financial Services 2010 (Proprietary) Limited.			
The family trusts of J M Jawno, M P Mendelowitz and R Rossi, who are directors of the company each own 12.5% of the company owning the property.			
Transactions during the year			
Rent paid	1 168	677	668
Subsidiaries			
Details of share ownership and loan balances are disclosed below.			
The following fees were paid to (fellow) subsidiaries:			
The following income was received from subsidiaries:			
Interest			
TC Treasury (Proprietary) Limited	3 818	3 400	4 000
Bayport 2010 Financial Services (Proprietary) Limited	21 194	6 735	–
Rand Trust Financiers (Proprietary) Limited	18	–	–
SA Taxi Securitisation (Proprietary) Limited	3 386	–	–
Fees			
TC Corporate Support (Proprietary) Limited	5 520	5 520	900
Related party transactions			
The family trusts of JM Jawno, S Kark , MP Mendelowitz and R Rossi, who are directors of the company, are 51% participants in the consortium which acquired the shares in and claims against CUF Properties (Pty) Ltd.			

15. Subsidiaries

	Nature of business and status	Issued share capital 2011 R'000	Issued share capital 2010 R'000	Issued share capital 2009 R'000	Effective percentage held 2011 %	Effective percentage held 2010 %	Effective percentage held 2009 %	Investment (at cost less impairments) 2011 R'000	Investment (at cost less impairments) 2010 R'000	Investment (at cost less impairments) 2009 R'000	Loans 2011 R'000	Loans 2010 R'000	Loans 2009 R'000
Transaction Capital (Proprietary) Ltd													
Rand Trust Financiers (Proprietary) Limited	*	10	10	10	90.0	90.0	90.0	38 342	38 342	38 342	1 010		
Rand Trust Securitisation (Proprietary) Limited	#												
SA Taxi Finance Holdings (Proprietary) Limited	*	1	1	1	100.0	97.0	97.0	60 634	37 058	41 058	52 187		
SA Taxi Development Finance (Proprietary) Limited													
Dunkeld Trading (Proprietary) Limited													
SA Taxi Securitisation (Proprietary) Limited	#												
SA Taxi Finance Solutions (Proprietary) Limited													
Origin Eight Financial Services (Proprietary) Limited													

15. Subsidiaries (continued)

	Nature of business and status	Issued share capital 2011 R'000	Issued share capital 2010 R'000	Issued share capital 2009 R'000	Effective percentage held 2011 %	Effective percentage held 2010 %	Effective percentage held 2009 %	Investment (at cost less impairments) 2011 R'000	Investment (at cost less impairments) 2010 R'000	Investment (at cost less impairments) 2009 R'000	Loans 2011 R'000	Loans 2010 R'000	Loans 2009 R'000
Bayport Financial Services (Proprietary) Limited	*	15	15	–	100.0	100.0	–	172 425	172 425	–	–	–	–
Bayport Financial Services 2010 (Proprietary) Limited	*	8	7	–	82.7	82.7	–	227 294	227 291	–	194 715	173 128	–
Bayport Securitisation (Proprietary) Limited	#										75 588	–	–
Zenthyme Investments (Proprietary) Limited													
Paycorp Holdings (Proprietary) Limited	*	2	2	2	100.0	100.0	100.0	430 994	430 994	430 993	–	–	–
ATM Solutions (Proprietary) Limited													
BDB Data Bureau (Proprietary) Limited													
DrawCard (Proprietary) Limited													
EFTPOS (Proprietary) Limited													
ATM Solutions Group Securitisation (Proprietary) Limited	#												
MBD Credit Solutions Holdings (Proprietary) Limited	*	1	1	1	95.7	95.7	86.9	114 898	114 898	75 973	–	–	–
Asset Solutions Company (Proprietary) Limited													
Capital Data Asset Recovery Management (Proprietary) Limited													
MBD Credit Solutions (Proprietary) Limited													
MBD Securitisation (Proprietary) Limited	#												
Credit Health (Proprietary) Limited													
PICS Investment Holdings (Proprietary) Limited	R	–	1	1	–	100.0	80.0	–	1 080	58	–	20 554	17 422
Processing Integration Consulting Solutions (Proprietary) Limited	*	2			100.0			34 860					
TC Corporate Support (Proprietary) Limited	*/T												
TC Treasury (Proprietary) Limited	*										201 706	59 898	15 708
Transaction Capital Share Trust	*												
Nisela Investments (Proprietary) Limited	*										17 314	9 660	9 171
– Ordinary shares					49.0	49.0	49.0						
– Preference shares		3	3	3				89 011	89 011	89 011			
Cresol (Proprietary) Limited	*/D	1	1	1	100.0	100.0	100.0		–	131 241			
Transaction Capital Business Partners (Proprietary) Limited	*/D				100.0	100.0	100.0				10	10	10
Transaction Capital Securitisation Trust	#												
Mortgage Capital (Proprietary) Limited	*	1	1	1	100.0	100.0	100.0	–	–		8 854	79 053	22 925
Specialised Mortgage Capital (Proprietary) Limited													
Company Unique Finance (Proprietary) Limited													
Afribrokers (Proprietary) Limited													
								1 168 458	1 111 099	806 676	551 384	342 303	65 236

* Directly held
# Consolidated special purpose entity
T Trading company
D Dormant company
I Investment holding company
L Lending business
A Administrative company
R Deregistered company

Administration

Corporate information

Company registration number
2002/031730/07

Directors

Non-executive

Christopher Seabrooke (chairperson)
Len Konar (deputy chairperson)
Phumzile Langeni
Brenda Madumise
Michael Mendelowitz
Rob Rossi
Rob Shuter
Dumisani Tabata
Shaun Zagnoev

Executive

Mark Lamberti (group chief executive officer)
Tim Jacobs (group chief financial officer)
Jonathan Jawno (executive director)
Steven Kark

Company secretary and registered office

Peter Katzenellenbogen
Transaction Capital House
Sandhaven Office Park
14 Pongola Crescent, Eastgate Ext 17
Sandton, 2196
PO Box 41888, Craighall, 2024

Auditors

Deloitte & Touche
Deloitte Place, The Woodlands
Woodlands Drive, Woodmead
Sandton, 2196
Private Bag X6, Gallo Manor, 2052

Corporate advisors

Deutsche Bank
3 Exchange Square
87 Maude Street
Sandton, 2196

Edward Nathan Sonnenbergs
150 West Street
Sandton, 2196

Java Capital (Proprietary) Limited
3 Arnold Road
Rosebank
Sandton, 2196

Principal bankers

The Standard Bank of South Africa Limited

Selected websites

www.transactioncapital.co.za
www.sataxifinance.co.za
www.randtrust.co.za
www.bayportfinance.com
www.mbdcreditsolutions.co.za
www.picsolutions.co.za
www.atmsolutions.co.za
www.drawcard.co.za
www.eftpos.co.za

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