AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 September **2016**

Transaction Capital

These consolidated and separate financial statements have been prepared under the supervision of R Goldstein, financial director.

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

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

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

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

APPROVAL OF GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

The annual financial statements on pages 2 to 102 were approved by the board of directors on 22 November 2016, and are signed on their behalf.

David M. Hurwitz
Chief executive officer

Ronen Goldstein
Financial director

COMPANY SECRETARY'S CERTIFICATE

FOR THE YEAR ENDED 30 SEPTEMBER 2016

We hereby certify that, to the best of our knowledge and belief, the company has filed all such returns and notices as are required of a public company in terms of the Companies Act, 71 of 2008 as amended with the Companies and Intellectual Property Commission ('CIPC') for the financial year ended 30 September 2016, and that all such returns and notices appear to be true, correct and up to date.

STATUCOR PROPRIETARY LIMITED
Company Secretary

22 November 2016

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

The company's issued ordinary shares are listed on the Johannesburg Stock Exchange.

The group operates in two principal areas: SA Taxi and Transaction Capital Risk Services ('TCRS'). The nature of the business of the main operating subsidiaries and a review of each is set out in the group profile on the company website. The segmental report can also be found on the company website as part of the audited financial results.

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

DIRECTORATE AND COMPANY SECRETARY
The names and a brief curriculum vitae of the directors and company secretary in office at the date of this report are set out in the directorate section on the company website.

The following changes took place during the financial year:

> With effect of 8 December 2015, Shaun Zagnoev resigned as a director.

> With effect from 15 March 2016, Moses Kgosana was appointed as an independent non-executive director and chairman of the Audit, Risk and Compliance committee ('ARC committee').

> With effect from 1 August 2016:

- Mark Herskovits was appointed to the role of executive director: capital management (previously chief financial officer) for the Transaction Capital group;
- Kuben Pillay was appointed as an independent non-executive director;
- Ronen Goldstein was appointed as the financial director (previously company secretary) of Transaction Capital group; and
- Statucor Proprietary Limited was appointed as company secretary.

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:

	2016		2015	
	(Number of shares) '000	(%) Shareholding	(Number of Shares) '000	(%) Shareholding
Executive directors				
Indirect non-beneficial holdings				
D M Hurwitz	**2 605**	**<1**	6 605	1
J M Jawno	**82 207**	**14**	82 207	14
M P Mendelowitz	**82 207**	**14**	82 207	14
R Rossi	**82 207**	**14**	82 207	14
Direct beneficial holdings				
R Goldstein**	**3**	**<1**	3	<1
D M Hurwitz	**125**	**<1**	125	<1
M D Herskovits	**839**	**<1**	839	<1
Non-executive directors				
Indirect non-beneficial holdings				
C Seabrooke	**10 000**	**1.75**	5 000	<1
S Zagnoev*	**–**	**–**	43 785	8
Direct beneficial holdings				
D F Woollam	**1 450**	**<1**	1 450	<1
Total	**261 643**		304 425	
Percentage of issued shares	**45.78%**		53.6%	

* *Shaun Zagnoev, representing Ethos Technology Fund I and Ethos Private Equity Fund V, resigned as a director on 8 December 2015 post the sale of all of Ethos Technology Fund I's shareholding and Ethos Private Equity Fund V's shareholding in TCP.*

** *Appointed on 1 August 2016.*

DIRECTORS' REPORT *continued*
FOR THE YEAR ENDED 30 SEPTEMBER 2016

The following changes in direct and indirect interest of the directors in the ordinary shares of the company took place after the financial year end:

> On 11 November 2016, the respective trusts of JM Jawno, MP Mendelowitz and R Rossi, of which they are discretionary beneficiaries, exchanged their shares in Transaction Capital for shares in JMR Holdings Proprietary Limited ('JMRH'). In addition, in terms of a specific authority obtained from shareholders, Transaction Capital issued JMRH with 3 377 821 ordinary shares at R11.65 per share in the company, resulting in JMRH owning 250 million shares in Transaction Capital which resulted in an effective shareholding of 43.48% in Transaction Capital. After the restructure the trusts of JM Jawno, MP Mendelowitz and R Rossi each owns equal holdings in JMRH.

> For more information regarding the above transaction refer to the terms announcement relating to the restructure of shareholding in the company and specific issue of shares for cash that was released on the Stock Exchange News Service ('SENS') of the JSE Limited ('JSE') on Thursday, 1 September 2016 and the circular incorporating notice of general meeting which was distributed on Wednesday, 21 September 2016. Requisite shareholder approval for the transaction was granted by shareholders on Thursday, 20 October 2016 and was followed by the Takeover Regulation Panel granting a waiver ruling of the requirement for JMRH to make a mandatory offer to shareholders in relation to the transaction on 28 October 2016.

DIVIDENDS
A final dividend of 18 cents (2015: 12 cents) per share for the year ended 30 September 2016 has been declared, payable on or about 19 December 2016 to shareholders registered at 15 December 2016.

An interim dividend of 12 cents (2015: 10 cents) per share was paid to shareholders registered on 10 June 2016.

CONSOLIDATED SHARE CAPITAL AND PREMIUM
The following changes took place during the year under review:

	2016		2015	
	Number of shares '000	**R'000**	Number of shares '000	R'000
Beginning of year	**568 055**	**468 056**	569 629	482 931
Issued in settlement of the Transaction Capital Limited Share Appreciation Rights Plan obligation	**4 902**	**53 151**	1 241	12 099
Shares repurchased from participants of the Transaction Capital Limited General Share Scheme:				
– Repurchased and cancelled	**–**	**–**	–	–
– Held as treasury shares	**–**	**–**	–	–
Shares repurchased on the open market and cancelled	**(1 107)**	**(11 564)**	(2 788)	(26 974)
Capital distribution to shareholders	**–**	**–**	–	–
	571 850	**509 642**	568 055	468 056

In terms of specific authority received from shareholders on the adoption of the Transaction Capital Share Appreciation Rights Plan, a total of 4 902 334 shares were issued to participants/employees as part of the vesting of the first tranche of share appreciation rights (SARs) at an average price of 1 084 cents per share.

All shares repurchased and cancelled reverted to authorised unissued shares. The average purchase price of the 1 107 257 shares repurchased on the open market was 1 044 cents per share.

BORROWINGS
The memorandum of incorporation of the company does not place any restrictions on the borrowing powers of the company or the group. Details of borrowings at the end of the financial year are set out in note 16 to the consolidated annual financial statements.

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

DIRECTORS' REPORT *continued*
FOR THE YEAR ENDED 30 SEPTEMBER 2016

SUBSIDIARIES
Details of subsidiaries and of changes in holdings are set out in note 16 of the company financial statements.

SUBSEQUENT EVENTS
> Refer to the interest of directors in the company's shares section of this report regarding the specific issues for shares for cash to JMRH.
> On 20 October 2016 shareholders approved the conditional share plan, the first issue of which is expected on or about 23 November 2016.
> On 13 November 2016 the company signed a share sale agreement to acquire 100% of Recoveries Corporation Group Limited for AUD33 million with an additional AUD10 million payable within 18 months, subject to performance conditions. Refer to the SENS released on 14 November 2016 for more detail.
> During November 2016, Transaction Capital concluded an agreement to acquire a controlling interest in RC Value Added Services (Pty) Ltd ('Road Cover').
> Transaction Capital also concluded an agreement to acquire a majority share in The Beancounter Financial Services Proprietary Limited ('The Beancounter').
> Refer to the SENS released on 22 November 2016 for the announcements on Road Cover and The Beancounter.

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

TRANSACTION CAPITAL SHARE APPRECIATION RIGHTS PLAN (THE 'PLAN')
Further disclosure relating to the Plan is set out in note 25 of the consolidated financial statements.

TRANSACTION CAPITAL GENERAL SHARE SCHEME (THE 'SCHEME')
The purpose of the Scheme is to provide employees of the group with loans to acquire shares in Transaction Capital Limited.

The Scheme was largely wound down in March 2014.

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

	Number of shares '000	R'000
Balances at September 2014	1 272	6 267
Dividends	–	(216)
Interest charged	–	374
Balances at September 2015	1 272	6 425
Dividends	–	(234)
Interest charged	–	367
Repayments	(848)	(3 718)
Balances at September 2016	**424**	**2 840**
Shares held by directors under the scheme included above:		
30 September 2016	**424**	**2 840**
30 September 2015	1 272	6 425

No shares were held by prescribed officers under the scheme as at 30 September 2015 and 30 September 2016.

All the shares have vested in the participants. The balances outstanding bear interest at prime overdraft rate less 2.5% (or prime overdraft rate less 5% for grants prior to 30 September 2010).

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

COMPOSITION

The ARC committee comprises four independent non-executive directors, all of whom are financially literate and have adequate financial and commercial experience to fulfil their roles as members. Two members of the ARC committee form a quorum. Moses Kgosana was appointed to the board of directors of Transaction Capital on 15 March 2016, and appointed as the chairman of the ARC committee from the same date. No further changes to the ARC committee composition took place during the year.

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

> M Kgosana (Chairperson)
> D Woollam
> C Seabrooke
> P Langeni

The board approved the appointment of the chairman of the board as a member of the ARC committee, as it believed that his skills and knowledge would enhance the ARC committee. Permanent invitees include: David Hurwitz (chief executive officer), Ronen Goldstein (financial director) and Jonathan Jawno (executive director). Mark Herskovits attended all committee meetings as an invitee while fulfilling the role of chief financial officer (until 31 July 2016).

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

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

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

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

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

ROLE AND RESPONSIBILITIES

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

The preparation of financial reporting:

> Review of the annual financial statements, accounting practices and internal financial controls and reports; and
> Ensure the integrity of the integrated report.

Combined assurance:

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

Internal audit:

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

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

External audit:

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

Reporting line – whistle-blowing:

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

Governance:

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

Accounting:

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

Risk:

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

Compliance:

> The ARC committee has oversight over the compliance with applicable laws and regulations.

Requirements of the Act:

Responsibility for all subsidiary companies that do not have their own audit committees, which responsibilities includes reviewing the formalised process used for performing functions on behalf of subsidiaries.

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

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

CONCLUSIONS

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

> The internal controls of the group have been effective in all material aspects throughout the year under review;
> These controls have ensured that the group's assets have been safeguarded;
> Proper accounting records have been maintained;
> Resources have been utilised efficiently; and
> The skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and it recommends their re-appointment in 2017.

FINANCE FUNCTION

The ARC committee has satisfied itself to the appropriateness of the expertise and experience of the finance function for the full financial period, including the chief financial officer (until 31 July 2016), and the financial director (from 1 August 2016). The ARC committee deemed the appointment of Ronen Goldstein as financial director as appropriate.

INTEGRATED REPORT

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

RISK MANAGEMENT

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

EXTERNAL AUDIT

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

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

INTERNAL AUDIT

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

WHISTLE-BLOWING

The ARC committee dealt with any concern or complaints, whether from within or outside the company, relating to the accounting practices and internal audit of the company, the content or auditing of the company's financial statements, the internal financial controls of the company and related matters.

GOING CONCERN

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

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

ANNUAL FINANCIAL STATEMENTS

The committee:

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

In terms of the International Auditing and Assurance Standards Board (IAASB) new reporting requirements for the external audit report will be applicable for years ending on or after 15 December 2016. Transaction Capital has elected to early adopt this requirement with the auditors reporting their audit opinion per the updated standards.

The audit opinion listed audit matters in which areas of judgement have been applied, and how these matters have been addressed as part of the audit process. In this regard, the committee has obtained comfort on areas in which management has applied judgement by:

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

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

CONCLUSION

The committee is satisfied that it has met its statutory requirements and those of its terms of reference.

RM Kgosana
Audit, risk and compliance committee chairperson

22 November 2016

SOCIAL AND ETHICS COMMITTEE REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

The Social and Ethics Committee (the 'Committee') comprised the following members during the year and to the date of this report:

- P Langeni (Chairman)
- D Hurwitz
- M Herskovits (effective up to 31 July 2016)
- R Goldstein (effective from 1 August 2016)

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

The Committee was established to assist the board in ensuring that Transaction Capital is and remains a good and responsible corporate citizen, and to perform the statutory functions required of a Social and Ethics Committee in terms of the Companies Act, 71 of 2008 as amended.

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

Phumzile Langeni
Social and ethics committee chairperson

22 November 2016

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRANSACTION CAPITAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Transaction Capital Limited and its subsidiaries ('the Group') set out on pages 13 to 102, which comprise the statements of financial position as at 30 September 2016, and the income statements, the statements comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the statements of financial position as at 30 September 2016, and the income statements, the statements comprehensive income, statements of changes in equity and statements of cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
IFRS 9 Financial Instruments	
The Group applies IFRS 9 Financial Instruments ('IFRS 9'). The following aspects of IFRS 9 were in aggregate considered to be a key audit matter in the SA Taxi business due to the extent of judgement and/or estimation applied: > determination of expected losses (including probability of default, time to default, time to repossession, post repossession recoveries and repair cost methodologies); > significant deterioration in credit quality; and > relevance of macro-economic factors.	We involved our Financial Services Advisory and quantitative and credit modelling specialists who performed an assessment of: > the model methodology in light of IFRS 9 requirements; > the accuracy of the model by independently recalculating the input parameters; and > assessed the completeness and accuracy of data used in the model. Below is a summary of the considerations applied and conclusions reached on the key audit matter identified:
In determining expected losses we consider the exposure, the probability of default ('PD') and the loss given write-off ('LGW'). Key aspects of the LGW that were considered include recovery value after repair costs, time to default ('TTD') and time to repossession ('TTR') as these are the key inputs in the impairment methodology applied.	We have assessed the underlying assumptions for appropriateness and mathematical accuracy through inspection, reperformance and analytical review procedures of the methodology applied as well as analysis of the Directors' calculation of the relevant parameters. The input data was assessed for accuracy through the audit procedures. We concluded that the principles were correctly applied.
IFRS 9 includes a rebuttable presumption that there has been an initial significant deterioration in credit quality when loans are 30 days in arrears (moving from stage 1 to stage 2) and then at 90 days (moving from stage 2 to stage 3). This classification determines the inputs into the credit impairment modelling and specifically whether a 12 month or lifetime PD applied (move from stage 1 to stage 2) is and whether interest is suspended (move from stage 2 to stage 3).	We independently assessed the reasonability of the significant increase in credit risk trigger point by assessing the corresponding change in PD for various CD states. We concluded that the Directors' assessment was appropriate.

INDEPENDENT AUDITOR'S REPORT *continued*

Key Audit Matter	How our audit addressed the key audit matter
IFRS 9 Financial Instruments	
The Group has performed a detailed regression analysis on macro-economic factors including the prime rate, unemployment rate, petrol price, Rand/Dollar exchange rate, gross domestic product and the consumer price index.	The Directors considered the impact of macro-economic factors on the model and concluded that they had little impact on their internal delinquency states. We have reviewed the calculations and data used and concur with their assessment.
Within the Transaction Capital Risk Services business, the Principal Collections business purchases credit impaired assets for subsequent collection. These are classified as Purchased Originated Credit Impaired Assets under IFRS 9. All books purchased are assumed to originate in Stage 3. IFRS 9 requires that projected future cash flows must include forward looking information with regard to expected, rather than just incurred, credit losses. The Directors re-calibrate the amortised cost models assumptions on an ongoing basis incorporating the most recent available collection data. This is considered to be a key audit matter due to the extent of judgement and/or estimation applied.	We involved our Financial Services Advisory and quantitative and credit modelling specialists who performed an assessment of: > the model methodology in light of IFRS 9 requirements; and > the accuracy of the model by independently recalculating the input parameters; and > assessed the completeness and accuracy of data used in the model. We assessed the model and its inputs and were satisfied with the methodology applied. We found the disclosures relating to the financial instruments, and the key judgements and estimates applied in the determination thereof, to be appropriate and in accordance with the underlying accounting standards.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, the Audit, risk and Compliance committee's report and the Company Secretary's Certificate, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

INDEPENDENT AUDITOR'S REPORT *continued*

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Transaction Capital Limited for 8 years.

Deloitte & Touche
Registered Auditors
Per: Mgcinisihlalo Jordan
Partner

22 November 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER

	Notes	2016 Rm	2015 Rm
Assets			
Cash and cash equivalents	1	**1 276**	1 169
Tax receivables		**28**	27
Trade and other receivables	2	**472**	483
Inventories	3	**201**	21
Loans and advances	4	**7 190**	6 160
Leased assets	5	**40**	–
Purchased book debts	6	**728**	561
Other loans receivable	7	**35**	257
Other investments	8	**477**	481
Equity accounted investments	9	**–**	–
Intangible assets	10	**93**	32
Property and equipment	11	**104**	60
Goodwill	12	**200**	197
Deferred tax assets	13	**247**	255
Total assets		**11 091**	9 703
Liabilities			
Bank overdrafts	1	**173**	52
Tax payables		**8**	13
Trade and other payables	14	**286**	253
Provisions	15	**14**	17
Interest-bearing liabilities	16	**7 477**	6 640
Senior debt		**6 512**	5 446
Subordinated debt		**965**	1 194
Deferred tax liabilities	13	**155**	117
Total liabilities		**8 113**	7 092
Equity			
Ordinary share capital	17	**510**	468
Other reserves		**149**	122
Retained earnings		**2 285**	1 991
Equity attributable to ordinary equity holders of the parent		**2 944**	2 581
Non-controlling interest	18	**34**	30
Total equity		**2 978**	2 611
Total equity and liabilities		**11 091**	9 703

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	2016 Rm	2015 Rm
Interest and other similar income	19	**1 688**	1 504
Interest and other similar expense	19	**(809)**	(683)
Net interest income	19	**879**	821
Impairment of loans and advances	20	**(209)**	(233)
Risk adjusted net interest income		**670**	588
Non-interest revenue	21	**1 279**	1 195
Total operating costs	22	**(1 348)**	(1 295)
Non-operating profit		**–**	14
Equity accounted income		**–**	(3)
Profit before tax		**601**	499
Income tax expense	23	**(138)**	(94)
Profit for the year		**463**	405
Profit for the year attributable to:			
Ordinary equity holders of the parent		**458**	401
Non-controlling interest		**5**	4
		463	405
Earnings per share			
Basic (cents per share)	24	**80.6**	70.4
Diluted basic (cents per share)	24	**80.0**	69.8
Headline (cents per share)	24	**80.6**	69.0
Weighted average number of shares in issue (million)	24	**568.5**	569.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
Profit for the year	**463**	405
Other comprehensive income		
Movement in cash flow hedging reserve	**(3)**	–
Fair value losses arising during the year	**(4)**	(1)
Deferred tax	**1**	<1
Fair value gains arising on valuation of equity instrument held at fair value	**27**	15
Total comprehensive income for the year	**487**	419
Total comprehensive income attributable to:		
Ordinary equity holders of the parent	**482**	415
Non-controlling interest	**5**	4
	487	419

The items in other comprehensive income may subsequently be reclassified to profit and loss. There are no tax implications on the fair value movements arising on the valuation of the equity instrument held at fair value through other comprehensive income.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER

	Number of ordinary shares million	Share capital and share premium Rm	Cash flow hedging reserve Rm	Fair value reserve Rm	Share based payment reserve Rm	Retained earnings Rm	Ordinary equity holders of the parent Rm	Non-controlling interest Rm	Total equity Rm
Balance at 30 September 2014	570	483	4	78	14	2 384	2 963	–	2 963
IFRS 9 transitional adjustments	–	–	–	–	–	(672)	(672)	–	(672)
Revised opening balance	570	483	4	78	14	1 712	2 291	–	2 291
Total comprehensive income	–	–	(1)	15	–	401	415	4	419
Profit for the year	–	–	–	–	–	401	401	4	405
Other comprehensive income	–	–	(1)	15	–	–	14	–	14
Recognition of share appreciation rights	–	–	–	–	16	–	16	–	16
Share appreciation rights – settlements	–	–	–	–	(4)	(8)	(12)	–	(12)
Dividends paid	–	–	–	–	–	(114)	(114)	–	(114)
Transactions with non-controlling equity holders	–	–	–	–	–	–	–	26	26
Issue of shares	1	12	–	–	–	–	12	–	12
Repurchase of shares	(3)	(27)	–	–	–	–	(27)	–	(27)
Balance at 30 September 2015	**568**	**468**	**3**	**93**	**26**	**1 991**	**2 581**	**30**	**2 611**
Total comprehensive income	**–**	**–**	**(3)**	**27**	**–**	**458**	**482**	**5**	**487**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**458**	**458**	**5**	**463**
Other comprehensive income	**–**	**–**	**(3)**	**27**	**–**	**–**	**24**	**–**	**24**
Recognition of share appreciation rights	**–**	**–**	**–**	**–**	**16**	**–**	**16**	**–**	**16**
Share appreciation rights – settlements	**–**	**–**	**–**	**–**	**(13)**	**(29)**	**(42)**	**–**	**(42)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(135)**	**(135)**	**(1)**	**(136)**
Issue of shares	**5**	**53**	**–**	**–**	**–**	**–**	**53**	**–**	**53**
Repurchase of shares	**(1)**	**(11)**	**–**	**–**	**–**	**–**	**(11)**	**–**	**(11)**
Balance at 30 September 2016	**572**	**510**	**–**	**120**	**29**	**2 285**	**2 944**	**34**	**2 978**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	2016 Rm	2015 Rm
Cash flow from operating activities			
Cash generated by operations	26	**908**	796
Income taxes paid	27	**(87)**	(66)
Dividends received from insurance activities		**71**	107
Dividends paid	28	**(136)**	(114)
Cash flow from operating activities before changes in operating assets and liabilities		**756**	723
Increase in operating assets and liabilities		**(727)**	(594)
Loans and advances		**(1 245)**	(857)
Leased assets		**(40)**	–
Purchased book debts		**(279)**	(199)
Net proceeds from interest-bearing liabilities		**837**	462
Changes in working capital		**(137)**	(137)
Increase in inventories		**(180)**	(17)
Decrease/(increase) in trade and other receivables		**10**	(131)
Increase in trade and other payables		**33**	11
Net cash utilised in operating activities		**(108)**	(8)
Cash flow from investing activities			
Disposal of joint venture		**–**	16
Business combinations	12	**(3)**	(5)
Acquisition of property and equipment		**(67)**	(28)
Acquisition of intangible assets		**(77)**	(20)
Decrease/(increase) in unlisted investments		**31**	(90)
Decrease in other loans receivable		**221**	35
Net cash generated from/(utilised) in investing activities		**105**	(92)
Cash flow from financing activities			
Repurchase of shares		**(11)**	(27)
Net cash utilised by financing activities		**(11)**	(27)
Net decrease in cash and cash equivalents		**(14)**	(127)
Cash and cash equivalents at beginning of the year		**1 117**	1 244
Cash and cash equivalents at end of year		**1 103**	1 117

GROUP ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

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

The company and group statements of financial position are presented in order of liquidity. Reference to the current maturities of these financial assets and liabilities are disclosed in the statement of financial position notes and in the analysis of financial assets and liabilities. The accounting policies are consistent with the prior year.

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

- property and equipment are accounted for using the cost model (accounting policy 4);
- intangible assets are accounted for using the cost model (accounting policy 5);
- regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting (accounting policy 8); and
- cumulative gains and losses recognised in other comprehensive income ('OCI') in terms of a cash flow hedge relationship are transferred from OCI and included in the initial measurement of the non-financial asset or liability (accounting policy 8.6).

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

The principal accounting policies are set out below:

1 BASIS OF CONSOLIDATION

1.1 SUBSIDIARY COMPANIES AND OTHER CONTROLLED ENTITIES

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

Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities and the ability to use its power over the investee to affect the amount of the investor's returns. 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

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

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

GROUP ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 BASIS OF CONSOLIDATION *continued*

1.2 BUSINESS COMBINATIONS

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

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

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

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

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

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

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

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.

2 INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

2.1 JOINT VENTURES

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

The group's share of the results for the year of the joint ventures 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 a joint venture, 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.

GROUP ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

2 INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES *continued*

2.1 JOINT VENTURES *continued*

Attributable income or losses and movements on reserves since acquisition, less dividends received, are included in the carrying value of these investments. The requirements of IFRS 9: Financial Instruments ('IFRS 9') are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment by comparing its recoverable amount with its carrying amount. Any impairment loss forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of part of a joint venture that result in the group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the joint venture. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

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

2.2 FINANCIAL STATEMENTS OF THE COMPANY

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

3 GOODWILL

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

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

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

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

4 PROPERTY AND EQUIPMENT

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

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

GROUP ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

4 PROPERTY AND EQUIPMENT *continued*

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

Vehicles	5 years
Office and computer equipment	2 – 6 years

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

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

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

5 INTANGIBLE ASSETS

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

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

Computer and telephony software	2 – 10 years
Distribution channel	3 years

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

6 LEASED ASSETS

Leased assets are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is provided on a straight-line basis to write off the cost of the vehicles to their residual values over their estimated useful life of between 6 and 12 months.

7 INVENTORIES

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

8 FINANCIAL INSTRUMENTS

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

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

GROUP ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

8 FINANCIAL INSTRUMENTS *continued*

8.1 INITIAL RECOGNITION

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

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

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

8.2 CLASSIFICATION

Financial assets are classified into the following categories:

> At fair value through profit or loss;
> At fair value through other comprehensive income; and
> Amortised cost.

Financial liabilities are classified into the following categories:

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

A financial asset is measured at amortised cost if:

> The financial asset is held in order to collect contractual cash flows; and
> The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

> The financial asset is held in order to collect contractual cash flows and to be sold; and
> The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit and loss to present subsequent changes in the fair value through other comprehensive income.

On adoption of IFRS 9, the group made an irrevocable election to present changes in the fair value of the investment in Guardrisk at fair value through other comprehensive income. This investment is neither held for trading nor contingent consideration recognised in a business combination.

The group may at initial recognition irrevocably designate a financial asset as measure at fair value through profit or loss if doing so significantly reduces a measurement or recognition inconsistency (sometimes referred to as an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities or recognising the gains and losses on them on different bases.

The group classifies all financial liabilities as subsequently measured at amortised cost.

GROUP ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

8 FINANCIAL INSTRUMENTS *continued*

8.2 CLASSIFICATION *continued*

8.2.1 Financial assets

8.2.2 Financial assets at fair value through profit or loss

Financial assets that are held at fair value through profit and loss include entry-level vehicles and certain purchased book debts that are either managed on a fair value basis or that do not meet the requirements to be measured at amortised cost (referred to other financial assets in note 6 in the financial statements).

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

8.2.3 Financial assets at fair value through other comprehensive income

Financial assets that are held at fair value through other comprehensive income include derivative financial instruments and investments in unlisted entities.

8.2.4 Amortised cost

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

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

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

The group only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired assets. At each reporting date, the group recognises in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The group recognises favourable changes in lifetime expected credit losses as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

Credit loss is the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The group estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument. The cash flows that are considered include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. There is a presumption that the expected life of a financial instrument can be measured reliably, however in rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the group uses the remaining contractual terms of the financial instrument.

Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights.

Lifetime expected credit losses are those expected credit losses that results from all possible default events over the expected life of a financial instrument.

The loss allowance is the allowance for expected credit losses on financial assets measured at amortised cost, lease receivables and contract assets, the accumulated impairment amount for financial assets measured at fair value through other comprehensive income and the provision for expected credit losses on loan commitments and financial guarantee contracts.

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

GROUP ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

8 FINANCIAL INSTRUMENTS *continued*

8.2 CLASSIFICATION *continued*

8.2.4 Amortised cost *continued*

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

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

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

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

Purchased book debts, other than those at fair value through profit and loss (referred to as other financial assets in note 6 in the financial statements), are reflected at amortised cost on a portfolio basis. Cost includes amounts payable to the vendor and other direct acquisition costs.

8.2.5 Impairment

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

The group applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. The loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

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

The impairment requirements result in the recognition of lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition, whether assessed on an individual or collective basis, considering all reasonable and supportable information, including that which is forward looking.

If at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses. This does not apply to purchased or originated credit-impaired assets on which the group only recognises cumulative changes in lifetime expected losses since initial recognition.

12 month expected credit losses are the portion of the lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within 12 months after reporting date.

For loan commitments and financial guarantee contracts, the date that the group becomes party to the irrevocable commitment is considered the date of initial recognition for the purposes of applying the impairment requirements.

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

Impairment losses or reversals are recognised in profit or loss.

GROUP ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

8 FINANCIAL INSTRUMENTS *continued*

8.2 CLASSIFICATION *continued*

8.2.5 Impairment *continued*

Determining significant increases in credit risk

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

If reasonable and supportable forward-looking information is available without undue cost or effort, the group relies on this information as well as historic information when determining whether credit risk has increased significantly since initial recognition. However, when information that is more forward-looking than past due status is not available without undue cost or effort, the group may use past due information to determine whether there have been significant increases in credit risk since initial recognition.

A detailed description of the group's approach to determine significant increases in credit risk have been included in note 31.

Modified financial assets

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

Purchased or originated credit-impaired financial assets

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

Measurement of expected credit losses

The group measures expected credit losses of a financial instrument in a way that reflects.

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

The above is described in more detail in note 31 of the financial statements.

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

8.3 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS ISSUED BY THE GROUP

8.3.1 Classification as debt or equity

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

8.3.2 Equity instruments

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

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

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

GROUP ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

8 FINANCIAL INSTRUMENTS *continued*

8.3 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS ISSUED BY THE GROUP *continued*

8.3.3 Compound instruments

The component parts of compound instruments issued by the group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured.

8.3.4 Financial liabilities at fair value through profit or loss

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

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

8.3.5 Financial liabilities at amortised cost

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

8.4 DERIVATIVE INSTRUMENTS

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

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

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

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

8.5 FAIR VALUE

Certain of the group's financial instruments are carried at fair value through profit or loss such as derivative financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

GROUP ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

8 FINANCIAL INSTRUMENTS *continued*

8.5 FAIR VALUE *continued*

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

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

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

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

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

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

8.6 HEDGE ACCOUNTING

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

Cash flow hedges

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Where the forecast transaction or a foreign currency firm commitment results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset.

Hedge accounting is discontinued when the group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Fair value hedges

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

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

8.7 OFFSETTING

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

GROUP ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

8 FINANCIAL INSTRUMENTS *continued*

8.8 DERECOGNITION

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

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

9 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. The amount recognised as provisions is the best estimate of the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation.

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

10 IMPAIRMENT OF ASSETS OTHER THAN FINANCIAL INSTRUMENTS

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

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

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

11 REVENUE RECOGNITION

11.1 GENERAL POLICY

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

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

11.2 INTEREST INCOME

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

GROUP ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

11 REVENUE RECOGNITION *continued*

This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

> purchased or originated credit-impaired financial assets. For those financial assets, the group applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
> financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the group applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the group estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected 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, transaction costs, and all other premiums or discounts.

The credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset. When calculating the credit-adjusted effective interest rate, the group estimates the expected cash flows by considering all the contractual terms of the financial asset and expected credit losses.

11.3 PURCHASED BOOK DEBTS

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

11.4 DEBT COLLECTION ACTIVITIES

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

11.5 SALE OF GOODS

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

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

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

11.6 RENDERING OF SERVICES

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

11.7 NON–OPERATING INCOME

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

11.8 RENTAL INCOME

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

GROUP ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

12 GAINS AND LOSSES

A gain or loss on a financial asset or financial liability that is measured at fair value is recognised in profit or loss unless:

> It is part of a hedging relationship;
> It is an investment in an equity instrument and the group has elected to present gains and losses on that investment in other comprehensive income;
> It is a financial liability designated as at fair value through profit or loss and the change is as a result of changes in credit risk. In this case the group is required to present the effects of changes in the liability's credit risk in other comprehensive income; or
> It is a financial asset measured at fair value through other comprehensive income.

13 INTEREST EXPENSE

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

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

14 TAXATION

14.1 CURRENT

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

14.2 DEFERRED TAX

Deferred tax is calculated using the liability method.

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

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

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

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

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

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

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

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

14.3 INDIRECT TAXATION

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

GROUP ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

15 LEASE ACCOUNTING

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

All other leases are classified as operating leases.

15.1 FINANCE LEASES

15.1.1 Lessors

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

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

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

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

15.2 OPERATING LEASES

15.2.1 Lessees

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

16 EMPLOYEE BENEFITS

16.1 MEDICAL AID OBLIGATION

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

16.2 RETIREMENT FUNDS

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

16.3 EMPLOYEES' LEAVE ENTITLEMENT

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

16.4 TERMINATION BENEFITS

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

16.5 BONUSES

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

17 SHARE-BASED TRANSACTIONS

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of the equity-settled share-based transactions are set out in note 25.

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

GROUP ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

18 OPERATING SEGMENTS

An operating segment is a component of the group:

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

The group is managed in terms of three primary segments:

> SA Taxi;
> Transaction Capital Risk Services; and
> Group executive office.

19 FOREIGN CURRENCIES

19.1 FOREIGN CURRENCY TRANSACTIONS

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

19.2 FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

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

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

20 DIVIDENDS PAID

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

21 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.

22 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.

GROUP ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

22 MANAGEMENT ESTIMATES *continued*

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

22.1 ASSET LIVES AND RESIDUAL VALUES

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

22.2 DEFERRED TAX ASSETS

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

22.3 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

22.4 IMPAIRMENT OF FINANCIAL ASSETS

> the group measures expected credit losses of a financial instrument in a way that reflects

> an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

> the time value of money; and

> reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

RECLASSIFICATIONS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

During the year under review, the group reassessed the classification principles of the dividend receivable from Guardrisk Insurance Company. This assessment resulted in reclassifying the amount of the actual solvency capital included in the cell as required by the cell captive from "Trade and other receivables" to "Other investments". The solvency capital held is part of the value of the investment economically and is not regarded as a separate short term receivable. This resulted in a reclassification of the comparative for September 2015.

The reclassification is not considered to be a restatement, error or a change in accounting policy as defined in IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. This reclassification enhances the group's disclosure and provides users of the financial statements with more relevant information. It does not impact the statement of comprehensive income, nor does it impact total assets previously reported.

RECLASSIFICATIONS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

The reclassifications had the following impact on the statement of financial position:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2015

	As previously reported Rm	Reclassi-fication Rm	Reclassified Rm
Assets			
Cash and cash equivalents	1 169		1 169
Tax receivables	27		27
Trade and other receivables	621	(138)	483
Inventories	21		21
Loans and advances	6 160		6 160
Purchased book debts	561		561
Other loans receivable	257		257
Other investments	343	138	481
Equity accounted investments	–		–
Intangible assets	32		32
Property and equipment	60		60
Goodwill	197		197
Deferred tax assets	255		255
Total assets	9 703	–	9 703
Liabilities			
Bank overdrafts	52		52
Tax payables	13		13
Trade and other payables	253		253
Provisions	17		17
Interest-bearing liabilities	6 640		6 640
Senior debt	5 446		5 446
Subordinated debt	1 194		1 194
Deferred tax liabilities	117		117
Total liabilities	7 092	–	7 092
Equity			
Ordinary share capital and premium	468		468
Reserves	122		122
Retained earnings	1 991		1 991
Equity attributable to ordinary equity holders of the parent	2 581	–	2 581
Non-controlling interest	30		30
Total equity	2 611	–	2 611
Total equity and liabilities	9 703	–	9 703

RECLASSIFICATIONS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Accompanying notes relating to the restatement of the solvency capital from trade and other receivables to other investments have been amended as follows to reflect the reclassification as at 30 September 2015:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	As previously reported Rm	Reclassification Rm	Reclassified Rm
2 TRADE AND OTHER RECEIVABLES			
Prepayments	**54**		54
Trade receivables	**185**		185
Derivative assets	**108**		108
Dividend receivable	**205**	(138)	67
Other	**77**		77
Impairment provision	**(8)**		(8)
Total trade and other receivables	**621**	(138)	483

	As previously reported Rm	Reclassification Rm	Reclassified Rm
8 OTHER INVESTMENTS			
Total other investments			
Fair value	**343**	138	481
Guardrisk Insurance Company – 3 ordinary shares			
Fair value	**343**	138	481

31.11 LEVEL DISCLOSURES

	2015			
	Level 1	Level 2	Level 3	Total
2015				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Investment in unlisted entity	–	–	481	481
Investment in unlisted entity as previously reported	–	–	343	343
Reclassification	–	–	138	138
Total	–	–	481	481

Reconciliation of Level 3 Fair Value Measurements of Financial Assets

	2015	
	Fair value through other comprehensive income	Total
Opening balance	238	238
In other comprehensive income	15	15
Purchases	90	90
Closing balance of fair value measurement	343	343
Closing balance of capital deployed to cell	138	138
Closing balance of financial instrument	461	481

NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

No accounting standards and interpretations became applicable during the current reporting period that the group was required to adopt.

New standards issued but not yet effective

IFRS 7 – Financial Instruments: Disclosures

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendment is effective for the financial year ending 30 September 2017. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The amendment is effective for the financial year ending 30 September 2020. The group is in the process of assessing the impact that IFRS 16 will have on the financial statements. Until the process has been completed, the group is unable to determine the significance of the impact.

IAS 7 – Cash Flow Statement

The amendments to IAS 7 clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment is effective for the financial year ending 30 September 2018. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IAS 12 – Income Taxes

The amendments to IAS 12 clarify the following aspects;

> unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

> the carrying amount of an asset does not limit the estimation of probable future taxable profits.

> estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

> an entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendment is effective for the financial year ending 30 September 2018. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IAS 34 – Interim Financial Reporting

Annual Improvements 2012 – 2014 Cycle makes amendments to IAS 34 which clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

The amendment is effective for the financial year ending 30 September 2017. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IFRS 15 – Revenue from contracts with customers

The standard provides a single, principles based five-step model to be applied to all contracts with customers.

Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable considerations, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The amendment is effective for the financial year ending 30 September 2018. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IFRS 11 – Joint arrangements

This will require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 *Business Combinations*) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11 and to disclose the information required by IFRS 3 and other IFRSs for business combinations.

NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2016

The amendment is effective for the financial year ending 30 September 2017. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

> when the intangible asset is expressed as a measure of revenue; or
> when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendment is effective for the financial year ending 30 September 2017. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IAS 27 – Separate financial statements

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

The amendment is effective for the financial year ending 30 September 2017. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IFRS 10 – Consolidated financial statements and IAS 28 – Investments in associates

The amendments to IFRS 10 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The amendment is effective for the financial year ending 30 September 2017. The amendment is not expected to have a material impact on the group's consolidated financial statements.

IAS 1 – Presentation of financial statements

The amendment is to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making certain changes. Particularly, these amendments give some guidance on how to apply the concept of materiality in practice.

The amendment is effective for the financial year ending 30 September 2017. The amendment is not expected to have a material impact on the group's consolidated financial statements.

Annual improvements to IFRS 2012 – 2014 cycle

> IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa. The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued
> IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
> IAS 19 — Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
> IAS 34 — Clarifies the meaning of 'elsewhere in the interim report' and require a cross-reference

The amendment is effective for the financial year ending 30 September 2017. The amendment is not expected to have a material impact on the group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
1 CASH AND CASH EQUIVALENTS		
Bank balances	**163**	342
Call deposits	**705**	527
Securitisation special purpose vehicles*	**408**	299
Customer clearance accounts	**–**	1
Total cash and cash equivalents	**1 276**	1 169
Bank overdrafts	**(173)**	(52)
Net cash and cash equivalents	**1 103**	1 117
Total overdraft facilities	**400**	350
* *Ceded as part security for securitisation debentures and loans as shown in note 16.*		
2 TRADE AND OTHER RECEIVABLES		
Prepayments	**59**	54
Trade receivables	**209**	185
Derivative assets (refer to note 2.1)	**73**	108
Dividend receivable	**12**	67
Other	**126**	77
Impairment provision	**(7)**	(8)
Total trade and other receivables*	**472**	483
The carrying value of trade and other receivables approximates fair value as they are short term in nature and not subject to material changes in credit risk and fair value.		
* *Ceded as security for bank facilities as shown in note 1.*	**121**	65
Allowance for impairment		
Balance at the beginning of the year	**(8)**	(5)
Impairments charged to profit or loss	**1**	(3)
Utilisation of impairments	**2**	–
Additional and increase in provisions	**(2)**	–
Total allowance for impairment	**(7)**	(8)
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	**17**	25
Amounts 30 to 60 days overdue	**8**	13
Amounts 60 to 90 days overdue	**4**	2
Amounts 90 to 120 days overdue	**8**	1
Amounts in excess of 120 days overdue	**31**	38
Total trade and other receivables past due but not impaired	**68**	79
Maximum exposure to credit losses of trade receivables	**202**	177
Carrying value of trade receivables less provision	**202**	177
Assets held as collateral	**(56)**	(19)
Residual exposure	**146**	158

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
2 TRADE AND OTHER RECEIVABLES *continued*		
2.1 DERIVATIVE ASSETS		
Derivatives held for risk management		
Interest rate swaps	**3**	–
Cross-currency swaps	**70**	108
	73	108

Fair value hedges of interest rate risk

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

Cash flow hedges of foreign currency risk

The group uses cross-currency swaps to hedge the foreign currency risks arising from interest-bearing liabilities denominated in foreign currencies. These interest-bearing liabilities have a carrying value of R317 million and are denominated in Euro and US Dollars. The Euro balance outstanding is 3.6 million and the USD balance outstanding is 23.8 million. Both currency exposures are 100% hedged.

Refer to note 31.9 for disclosure on movements in the cash flow hedging reserve.

3 INVENTORIES

	2016 Rm	2015 Rm
Net properties in posession	**–**	5
Properties in posession	**1**	6
Impairment provision for properties in posession	**(1)**	(1)
Net components and spares	**24**	–
Components and spares	**24**	–
Impairment provision for components and spares	**–**	–
Net work in progress	**2**	–
Work in progress	**2**	–
Impairment provision for work in progress	**–**	–
Net direct sales vehicles	**175**	16
Direct sales vehicles	**175**	16
Impairment provision for direct sales vehicles	**–**	–
Total inventories	**201**	21

Inventories are carried at the lower of cost and net realisable value.

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. Direct sales vehicles are assessed for impairment by considering the age, condition, model and net realisable value of the vehicles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

4 LOANS AND ADVANCES

	2016 Rm	2015 Rm
Gross loans and advances	**7 687**	6 713
Impairment provision	**(497)**	(553)
Loans and advances*	**7 190**	6 160

* *R 6 799 million ceded as part security for interest-bearing liabilities as shown in note 16.*

Gross loans and advances by asset type

	2016 Rm	2015 Rm
Finance leases**	**7 151**	6 238
Mortgage loans	**32**	35
Discounted invoices and other instruments	**469**	440
Other loans and advances	**35**	–
Gross loans and advances	**7 687**	6 713

** *Included in this balance is repossessed stock valued at R338 million (2015: R227 million)*

Furthermore, R62 million of loans and advances relates to entry-level vehicles carried at fair value (2015: R120 million).

Finance leases

	2016 Rm	2015 Rm
Gross finance leases including unearned finance charges	**10 422**	9 285
Unearned finance charges	**(3 271)**	(3 047)
Gross finance leases	**7 151**	6 238
Impairment provision	**(476)**	(535)
Net finance leases	**6 675**	5 703
Maturity analysis of gross finance leases		
Amounts up to one year	**2 308**	2 009
Amounts between one and five years	**4 676**	4 062
Amounts in excess of five years	**167**	167
Total gross finance leases	**7 151**	6 238
Average term of leases on book	**44**	44
Average actual term of leases at origination	**67**	67

Impairment provision

	2016 Rm	2015 Rm
Opening balance	**(553)**	(549)
Net impairments recognised in profit and loss	**(217)**	(238)
Impairments recognised in profit and loss***	**(217)**	(238)
Utilisation of impairment provision	**273**	234
Total impairment provision	**(497)**	(553)

*** *Excludes the impact of bad debts recovered of R8 million (2015: R5 million).*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

		2016 Rm	2015 Rm
4	**LOANS AND ADVANCES** *continued*		
	Related credit risk exposure and enhancements		
	Maximum exposure to credit losses of loans and advances	**7 190**	6 160
	Credit risk exposure mitigated through unguaranteed residual asset values held as collateral		
	Vehicles	**7 974**	6 067
	Properties	**281**	295
	Discounted invoices	**755**	565
	Fair value of collateral held for impaired financial assets	**850**	632
	Fair value of collateral held for financial assets past due but not specifically impaired	**2 323**	1 733
	Collateral attached comprises vehicles, properties and debtors.		
	Loans and advances past due but not specifically impaired		
	Amounts up to 90 days overdue	**1 518**	1 140
	Amounts in excess of 90 days overdue	**478**	594
	Total loans and advances past due but not specifically impaired	**1 996**	1 734
5	**LEASED ASSETS**		
5.1	**ZEBRA CABS**		
	Cost	**40**	–
	Accumulated depreciation	**–**	–
	Impairment	**–**	–
	Net leased asset	**40**	–
	Reconciliation of movements in the year		
	Additions	**48**	–
	Disposals on conversion to loans and advances	**(8)**	–
	Depreciation	**–**	–
	Balance at the end of the year	**40**	–
5.2	**OPERATING LEASE INCOME**		
	Zebra cabs vehicle rental fleet		
	Due within 1 year	**11**	–

As at 30 September 2016, 215 operating lease agreements were in effect. On the successful completion of the operating contract, extending over either a 6 or 12 month term, the contract provides the lessee with the option to convert the operating lease agreement to a finance lease at the end of the operating lease term. Risk and rewards associated with the related vehicle are considered to be transferred at inception of the finance lease.

Zebra vehicles are depreciated over their useful lives to their residual values. Residual values are impacted by increases in the selling prices of new vehicles, repair cost and inherent margin achieved on conversion of rentals into finance leases. As a result of residual values being assesed as higher than the carrying cost, no accumulated deprecaition was recognised in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
6 PURCHASED BOOK DEBTS		
6.1 PRINCIPAL BOOK PORTFOLIO		
Cost	**1 146**	961
Accumulated amortisation	**(576)**	(547)
Total purchased book debts	**570**	414
Reconciliation of movements in the year		
Opening balance	**414**	450
Additions	**185**	78
Amortisation	**(29)**	(114)
Balance at the end of the year	**570**	414
6.2 OTHER FINANCIAL ASSETS		
Cost	**266**	172
Accumulated fair value adjustments	**(108)**	(25)
Total other financial assets	**158**	147
Reconciliation of movements in the year		
Balance at the beginning of the year	**147**	–
Additions	**94**	143
Other financial assets transferred out of principal debt portfolio	**–**	21
Fair value movements	**(83)**	(16)
Balance at the end of the year	**158**	147
Total purchased book debts	**728**	561
7 OTHER LOANS RECEIVABLE		
Gross loans receivable	**35**	257
Impairment provision	**–**	–
Net other loans receivable	**35**	257
Gross loans receivable by asset type		
Loans to executives under the group share schemes*	**3**	6
Short-term loans to employees	**5**	6
Other loans receivable	**27**	245
Gross other loans receivable	**35**	257
Reconciliation of movements in the year		
Balance at the beginning of the year	**257**	293
Loans advanced	**1**	30
Interest	**1**	2
Repaid	**(224)**	(68)
Total other loans receivable	**35**	257
Maturity analysis		
Within one year	**1**	216
Greater than one year	**34**	41
	35	257

The carrying value of other loans receivable approximates fair value.

* *Interest-bearing loans to group executives are at rates ranging from prime less 2.5% to prime less 5% granted with a maximum term not exceeding six years. These loans are secured by a cession over 424 175 (2015: 1 272 184) shares, valued at R5.4 million (2015: R5.9 million) at 30 September 2016.*

Appropriate fringe benefits tax has been levied on the low interest loans (refer to note 22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
8 OTHER INVESTMENTS		
Total other investments		
Fair value	**477**	481
Guardrisk Insurance Company Limited – 3 ordinary shares		
Fair value	**477**	481

On adoption of IFRS 9, the group made an irrevocable election to present the investment in Guardrisk at fair value through other comprehensive income. This investment is neither held for trading nor contingent consideration recognised in a business combination.

The current year movement in other investments consists of (i) a R31 million reduction of capital deployed and (ii) fair value gains of R27 million arising on the valuation of equity instruments held at fair value.

Dividends received on the Guardrisk Insurance Company investment are disclosed within income from insurance activities in note 21. There were no transfers of the cumulative gain during the period.

* *Please refer to the reclassifications section on page 34 for an explanation on the reclassification.*

9 EQUITY ACCOUNTED INVESTMENTS

ANALYSIS OF CARRYING VALUE

	2016 Rm	2015 Rm
Unlisted investments		
The group held a 50% interest in Qarar Consultancy FZ-LLC. The joint venture is incorporated in the United Arab Emirates of Dubai and carries out the principal activity of providing credit consulting services.		
Shares at cost less impairment	**–**	<1
Retained equity accounted earnings	**–**	4
Sale of joint venture	**–**	(4)
Total	**–**	–
Summarised financial information of equity accounted investment		
Total assets	**–**	–
Total liabilities	**–**	–
Net assets	**–**	–
Group's share of net assets	**–**	–
Net interest income	**–**	–
Non-interest revenue	**–**	36
Profit for the year	**–**	(6)
Equity accounted earnings	**–**	(3)

The group sold its 50% shareholding in Qarar Consultancy FZ-LLZ (Qarar) to the Saudi Credit Bureau (SIMAH) on 30 September 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

10 INTANGIBLE ASSETS

	Computer and telephony software Rm	Total Rm
Cost		
At 30 September 2014	58	58
Additions	20	20
Disposals	(1)	(1)
At 30 September 2015	**77**	**77**
Additions	**77**	**77**
Disposals	**(8)**	**(8)**
At 30 September 2016	**146**	**146**
Accumulated amortisation		
At 30 September 2014	(39)	(39)
Disposals	1	1
Amortisation expense	(7)	(7)
At 30 September 2015	**(45)**	**(45)**
Disposals	**5**	**5**
Amortisation expense	**(13)**	**(13)**
At 30 September 2016	**(53)**	**(53)**
Cost	**146**	**146**
Accumulated amortisation	**(53)**	**(53)**
Net carrying value at 30 September 2016	**93**	**93**
Cost	77	77
Accumulated amortisation	(45)	(45)
Net carrying value at 30 September 2015	32	32

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

11 PROPERTY AND EQUIPMENT

	Vehicles Rm	Office and computer equipment Rm	Total Rm
Cost			
At 30 September 2014	19	136	155
Additions	7	21	28
Disposals	(2)	–	(2)
At 30 September 2015	**24**	**157**	**181**
Additions	**12**	**55**	**67**
Disposals	**(2)**	**(21)**	**(23)**
At 30 September 2016	**34**	**191**	**225**
Accumulated depreciation and impairment			
At 30 September 2014	(9)	(95)	(104)
Depreciation expense	(3)	(14)	(17)
At 30 September 2015	**(12)**	**(109)**	**(121)**
Depreciation expense	**(3)**	**(19)**	**(22)**
Disposals	**1**	**21**	**22**
At 30 September 2016	**(14)**	**(107)**	**(121)**
Cost	**34**	**191**	**225**
Accumulated depreciation and impairment	**(14)**	**(107)**	**(121)**
Net carrying value at 30 September 2016	**20**	**84**	**104**
Cost	24	157	181
Accumulated depreciation and impairment	(12)	(109)	(121)
Net carrying value at 30 September 2015	12	48	60

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
12 GOODWILL		
Carrying value at the beginning of the year	**197**	192
Additions recognised from business combinations	**3**	5
Carrying value at the end of the year	**200**	197
Composition of goodwill per cash-generating unit		
SA Taxi components:		
SA Taxi Holdings	**66**	63
Transaction Capital Risk Services components:		
Transaction Capital Business Solutions	**32**	32
Transaction Capital Recoveries	**74**	74
Principa	**28**	28
Total goodwill	**200**	197

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 growth rate of 3% (2015: 3%). This rate does not exceed the average long term growth rate for the relevant markets. The value in use of the CGU's which are lending businesses is determined based as free cash flows to cost of equity and the value in use of CGU's which operate service businesses is determined based on free cash flow to weighted average cost of capital. The valuation method applied is consistent with that of the prior period.

The goodwill addition in the current year relates to the acquisition of Zebra Cabs by SA Taxi during January 2016. No net assets or liabilities were acquired and the full cash paid was allocated to goodwill arising.

	2016 Rm	2015 Rm
13 DEFERRED TAX		
Deferred tax is presented on the statement of financial position as follows:		
Deferred tax assets	**247**	255
Deferred tax liabilities	**(155)**	(117)
Net deferred tax assets	**92**	138
The movements during the year are analysed as follows:		
Opening balance	**138**	165
Recognised in the income statement for the year	**(58)**	(21)
Charge to equity	**9**	–
Prior year adjustment	**3**	(6)
Net deferred tax assets at the end of the year	**92**	138

Deferred tax assets have only been recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

13 DEFERRED TAX *continued*

	Opening balance Rm	Charged to income Rm	Charged to equity Rm	Prior year adjustment Rm	Closing balance Rm
2016					
Temporary difference					
Assessed loss unutilised	**207**	**26**	**–**	**–**	**233**
Debtor provisions	**2**	**(1)**	**–**	**–**	**1**
Prepayments	**(11)**	**(6)**	**–**	**–**	**(17)**
Creditor provisions	**14**	**2**	**–**	**–**	**16**
Property, plant and equipment	**(1)**	**(1)**	**–**	**–**	**(2)**
Deferred income	**14**	**–**	**–**	**–**	**14**
Operating lease adjustment	**1**	**–**	**–**	**–**	**1**
Timing difference of expenditure	**9**	**(4)**	**–**	**–**	**5**
Purchased book debts	**(115)**	**(43)**	**–**	**–**	**(158)**
Loans and advances	**120**	**(56)**	**–**	**–**	**64**
Share appreciation rights	**–**	**(6)**	**8**	**3**	**5**
Other	**(102)**	**31**	**1**	**–**	**(70)**
	138	**(58)**	**9**	**3**	**92**

	Opening balance Rm	Charged to income Rm	Charged to equity Rm	Prior year adjustment Rm	Closing balance Rm
2015					
Temporary difference					
Assessed loss unutilised	147	52	14	(6)	207
Debtor provisions	1	1	–	–	2
Prepayments	(8)	(3)	–	–	(11)
Creditor provisions	12	2	–	–	14
Property, plant and equipment	(1)	–	–	–	(1)
Deferred income	13	1	–	–	14
Operating lease adjustment	1	–	–	–	1
Timing difference of expenditure	15	(6)	–	–	9
Purchased book debts	(125)	10	–	–	(115)
Loans and advances	205	(85)	–	–	120
Other	(95)	7	(14)	–	(102)
	165	(21)	–	(6)	138

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
14 TRADE AND OTHER PAYABLES		
Trade payables and accruals	**70**	78
Revenue received in advance	**56**	50
Bonus accrual	**82**	78
Deferred lease liability	**2**	2
Other	**76**	45
Trade and other payables	**286**	253

The carrying value of trade and other payables approximates fair value as they are short term in nature and not subject to material changes in fair value.

	2016 Rm	2015 Rm
15 PROVISIONS		
Provision for long-term incentives	**–**	2
Leave pay provision	**14**	15
Total provisions	**14**	17

The long-term incentive provision is paid out every three years, however the quantum is uncertain.

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

	2016 Rm	2015 Rm
16 INTEREST-BEARING LIABILITIES		
Type of loan		
Securitisation notes, debentures and loans	**4 154**	3 295
Loans	**3 323**	3 345
	7 477	6 640
Classes of interest-bearing liabilities		
Senior debt	**6 512**	5 446
Subordinated debt	**965**	1 194
Total interest-bearing liabilities	**7 477**	6 640
Maturity profile		
Payable within 12 months	**2 013**	1 806
Payable thereafter	**5 464**	4 834
Total interest-bearing liabilities	**7 477**	6 640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

16 INTEREST-BEARING LIABILITIES *continued*

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value	Other comments
2016							
Securitisation notes, debentures and loans							
Mezzanine	Amortising	05/06/14 to 08/08/16	3 Month JIBAR plus 3.40% to 8.95%	14/06/19 to 14/12/20	ZAR	**503**	
Senior	Amortising	09/01/12 to 29/02/12	10.24% to 10.27%	09/01/17 to 01/03/17	ZAR	**6**	Secured by a cession of loans and advances, bank accounts, trade receivables and related rights
Senior	Amortising	05/10/11 to 30/09/16	3 Month JIBAR plus 1.44% to 6.07%	05/10/16 to 30/06/21	ZAR	**3 255**	
Senior	Bullet	07/03/12 to 17/08/12	10.95% to 12.09%	07/03/17 to 17/08/17	ZAR	**250**	
Senior	Bullet	30/06/16 to 30/09/16	6 Month JIBAR plus 2.00%	01/07/19 to 30/09/19	ZAR	**140**	
						4 154	
Loans							
Mezzanine	Amortising	01/03/11 to 19/04/11	22.40%	01/06/18	ZAR	**79**	
Senior	Amortising	10/06/11 to 26/09/11	11.03% to 12.48%	15/06/17	EUR	**35**	
Senior	Amortising	28/09/12 to 15/01/15	9.11% to 11.06%	14/02/17 to 25/11/19	ZAR	**57**	
Senior	Amortising	22/11/11 to 22/12/11	3 Month JIBAR plus 4.81% to 5.19%	15/06/17	EUR	**21**	
Senior	Amortising	16/10/14 to 06/03/15	3 Month JIBAR plus 4.54% to 4.94%	16/09/19 to 15/03/21	USD	**258**	
Senior	Amortising	10/06/11 to 27/07/16	3 Month JIBAR plus 1.00% to 4.80%	15/06/17 to 30/06/21	ZAR	**1 603**	
Senior	Amortising	18/07/16 to 25/08/16	Prime to Prime plus 0.50%	15/09/20 to 30/07/21	ZAR	**12**	Cash and cash equivalents, shareholder's loans, purchased book debts and trade receivables are ceded as securities for the loans
Mezzanine	Bullet	10/06/15 to 07/08/15	3 Month JIBAR plus 6.75%	10/12/20 to 08/08/22	ZAR	**124**	
Senior	Bullet	17/04/15 to 24/06/15	3 Month JIBAR plus 5.16% to 5.18%	17/04/19	USD	**69**	
Senior	Bullet	03/09/13 to 19/09/16	3 Month JIBAR plus 3.25% to 4.50%	04/09/17 to 17/05/21	ZAR	**464**	
Senior	Bullet	27/07/16 to 27/09/16	Prime less 0.32% to Prime	17/05/17 to 31/05/18	ZAR	**127**	
Structurally subordinated	Bullet	16/07/13 to 01/07/16	3 Month JIBAR plus 4.50% to 4.75%	16/07/18 to 01/07/21	ZAR	**474**	
						3 323	
						7 477	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

16 INTEREST-BEARING LIABILITIES *continued*

Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Carrying value	Other comments
2015							
Securitisation notes, debentures and loans							
Junior	Amortising	12/02/15	3 Month JIBAR plus 7.00%	31/03/20	ZAR	113	
Mezzanine	Amortising	05/06/14 to 20/04/15	3 Month JIBAR plus 3.40% to 5.60%	14/06/19	ZAR	126	
Senior	Amortising	09/01/12 to 29/02/12	10.24% to 10.27%	09/01/17 to 01/03/17	ZAR	17	
Senior	Amortising	13/10/10 to 30/09/15	3 Month JIBAR plus 1.25% to 6.07%	13/10/15 to 30/09/20	ZAR	2 691	
Subordinated	Amortising	05/06/14 to 20/04/15	3 Month JIBAR plus 6.50% to 8.95%	14/06/19	ZAR	100	Secured by a cession of loans and advances
Senior	Bullet	07/03/12 to 17/08/12	10.95% to 12.09%	07/03/17 to 17/08/17	ZAR	248	
						3 295	
Loans							
Mezzanine	Amortising	01/03/11 to 19/04/11	22.40%	01/06/18	ZAR	78	
Senior	Amortising	10/06/11 to 26/09/11	11.03% to 12.48%	15/06/17	EUR	82	
Senior	Amortising	28/09/12 to 15/01/15	9.11% to 11.06%	14/02/17 to 25/11/19	ZAR	103	
Senior	Amortising	22/11/11 to 22/12/11	3 Month JIBAR plus 4.81% to 5.19%	15/06/17	EUR	49	
Senior	Amortising	16/10/14 to 06/03/15	3 Month JIBAR plus 4.54% to 4.94%	16/09/19 to 15/03/21	USD	305	
Senior	Amortising	10/06/11 to 10/06/15	3 Month JIBAR plus 1.00% to 4.75%	15/06/17 to 15/03/21	ZAR	940	
Mezzanine	Bullet	10/06/15 to 07/08/15	3 Month JIBAR plus 6.75%	10/12/20 to 08/08/22	ZAR	124	
Senior	Bullet	30/05/14	10,67%	30/05/16	ZAR	50	
Senior	Bullet	17/04/15 to 24/06/15	3 Month JIBAR plus 5.16% to 5.18%	17/04/19	USD	69	Cash and cash equivalents, shareholder's loans, purchased book debts and trade receivables are ceded as securities for the loans
Senior	Bullet	03/09/13 to 25/06/15	3 Month JIBAR plus 3.25% to 4.26%	04/09/17 to 29/05/20	ZAR	288	
Senior	Bullet	11/03/15 to 28/09/15	Prime less 0.32% to Prime	17/02/16 to 31/05/18	ZAR	482	
Structurally subordinated	Bullet	01/07/11 to 05/07/13	11.62% to 13.13%	01/07/16 to 05/07/18	ZAR	199	
Structurally subordinated	Bullet	15/10/10 to 14/08/13	3 Month JIBAR plus 4.50% to 5.00%	30/11/17 to 14/08/18	ZAR	576	
						3 345	
						6 640	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
17 ORDINARY SHARE CAPITAL		
Authorised		
1 000 000 000 ordinary shares		
Issued		
571 850 243 (2015: 568 055 166) ordinary shares		
Ordinary share capital	**510**	468
Ordinary share capital	**510**	468
Preference share capital		
Authorised		
10 000 000 cumulative, non-participating, non-convertible preference shares of no par value		
Issued		
Nil (2015: nil) preference shares		
Refer to the Directors' report (page 2) for the details of the movements in ordinary share capital.		
18 NON-CONTROLLING INTEREST		
Share of equity of subsidiaries	**34**	30
Non-controlling interest	**34**	30
19 INTEREST		
Interest and other similar income is earned from:		
Cash and cash equivalents	**100**	70
Loans and advances	**1 577**	1 397
Finance leases*	**1 456**	1 275
Mortgage loans	**2**	3
Discounted invoices and other instruments	**115**	119
Other loans and advances	**4**	–
Other loans receivable	**10**	35
Other	**1**	2
Total interest and other similar income	**1 688**	1 504
Interest and other similar expenses are paid on:		
Bank overdrafts	**(10)**	(5)
Interest-bearing liabilities	**(796)**	(676)
Other	**(3)**	(2)
Total interest and other similar expense	**(809)**	(683)
Interest and other similar income	**1 688**	1 504
Interest and other similar expense	**(809)**	(683)
Net interest income	**879**	821

* *Included in this interest income is R18 million earned on entry-level vehicles held at fair value through profit and loss.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
20 IMPAIRMENT OF LOANS AND ADVANCES		
Impairment comprises:		
Impairments of loans and advances*	**59**	(5)
Fair value movement of entry-level vehicles	**5**	4
Bad debts written off	**(281)**	(237)
Bad debts recovered	**8**	5
Total impairment	**(209)**	(233)

* *Refer note 31.1.4 for further detail on the impairment of loans and advances.*

	2016 Rm	2015 Rm
21 NON-INTEREST REVENUE		
Non-interest revenue comprises:		
Brokerage income	**12**	3
Commission income	**446**	433
Fee income	**155**	199
Income from insurance activities	**127**	107
Revenue from purchased book debts*	**426**	386
Revenue from sale of goods	**66**	44
Other income	**47**	23
Total non-interest revenue	**1 279**	1 195

* *Included in revenue from purchased book debts is notional interest income of R112 million (2015: R108 million). This revenue is generated by Transaction Capital Recoveries through the collection of distressed debt. This is a services business, and managed as such and the revenue is therefore classified as non-interest revenue.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

22 TOTAL OPERATING COSTS

	2016 Rm	2015 Rm
Total operating costs comprise:		
Advertising, marketing and public relations	**(11)**	(9)
Amortisation of intangible assets	**(13)**	(7)
Amortisation of principal book portfolio	**(29)**	(114)
Bank charges	**(14)**	(12)
Commissions paid	**(17)**	(12)
Communication costs	**(56)**	(60)
Consulting fees	**(23)**	(14)
Cost of sale of goods	**(40)**	(32)
Data purchases	**(4)**	(1)
Depreciation	**(22)**	(17)
Employee expenses	**(704)**	(673)
Origination, processing and transaction fees paid	**(34)**	(30)
Fair value movements of other financial assets	**(83)**	(16)
Impairment of trade and other receivables	**(1)**	(3)
IT costs	**(29)**	(25)
Maintenance	**(7)**	(6)
Metered taxi costs	**(6)**	–
Motor vehicle expenses	**(8)**	(6)
Printing and stationery	**(3)**	(3)
Audit fees	**(11)**	(12)
Legal agency commissions	**(27)**	(58)
Legal fees	**(10)**	(22)
Professional fees	**–**	(1)
Operating lease rentals – premises	**(30)**	(39)
Risk management	**(12)**	(11)
Staff welfare	**(12)**	(13)
Subscriptions	**(4)**	(4)
Training and seminars	**(8)**	(8)
Travel	**(12)**	(13)
Input VAT disallowed	**(30)**	(30)
Other operating costs	**(88)**	(44)
Total operating costs	**(1 348)**	(1 295)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

22 TOTAL OPERATING COSTS

EXECUTIVE COMPENSATION

Executive directors' remuneration

The following table shows a breakdown of the annual remuneration (excluding share awards) of directors for the year ended 30 September 2016:

Executive director	**Salary 2016 R**	**Short term employee benefits* 2016**	**Annual incentive bonus 2016 R**	**Total 2016 R**	Salary 2015 R	Benefits 2015 R	Annual incentive bonus 2015 R	Total 2015 R
David Hurwitz	**2 848 492**	**685 376**	**2 598 750**	**6 132 618**	2 526 801	828 309	2 200 000	5 555 110
Mark Herskovits	**2 104 560**	**407 540**	**1 228 500**	**3 740 600**	2 010 156	368 922	1 170 000	3 549 078
Ronen Goldstein[1]	**265 417**	**31 121**	**1 166 667**	**1 463 205**	–	–	–	–
Jonathan Jawno	**1 057 200**	**162 840**	**4 800 000**	**6 020 040**	1 069 308	150 732	2 000 000	3 220 040
Michael Mendelowitz	**1 057 200**	**162 840**	**4 800 000**	**6 020 040**	1 069 155	150 885	2 000 000	3 220 040
Total	**7 332 869**	**1 449 717**	**14 593 917**	**23 376 502**	6 675 420	1 498 848	7 370 000	15 544 268

1 *Appointed as an executive director from 1 August 2016.*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

22 TOTAL OPERATING COSTS *continued*

Directors holding office at 30 September 2016 held the following Transaction Capital Limited shares granted under the SAR scheme: (Refer to note 25 for further details regarding the SARs)

	Grant date	Vesting date	Present value R	Number of SARs awarded	Number of SARs vested during the year and not exercised	Number of SARs exercised during the year	Gains on exercise of SARs R
David Hurwitz	11 Jul 2013	11 Jul 2016	3 200 000	2 004 494	2 004 494	–	–
	18 Nov 2013	18 Nov 2016	2 092 570	979 049	–	–	–
	25 Nov 2014	25 Nov 2018	1 029 000	300 000	–	–	–
	24 Nov 2015	24 Nov 2019	830 000	250 000	–	–	–
Mark Herskovits	11 Jul 2013	11 Jul 2016	2 700 000	1 691 292	939 607	751 685	5 417 021
	18 Nov 2013	18 Nov 2016	2 675 060	1 251 578	–	–	–
	25 Nov 2014	25 Nov 2018	857 500	250 000	–	–	–
	24 Nov 2015	24 Nov 2019	498 000	150 000	–	–	–
Ronen Goldstein	11 Jul 2013	11 Jul 2016	100 000	62 640	–	62 640	451 418
	18 Nov 2013	18 Nov 2016	150 000	70 180	–	–	–
	25 Nov 2014	25 Nov 2018	343 000	100 000	–	–	–
	24 Nov 2015	24 Nov 2019	498 000	150 000	–	–	–

The first tranche of the SARs vested on 11 July 2016. Participants have one year after vesting to exercise their rights.

Prescribed officers' remuneration

The following table shows a breakdown of the remuneration of prescribed officers for the current financial year.

Prescribed officer	**Salary 2016 R**	**Benefits 2016**	**Annual incentive bonus 2016 R**	**Total 2016 R**	Salary 2015 R	Benefits 2015	Annual incentive bonus 2015 R	Total 2015 R
Prescribed officer A	**2 664 522**	**275 478**	**2 327 500**	**5 267 500**	2 546 430	262 443	1 633 333	4 442 206
Prescribed officer B	**2 728 524**	**1 909 962**	**2 887 500**	**7 525 986**	2 607 356	1 853 090	1 375 000	5 835 446
	5 393 046	**2 185 440**	**5 215 000**	**12 793 486**	5 153 786	2 115 533	3 008 333	10 277 652

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

22 TOTAL OPERATING COSTS *continued*

Non-executive directors' fees

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

Board members 2016	C Seabrooke[1] R	D Woollam R	P Langeni[2] R	D Tabata R	R Rossi[3] R	R Kgosana[4] R	K Pillay[5] R	Total R
Chairperson	1 200 000	–	–	–	–	–	–	**1 200 000**
Director	–	250 000	250 000	250 000	250 000	135 417	41 667	**1 177 083**
Audit, risk and compliance committee (chairperson)	–	160 417	–	–	–	189 583	–	**350 000**
Audit, risk and compliance committee (member)	–	81 250	150 000	–	–	–	–	**231 250**
Asset and liability committee (chairperson)	–	62 500	–	–	–	–	–	**62 500**
Remuneration committee (chairperson)	–	–	–	125 000	–	–	–	**125 000**
Remuneration committee (member)	–	–	–	–	–	–	10 000	**10 000**
Nominations committee (member)	–	–	–	60 000	60 000	–	–	**120 000**
Social and ethics committee (chairperson)	–	–	125 000	–	–	–	–	**125 000**
Total annual fees	**1 200 000**	**554 167**	**525 000**	**435 000**	**310 000**	**325 000**	**51 667**	**3 400 833**

1 *Mr Seabrooke is also the chairman of the nominations committee, a member of the remuneration committee, a member of the audit, risk and compliance committee and asset and liability committee.*

2 *In addition to the fees received above, P Langeni received directors'fees of R200 000 for acting as an independent non-excitive director of SA Taxi Finance Holdings (Pty) Ltd and Transaction Capital Risk Services (Pty) Ltd.*

3 *Mr Rossi received R890,000 for consulting services, in addition to the fees above.*

4 *Appointed as a non-executive director effective 15 March 2016.*

5 *Appointed as a non-executive director effective 1 August 2016.*

Board members 2015	C Seabrooke[1] R	D Woollam R	P Langeni R	D Tabata R	S Zagnoev R	R Rossi[2] R	Total R
Chairperson	1 200 000	–	–	–	–	–	**1 200 000**
Director	–	250 000	250 000	250 000	250 000	250 000	**1 250 000**
Audit, risk and compliance committee (chairperson)	–	350 000	–	–	–	–	**350 000**
Audit, risk and compliance committee (member)	–	–	150 000	–	–	–	**150 000**
Remuneration committee (chairperson)	–	–	–	125 000	–	–	**125 000**
Nominations committee (member)	–	–	–	60 000	–	60 000	**120 000**
Social and ethics committee (chairperson)	–	–	125 000	–	–	–	**125 000**
Total annual fees	**1 200 000**	**600 000**	**525 000**	**435 000**	**250 000**	**310 000**	**3 320 000**

1 *Mr Seabrooke is also the chairman of the nominations committee, a member of the remuneration committee and a member of the audit, risk and compliance committee*

2 *In addition to the fees received above, Mr Rossi received R890 000 for consulting services.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
23 INCOME TAX EXPENSE		
South African normal taxation:		
Current taxation	**(80)**	(67)
Current year	**(80)**	(71)
Prior years	**–**	4
Deferred taxation	**(58)**	(27)
Current year	**(58)**	(21)
Prior years	**–**	(6)
	(138)	(94)
Tax rate reconciliation		
South African tax rate	**28.0%**	28.0%
Tax effects of:		
Income not subject to tax	**(3.3%)**	(6.4%)
Expenses not deductible for tax purposes	**0.3%**	0.1%
Prior year taxes	**(0.0%)**	(2.4%)
Tax not previously recognised	**(1.5%)**	0.0%
Permanent differences	**(0.5%)**	(0.4%)
Effective tax rate	**23.0%**	18.8%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

24 EARNINGS PER SHARE

	Units	2016	2015
Basic earnings per share	cents	**80.6**	70.4
Earnings used in the calculation of basic earnings per share	Rm	**458.0**	401.0
Weighted average number of ordinary shares for the purposes of basic earnings per share			
Issued shares at the beginning of the year	million	**568.1**	569.6
Effect of shares issued during the year and to be issued	million	**1.0**	–
Effect of shares repurchased during the year	million	**(0.6)**	(0.3)
Weighted average number of ordinary shares for the purposes of basic earnings per share	million	**568.5**	569.3
Diluted basic earnings per share	cents	**80.0**	69.8
The earnings used in the calculation of diluted earnings per share are as follows:			
Earnings used in the calculation of basic earnings per share	Rm	**458.0**	401.0
Earnings used in the calculation of diluted earnings per share	Rm	**458.0**	401.0
Earnings used in the calculation of diluted earnings per share	Rm	**458.0**	401.0
Reconciliation of weighted average number of ordinary shares for diluted earnings per share:			
Weighted average number of ordinary shares used in the calculation of basic earnings per share	million	**568.5**	569.3
Shares deemed to be issued for no consideration in respect of share appreciation rights	million	**4.0**	5.0
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	million	**572.5**	574.3

Headline earnings

	2016		2015	
	Rm Gross	**Rm Net**	Rm Gross	Rm Net
Headline earnings are determined as follows:				
Profit attributable to ordinary equity holders		**458.0**		401.0
Adjustments for:				
Profit on disposal of joint venture		**–**	(8.0)	(8.0)
Headline earnings from continuing operations		**458.0**		393.0
Headline earnings per share (cents) from continuing operations		**80.6**		69.0
Diluted headline earnings per share (cents) from total operations		**80.0**		68.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

25 SHARE-BASED PAYMENTS

25.1 DETAILS OF THE SHARE APPRECIATION RIGHTS PLAN

During the 2013 financial year the group implemented a share appreciation rights plan for executives and senior employees of the company and its subsidiaries. In accordance with the terms of the plan, as approved by shareholders at a general meeting, the grant of share appreciation rights (SARs) will be made on an annual or on an ad hoc basis. The number of SARs granted to an employee will take cognisance of the employees' grade, performance, term of employment, retention requirements and market benchmarks. A SAR is a conditional right to acquire shares in the company for no consideration, the number being determined by the appreciation in the value of a share over a fixed period, and the number of SARs granted.

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

	Number	Expiry date	Grant price (cents)	Fair value at grant date (cents)
1) Granted on 11 July 2013	3 633 145	11 Jul 2017	369	160
2) Granted on 18 November 2013	6 350 595	18 Nov 2017	421	214
3) Granted on 6 May 2014	775 581	06 May 2018	541	215
4) Granted on 25 November 2014	3 896 685	25 Nov 2019	758	343
5) Granted on 5 May 2015	1 135 800	05 May 2020	919	347
6) Granted on 24 November 2015	4 073 188	24 Nov 2020	1039	332
7) Granted on 27 May 2016	396 117	27 May 2021	1102	375

25.2 FAIR VALUE OF SHARE APPRECIATION RIGHTS GRANTED IN THE YEAR

Inputs into the model	24 Nov 2015	**27 May 2016**
Grant date closing share price (cents)	1030	**1100**
Grant price (cents)	1039	**1102**
Expected volatility	31.61%	**31.84%**
Option life	4 years	**4 years**
Dividend yield	2.33%	**2.18%**
Risk free rate	7.81%	**8.49%**
Staff turnover rate	nil	**nil**

The fair value of the share options granted during the financial year is R3.32 in respect of share appreciation rights granted on 24 November 2015 and R3.25 in respect of share appreciation rights granted on 27 May 2016. Share appreciation rights were priced using the binomial option pricing model. Expected volatility is based on an historical share price volatility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

25 SHARE-BASED PAYMENTS *continued*

25.3 MOVEMENT IN SHARE APPRECIATION RIGHTS DURING THE YEAR

	2016		2015	
	Number of SARs	**Weighted average grant price (cents)**	Number of SARs	Weighted average grant price (cents)
Balance at beginning of year	**23 598 528**	**483**	22 467 447	393
Granted during the year	**4 860 060**	**1 045**	6 057 485	694
Exercised during the year	**(7 344 576)**	**369**	(2 051 541)	383
Cancelled during the year	**(852 901)**	**819**	(2 874 863)	481
Balance at end of year	**20 261 111**	**647**	23 598 528	483

25.4 SHARE APPRECIATION RIGHTS EXERCISED DURING THE YEAR

	2016		
	Number of SARs exercised	**Exercise date**	**Share price at exercise date (cents)**
1) Granted on 11 July 2013	**281 881**	**11 Jul 2016**	**1 096**
1) Granted on 11 July 2013	**6 592 892**	**12 Jul 2016**	**1 109**
1) Granted on 11 July 2013	**469 803**	**30 Aug 2016**	**1 128**
	7 344 576		

	2015		
	Number of SARs exercised	Exercise date	Share price at exercise date (cents)
1) Granted on 11 July 2013	36 540	30 Apr 2015	919
1) Granted on 11 July 2013	172 261	31 May 2015	993
1) Granted on 11 July 2013	1 404 062	17 Aug 2015	982
2) Granted on 18 November 2013	22 094	30 Apr 2015	919
2) Granted on 18 November 2013	70 180	31 May 2015	993
2) Granted on 18 November 2013	326 612	17 Aug 2015	982
4) Granted on 25 November 2014	10 417	30 Apr 2015	919
4) Granted on 25 November 2014	9 375	31 May 2015	993
	2 051 541		

25.5 SHARE APPRECIATION RIGHTS EXPENSE RECOGNISED

	2016 Rm	2015 Rm
The expense has been recognised in the statement of comprehensive income under employee costs.	**16**	16

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
26 CASH GENERATED BY OPERATIONS		
Profit before taxation	**601**	499
Adjusted for:		
Amortisation of intangible assets	**13**	7
Amortisation of purchased book debts	**29**	114
Bad debts written off	**281**	237
Decrease in provisions	**(3)**	(1)
Depreciation	**22**	17
Dividends received from insurance activities	**(71)**	(107)
Equity accounted loss	**–**	3
Fair value adjustment of other financial assets	**83**	16
Impairment of loans and advances	**(59)**	5
Impairment of trade receivables	**(1)**	3
Loss on disposal of property and equipment	**1**	2
Movement in share appreciation rights accrual	**16**	16
Non-operating profit (non-cash)	**–**	(14)
Other non-cash flow movements	**(4)**	(1)
Cash generated from operations	**908**	796
27 INCOME TAXES PAID		
Amounts receivable at the beginning of the year	**14**	15
Charged in statement of comprehensive income	**(138)**	(94)
Deferred taxation charge in the income statement	**58**	21
Prior year deferred tax	**(3)**	6
Deferred tax charge to equity	**(9)**	–
Tax deduction on equity settled share appreciation rights	**11**	–
Amounts receivable at the end of the year	**(20)**	(14)
Income taxes paid	**(87)**	(66)
28 DIVIDENDS PAID TO ORDINARY SHAREHOLDERS		
Ordinary dividends for the year	**(135)**	(114)
Paid to non-controlling interest	**(1)**	–
Dividends paid	**(136)**	(114)

An interim dividend of 12 (2015: 10) cents per share was declared on 10 May 2016 and paid on 13 June 2016.

A final dividend of 18 (2015: 12) cents per share was declared on 22 November 2016 for payment on 19 December 2016.

Refer to the Directors' report (page 2) for additional information.

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

	2016 Rm	2015 Rm
29 CONTINGENCIES AND COMMITMENTS		
Capital commitments		
Approved	–	3
Contracted	–	3
Total	–	6
Operating lease commitments		
Future minimum payments under non-cancellable operating leases		
Premises		
Year 1	48	63
Year 2	45	61
Year 3	43	59
Year 4	42	55
Year 5	42	44
Subsequent to year 5	38	54
Total operating lease commitments	258	336
Other operating leases		
Future minimum payments under other operating lease commitments are in aggregate less than R1 million (2015: R0 million) and are therefore not seperatly disclosed.		
Contingent liabilities		
Customer claims*	1	–
	1	–

* *A guarantee has been issued by Company Unique Finance (Pty) Ltd to Hollard Life Insurance Company. This guarantee provides for the safeguarding of premiums received by independent intermediaries on behalf of the registered insurer.*

30 SHAREHOLDER SPREAD

	Number of shareholders	Number of shares (million)	Number of shares (%)
Non Public			
Directors of Transaction Capital and its subsidiaries and their associates	16	262	46
Public			
Old Mutual Investment Group South Africa (Pty) Ltd	1	58	10
Allan Gray (Pty) Ltd	1	58	10
Remaining institutional shareholders	69	160	28
Retail Investors	686	34	6
Sub-total	757	310	54
Total	773	572	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT

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

31.1 CREDIT RISK

Credit risk is the risk of loss arises 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, invoice discounting and secured mortgage loans. The portfolio of purchased book debts exposes the group to credit risk if they fail to perform in accordance with estimated net future cash flows. It is not the group's strategy to avoid credit risk, but rather to manage credit risk within the group's risk appetite and to earn an appropriate risk adjusted return.

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

Credit risk management and measurement

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

SA Taxi

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

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

- vehicle type;
- validity of the taxi route;
- clients ability to pay using a route calculator (affordability check); and
- verification of details and credit history against two independent credit bureaus.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.1 CREDIT RISK *continued*

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

The group utilised the 30-days past due definition of significant increase in credit risk, as per paragraph 5.5.11 of IFRS 9. This definition is supported by detailed quantitative analysis of account performance relative to expectation at initial recognition.

The group has defined default as 90 days past due, with no qualifying payment received in the past three months. A qualifying payment is more than 50% of the instalment raised. We have rebutted the 90-day presumption based on a quantitative analysis of the PDs and alignment to operational collection processes.

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

Write-off of loans and advances occurs at the point of sale of the vehicle, following repossession.

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

Transaction Capital Business Solutions

Exposure to credit losses is managed by assessing customer's affordability and their ability to repay loans and advances, customers risk profile and collectability of invoices discounted. Impairments are monitored and provided for on a customer specific basis. The realisable/fair value of the underlying security is taken into consideration in arriving at a final impairment.

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

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

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

Transaction Capital Recoveries

Investment process:

Before the acquisition of purchased book debts there is a defined investment process that is followed in accordance with guidelines as determined by an Investment committee. Purchased book 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.

31 FINANCIAL RISK MANAGEMENT *continued*

31.1 CREDIT RISK *continued*

Collections process:

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

Method of provisioning and fair valuing:

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

Transaction Capital Recoveries has built a model using statistical techniques to value the principal book portfolio on a monthly basis. Each matter is modelled on a twelve month period based on the collection activity applied to it. A combination of inflows for each matter and cost projections are used to determine a net cash flow which is discounted to the present value using a credit adjusted effective interest rate. This represents the amortised cost for that matter at the end of the month.

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

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

Due the nature of the credit-impaired financial assets, no contractual terms exist on the date of purchase. Any changes in expected cash flows will not be treated as a modification and will therefore not result in a change to the credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.1 CREDIT RISK *continued*

31.1.1 Financial assets subject to risk

Credit quality in the maximum exposure to credit risk of financial assets at the financial year end is analysed as follows:

	Loans and advances Rm	Other loans receivable Rm	Trade & other receivables* Rm	Leased assets Rm	Purchased book debts Rm	Total Rm
2016						
Neither past due nor impaired	**4 499**	**35**	**343**	**40**	**728**	**5 645**
Past due but not impaired	**1 996**	**–**	**68**	**–**	**–**	**2 064**
Impaired	**1 192**	**–**	**9**	**–**	**–**	**1 201**
Impairment allowance	**(497)**	**–**	**(7)**	**–**	**–**	**(504)**
Performing loans and advances	**(97)**	**–**	**–**	**–**	**–**	**(97)**
Non-performing loans and advances	**(400)**	**–**	**–**	**–**	**–**	**(400)**
Non-performing trade and other receivables	**–**	**–**	**(7)**	**–**	**–**	**(7)**
Carrying value of financial assets	**7 190**	**35**	**413**	**40**	**728**	**8 406**
Fair value of collateral held for loans neither past due nor impaired	**5 832**	**–**	**–**	**–**	**–**	**5 832**

	Loans and advances Rm	Other loans receivable Rm	Trade & other receivables* Rm	Leased assets Rm	Purchased book debts Rm	Total Rm
2015						
Neither past due nor impaired	3 925	257	496	–	561	5 239
Past due but not impaired	1 734	–	79	–	–	1 813
Impaired	1 054	–	–	–	–	1 054
Impairment allowance	(553)	–	(8)	–	–	(561)
Performing loans and advances	(133)	–	–	–	–	(133)
Non-performing loans and advances	(420)	–	–	–	–	(420)
Non-performing trade and other receivables	–	–	(8)	–	–	(8)
Carrying value of financial assets	6 160	257	567	–	561	7 545
Fair value of collateral held for loans neither past due nor impaired	4 474	–	–	–	–	4 474

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.1 CREDIT RISK *continued*

31.1.2 Loans and advances that are neither past due nor impaired

	2016 Rm	2015 Rm
Carrying amount of loans and advances that are neither past due nor impaired	**4 499**	3 925
Credit quality:		
High	**3 855**	3 368
Medium	**550**	472
Low	**94**	85

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

SA Taxi

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

Transaction Capital Business Solutions

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

Transaction Capital Recoveries

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

31.1.3 Financial assets that are past due but not impaired

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

	Past due up to 1 month Rm	Past due up to 1 – 2 months Rm	Past due up to 2 – 3 months Rm	Past due up to 3 – 4 months Rm	Past due older than 4 months Rm	Total Rm
2016						
Loans and advances	**907**	**416**	**195**	**133**	**345**	**1 996**
Trade and other receivables	**17**	**8**	**4**	**8**	**31**	**68**
Financial assets that are past due but not impaired	**924**	**424**	**199**	**141**	**376**	**2 064**
2015						
Loans and advances	671	313	156	121	473	1 734
Trade and other receivables	25	13	2	1	38	79
Financial assets that are past due but not impaired	696	326	158	122	511	1 813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.1 CREDIT RISK *continued*

31.1.3 Financial assets that are past due but not impaired *continued*

Valuation of collateral

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

> SA Taxi values collateral at the expected pre-owned sales value minus costs to repair.

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

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

31.1.4 Impairment provision reconciliation

Loans and advances impairment provision	12 month expected credit losses Rm	Lifetime expected credit losses Rm	Credit impaired financial assets Rm	Total Rm
2016				
Opening balance	**34**	**113**	**406**	**553**
Originations	**11**	**24**	**16**	**51**
Existing book movements	**(8)**	**(25)**	**100**	**67**
Write-offs	**(1)**	**(36)**	**(136)**	**(173)**
Derecognition (settlements in the ordinary course of business)	**–**	**(1)**	**–**	**(1)**
Closing balance	**36**	**75**	**386**	**497**
2015				
Opening balance	36	127	385	548
Originations	13	22	11	46
Existing book movements	(15)	2	132	119
Write-offs	–	(37)	(121)	(158)
Derecognition (settlements in the ordinary course of business)	–	(1)	(1)	(2)
Closing balance	34	113	406	553

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.1 CREDIT RISK *continued*

31.1.5 Credit risk exposure

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

	12 month expected credit losses Rm	Lifetime expected credit losses Rm	Credit impaired financial assets Rm	Total Rm
2016				
Neither past due nor impaired	**4 482**	**17**	**–**	**4 499**
Past due but not impaired	**707**	**1 289**	**–**	**1 996**
Impaired	**21**	**–**	**1 171**	**1 192**
Impairment allowance	**(32)**	**(75)**	**(390)**	**(497)**
Performing loans and advances	**(22)**	**(75)**	**–**	**(97)**
Non-performing loans and advances	**(10)**	**–**	**(390)**	**(400)**
Carrying value of financial assets	**5 178**	**1 231**	**781**	**7 190**
2015				
Neither past due nor impaired	3 893	16	–	3 909
Past due but not impaired	520	1 231	–	1 751
Impaired	19	–	1 034	1 053
Impairment allowance	(30)	(113)	(410)	(553)
Performing loans and advances	(30)	(113)	–	(143)
Non-performing loans and advances	–	–	(410)	(410)
Carrying value of financial assets	4 402	1 134	624	6 160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.2 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 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.

31.2.1 Risk profile of financial assets and liabilities

	Floating rate liabilities Rm	**Floating rate assets Rm**	**Net floating rate asset Rm**
2016			
Total	**7 050**	**7 003**	**(47)**

	Floating rate liabilities Rm	Floating rate assets Rm	Net floating rate asset Rm
2015			
Total	5 863	6 187	324

31.2.2 Weighted average interest rates are as follows:

	2016		2015	
	Bank balances %	**Borrowings %**	Bank balances %	Borrowings %
Total	**7.2%**	**11.3%**	6.6%	10.7%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.3 INTEREST RATE SENSITIVITY ANALYSIS

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

Interest rate risk

	Effect on profit before tax of 1% change in rates Rm	Total carrying value of assets and liabilities Rm
30 September 2016		
Assets		
Loans and advances	**72**	**7 190**
Fixed rate loans and advances	**3**	**280**
Floating rate loans and advances	**69**	**6 903**
Purchase book debts	**7**	**728**
Other loans receivable	**–**	**35**
Other investments	**5**	**477**
Trade and other receivables	**4**	**413**
Cash and cash equivalents	**13**	**1 276**
	101	**10 119**
Liabilities		
Interest-bearing borrowings	**75**	**7 477**
Fixed rate borrowings	**4**	**427**
Floating rate borrowings	**71**	**7 050**
Trade and other payables	**2**	**228**
Bank overdrafts	**2**	**173**
	79	**7 878**
Net exposure	**22**	**2 241**
30 September 2015		
Assets		
Loans and advances	56	6 160
Fixed rate loans and advances	–	582
Floating rate loans and advances	56	5 578
Purchase book debts	6	561
Other loans receivable	3	257
Other investments	3	343
Trade and other receivables	6	567
Cash and cash equivalents	12	1 169
	86	9 057
Liabilities		
Interest-bearing borrowings	59	6 640
Fixed rate borrowings	–	777
Floating rate borrowings	59	5 863
Trade and other payables	2	201
Bank overdrafts	1	52
	62	6 893
Net exposure	24	2 164

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.4 LIQUIDITY RISK MANAGEMENT

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

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

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

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

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

	On demand Rm	Within 1 year Rm	From 1 – 5 years Rm	More than 5 years Rm	Total Rm
2016					
Liabilities					
Bank overdrafts	**173**	**–**	**–**	**–**	**173**
Trade and other payables*	**119**	**109**	**–**	**–**	**228**
Interest-bearing liabilities	**–**	**2 198**	**7 264**	**28**	**9 490**
Financial liabilities	**292**	**2 307**	**7 264**	**28**	**9 891**
Non-financial liabilities	**5**	**64**	**–**	**–**	**69**
Total liabilities	**297**	**2 371**	**7 264**	**28**	**9 960**

	On demand Rm	Within 1 year Rm	From 1 – 5 years Rm	More than 5 years Rm	Total Rm
2015					
Liabilities					
Bank overdrafts	52	–	–	–	52
Trade and other payables*	110	91	–	–	201
Interest-bearing liabilities	5	2 194	5 840	177	8 216
Financial liabilities	167	2 285	5 840	177	8 469
Non-financial liabilities	107	92	–	–	199
Total liabilities	274	2 377	5 840	177	8 668

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.5 CAPITAL RISK

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

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

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

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

31.6 INSURANCE AND ASSURANCE RISK

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

Exposure and assurance to insurance risk

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

31.7 CURRENCY RISK

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

The foreign currencies to which the group has material 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	
	2016	2015	**2016**	2015
USD	**14.8**	12.0	**13.9**	13.9
Euro	**16.4**	13.8	**15.6**	15.7
Pula	**1.4**	1.2	**1.3**	1.2
Foreign amounts included in the financial statements at the end of the financial year in millions of units of foreign currency.				
USD	**27**	31		
Euro	**4**	8		
Pula	**3**	2		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.8 FAIR VALUE DISCLOSURE

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

	Carrying value 2016 Rm	**Fair value 2016 Rm**	Carrying value 2015 Rm	Fair value 2015 Rm
30 September				
Assets				
Loans and advances	**7 190**	**7 191**	6 160	6 157
Purchased book debts	**728**	**728**	561	561
Other loans receivable	**35**	**35**	257	257
Trade and other receivables*	**413**	**413**	567	567
Cash and cash equivalents	**1 276**	**1 276**	1 169	1 169
	9 642	**9 643**	8 714	8 711
Liabilities				
Interest-bearing liabilities	**7 477**	**7 459**	6 640	6 569
– Fixed rate liabilities	**427**	**426**	777	770
– Floating rate liabilities	**7 050**	**7 033**	5 863	5 799
Trade and other payables**	**228**	**228**	201	201
Bank overdrafts	**173**	**173**	52	52
	7 878	**7 860**	6 893	6 822
Net exposure	**1 764**	**1 783**	1 821	1 889

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

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

31.9 HEDGE ACCOUNTING

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

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

Cash flow hedges of foreign currency risk

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

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

The ineffective portion of fair value movements of hedging instruments for 2016 was nil (2015:nil).

Fair value hedges of interest rate risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.9 HEDGE ACCOUNTING *continued*

During the year, the fair value hedges were determined to be effective in hedging the fair value exposure to interest rate movements. As a result of the hedging relationship the fair value hedge movement are adjusted to the underlying liabilities to the value of R2.7 million (2015: Rnil).

Derivative assets

	2016 Rm	2015 Rm
Derivatives held for risk management		
Interest rate swaps	3	–
Cross-currency swaps	70	108
	73	108

Cash flow hedging reserve

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

	2016 Rm	2015 Rm
Balance at the beginning of the year	3	4
Loss (net of tax) arising on changes in fair value of hedging instruments entered into for cash flow hedges	(27)	(39)
Currency swaps	(27)	(39)
Gain (net of tax) arising on changes in fair value of hedging instruments reclassified to profit or loss	24	38
Currency swaps	24	38
Balance at the end of the year	–	3

Losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year are included in the following line items in the consolidated income statement are as follows:

	2016 Rm	2015 Rm
Interest and similar expense	(33)	–
Total operating costs	–	(55)
Gains arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year	(33)	(55)

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

	<1 year	1 – 5 years	> 5 years
2016			
Cash outflows	–	–	–
Cash inflows	29	41	–
Total cash flows	29	41	–

	<1 year	1 – 5 years	> 5 years
2015			
Cash outflows	–	–	–
Cash inflows	32	68	3
Total cash flows*	32	68	3

* *In line with IFRS 7 paragraph 32B(a), the disclosure was updated to reflect the timing of the nominal amount of the hedging instrument only.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.10 STATEMENT OF FINANCIAL POSITION CATEGORIES

	At fair value through profit and loss	At fair value through other comprehensive income	Financial assets carried at amortised cost	Financial liabilities carried at amortised cost	Non-financial liabilities or financial assets	Equity	Total
2016							
Assets							
Cash and cash equivalents	–	–	1 276	–	–	–	1 276
Tax receivables	–	–	–	–	28	–	28
Trade and other receivables	–	73	349	–	50	–	472
Inventories	–	–	–	–	201	–	201
Loans and advances	62	–	6 793	–	335	–	7 190
Leased assets	–	–	–	–	40	–	40
Purchased book debts	158	–	570	–	–	–	728
Other loans receivable	–	–	35	–	–	–	35
Other investments	–	477	–	–	–	–	477
Equity accounted investments	–	–	–	–	–	–	–
Intangible assets	–	–	–	–	93	–	93
Property and equipment	–	–	–	–	104	–	104
Goodwill	–	–	–	–	200	–	200
Deferred tax assets	–	–	–	–	247	–	247
Total assets	220	550	9 023	–	1 298	–	11 091
Equity and liabilities							
Liabilities							
Bank overdrafts	–	–	–	173	–	–	173
Tax payables	–	–	–	–	8	–	8
Trade and other payables	–	–	–	183	103	–	286
Provisions	–	–	–	–	14	–	14
Interest-bearing liabilities	–	–	–	7 477	–	–	7 477
Deferred tax liabilities	–	–	–	–	155	–	155
Total liabilities	–	–	–	7 833	280	–	8 113
Equity							–
Ordinary share capital	–	–	–	–	–	510	510
Other reserves	–	–	–	–	–	149	149
Retained earnings	–	–	–	–	–	2 285	2 285
Equity attributable to ordinary equity holders of the parent	–	–	–	–	–	2 944	2 944
Non-controlling interest	–	–	–	–	–	34	34
Total equity	–	–	–	–	–	2 978	2 978
Total equity and liabilities	–	–	–	7 833	280	2 978	11 091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.10 STATEMENT OF FINANCIAL POSITION CATEGORIES *continued*

	At fair value through profit and loss	At fair value through other comprehensive income	Financial assets carried at amortised cost	Financial liabilities carried at amortised cost	Non-financial liabilities or financial assets	Equity	Total
2015							
Assets							
Cash and cash equivalents	–	–	1 169	–	–	–	1 169
Tax receivables	–	–	–	–	27	–	27
Trade and other receivables	–	108	321	–	54	–	483
Inventories	–	–	–	–	21	–	21
Loans and advances	120	–	5 813	–	227	–	6 160
Purchased book debts	147	–	414	–	–	–	561
Other loans receivable	–	–	257	–	–	–	257
Other investments	–	481	–	–	–	–	481
Equity accounted investments	–	–	–	–	–	–	–
Intangible assets	–	–	–	–	32	–	32
Property and equipment	–	–	–	–	60	–	60
Goodwill	–	–	–	–	197	–	197
Deferred tax assets	–	–	–	–	255	–	255
Total assets	267	589	7 974	–	873	–	9 703
Equity and liabilities							
Liabilities							
Bank overdrafts	–	–	–	52	–	–	52
Tax payables	–	–	–	–	13	–	13
Trade and other payables	–	–	–	201	52	–	253
Provisions	–	–	–	–	17	–	17
Interest-bearing liabilities	–	–	–	6 640	–	–	6 640
Deferred tax liabilities	–	–	–	–	117	–	117
Total liabilities	–	–	–	6 893	199	–	7 092
Equity							
Ordinary share capital	–	–	–	–	–	468	468
Other reserves	–	–	–	–	–	122	122
Retained earnings	–	–	–	–	–	1 991	1 991
Equity attributable to ordinary equity holders of the parent	–	–	–	–	–	2 581	2 581
Non-controlling interest	–	–	–	–	–	30	30
Total equity	–	–	–	–	–	2 611	2 611
Total equity and liabilities	–	–	–	6 893	199	2 611	9 703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.10 STATEMENT OF COMPREHENSIVE INCOME CATEGORIES

	At fair value through profit or loss	At fair value through other comprehensive income	Financial assets carried at amortised cost	Financial liabilities carried at amortised cost	Non-financial liabilities or financial assets	Total
2016						
Interest income	**88**	**–**	**1 600**		**–**	**1 688**
Interest expense	**–**	**–**	**–**	**(809)**	**–**	**(809)**
Fee income arising from financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss – these are fees linked to financial instruments but are not recorded as part of interest.	**–**	**–**	**29**	**–**	**78**	**107**
Fee expense arising from financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss – these are fees linked to financial instruments but are not recorded as part of interest.	**–**	**–**	**(14)**	**–**	**–**	**(14)**
Dividend income	**–**	**71**	**–**	**–**	**–**	**71**
Net impairments on loans and advances	**(2)**	**–**	**(207)**	**–**	**–**	**(209)**
Net movements in financial instruments held at fair value		**24**	**–**	**–**	**–**	**24**
	86	**95**	**1 408**	**(809)**	**78**	**858**

	At fair value through profit or loss	At fair value through other comprehensive income	Financial assets carried at amortised cost	Financial liabilities carried at amortised cost	Non-financial liabilities or financial assets	Total
2015						
Interest income	41	–	1 463	–	–	1 504
Interest expense	–	–	–	(683)	–	(683)
Fee income arising from financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss – these are fees linked to financial instruments but are not recorded as part of interest.	–	–	28	–	104	132
Fee expense arising from financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss – these are fees linked to financial instruments but are not recorded as part of interest.	–	–	(9)	–	–	(9)
Dividend income	–	107	–	–	–	107
Net impairments on loans and advances	–	–	(233)	–	–	(233)
Net movements in financial instruments held at fair value	(91)	15	–	–	–	(76)
	(50)	122	1 249	(683)	104	742

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.11 LEVEL DISCLOSURES

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Entry-level vehicles	**–**	**–**	**62**	**62**
Other financial assets	**–**	**–**	**158**	**158**
Financial assets at fair value through other comprehensive income				
Derivatives	**–**	**73**	**–**	**73**
Investment in unlisted entity	**–**	**–**	**477**	**477**
Total	**–**	**73**	**697**	**770**

	2015			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Entry-level vehicles	–	–	120	120
Other financial assets	–	–	147	147
Financial assets at fair value through other comprehensive income				
Derivatives	–	108	–	108
Investment in unlisted entity	–	–	481	481
Total	–	108	748	856

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.11 LEVEL DISCLOSURES *continued*

Reconciliation of Level 3 Fair Value Measurements of Financial Assets

		2016		
		Fair value through profit or Loss	**Fair value through other comprehensive income**	**Total**
Opening balance		**267**	**343**	**610**
Total gains or losses	In profit or loss	**(83)**	**–**	**(83)**
	In other comprehensive income	**–**	**27**	**27**
	Other movements*	**36**	**–**	**36**
Closing balance of fair value measurement		**220**	**370**	**590**
Capital deployed to cell		**–**	**107**	**107**
Closing balance of financial instrument		**220**	**477**	**697**

* *Other movements include charges on accounts less collections received and write off's for entry-level vehicles as well as additions to other financial assets.*

Reconciliation of Level 3 Fair Value Movements of Financial Assets

		2015		
		Fair value through profit or loss	Fair value through other comprehensive income	Total
Opening balance		358	238	596
Total gains or losses	In profit or loss	(12)	–	(12)
	In other comprehensive income	–	15	15
Purchases		–	90	90
	Other movements*	(79)	–	(79)
Closing balance of fair value measurement		267	343	610
Capital deployed to cell		–	138	138
Closing balance of financial instrument		267	481	748

* *Other movements include charges on accounts less collections received and write off's for entry-level vehicles as well as additions to other financial assets.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

31 FINANCIAL RISK MANAGEMENT *continued*

31.11 LEVEL DISCLOSURES *continued*

Sensitivity analysis of valuations using unobservable inputs

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

Group

Movement in fair value given the 10% change in significant assumptions:

SA Taxi – loans and advances: entry-level vehicles

	2016		2015	
Significant unobservable input and desciption of assumption	10% Favourable	10% Unfavourable	10% Favourable	10% Unfavourable
Average probability of default	17	(35)	56	(11)
Average loss given write-off	38	(35)	55	(55)
Average collateral value	2	(2)	3	(3)
Discount rate: the rate used to discount projected future cash flows to present value.	3	(3)	4	(4)
Average effective interest rate	3	(3)	4	(4)

SA Taxi – investment in unlisted entity

	2016		2015	
Significant unobservable input and desciption of assumption	10% Favourable	10% Unfavourable	10% Favourable	10% Unfavourable
Premium per policy: average insurance premium per policy in a year.	17	(17)	11	(11)
Gross loss ratio: reported claims (excluding the movement in the claims that are incurred but not yet reported reserve) expressed as a percentage of gross written premium in a year.	88	(88)	48	(48)
Mid – term insurance cancellations: number of policies cancelled during a year expressed as a percentage of total policies insured at the beginning of a year.	6	(6)	6	(6)
Discount rate: the rate used to discount projected future cash flows to present value.	18	(16)	12	(11)

Transaction Capital Recoveries – other financial assets

	2016		2015	
Significant unobservable input and desciption of assumption	10% Favourable	10% Unfavourable	10% Favourable	10% Unfavourable
Cash flows: change in the expected revenue	–	(1)	4	(5)
Cash flows: change in expected costs	1	(1)	1	(1)
Discount rate: the rate used to discount projected future cash flows to present value.	4	(3)	4	(4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
32 RELATED PARTIES		
32.1 Blend Properties 17 Proprietary Limited (Blend) owns properties occupied by certain group subsidiaries. JM Jawno, MP Mendelowitz and R Rossi, who are directors of the company, are directors of Blend. Their family trusts each own 18.93% (2015: 18.93%) of the issued share capital of Blend (56.8% in aggregate).		
Transactions during the year		
Rent paid	**30**	13
32.2 LOANS TO KEY MANAGEMENT		
TC Treasury Proprietary Limited, a wholly owned subsidiary of Transaction Capital Limited has a loan receivable advanced to Terry Kier, the chief executive officer of SA Taxi.	**26**	30
The loan is secured by Mr Kier's 2% share in SA Taxi and is repayable in cash. The loan has no fixed repayment date and is interest free.		
In terms of the Transaction Capital General Share Scheme the following loan balances are outstanding as at year end:		
David Hurwitz (chief executive officer)	**3**	4
Mark Herskovits (executive director: capital management)*	**–**	2

* *This loan was settled during August 2016.*

Interest-bearing loans to group executives are at rates ranging from prime less 2.5% to prime less 5% granted with a maximum term not exceeding six years. These loans are secured by a cession over 424 175 shares, valued at R5.4 million at 30 September 2016.

33 SUBSEQUENT EVENTS

On 20 October 2016 shareholders approved the conditional share plan ('CSP'), the first issue of which is expected on or about 23 November 2016.

On 11 November 2016, the respective trusts of JM Jawno, MP Mendelowitz and R Rossi, of which they were discretionary beneficiaries, exchanged their shares in Transaction Capital for shares in JMRH. In addition Transaction Capital issued JMRH with 3 377 821 ordinary shares at R11.65 per share in the company, resulting in JMRH owning 250 million shares in Transaction Capital which resulted in an effective shareholding of 43.48% in Transaction Capital. After the restructure the trusts of JM Jawno, MP Mendelowitz and R Rossi each owns equal holdings in JMRH.

On 13 November 2016 the company signed a share sale agreement to acquire 100% of Recoveries Corporation Group Limited for AUD33 million with an additional AUD10 million payable within 18 months subject to performance conditions.

During November 2016 Transaction Capital concluded an agreement to acquire a controlling interest in RC Value Added Services Proprietary Limited ('Road Cover').

Transaction Capital also concluded an agreement to aquire a majority share in The Beancounter Financial Services Proprietary Limited ('The Beancounter') during November 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

34 SUMMARISED SEGMENT REPORT

	SA Taxi		Transaction Capital Risk Services		Group executive office		Group	
	2016 Audited Rm	2015 Audited Rm	**2016 Audited Rm**	2015 Audited Rm	**2016 Audited Rm**	2015 Audited Rm	**2016 Audited Rm**	2015 Audited Rm
CONDENSED INCOME STATEMENT for the year ended 30 September								
Net interest income	**744**	672	**65**	71	**70**	78	**879**	821
Impairment of loans and advances	**(206)**	(233)	**(3)**	–	**–**	–	**(209)**	(233)
Non-interest revenue	**315**	242	**964**	953	**–**	–	**1 279**	1 195
Total operating costs	**(541)**	(445)	**(796)**	(845)	**(11)**	(5)	**(1 348)**	(1 295)
Non-operating profit	**–**	–	**–**	14	**–**	–	**–**	14
Equity accounted earnings	**–**	–	**–**	(3)	**–**	–	**–**	(3)
Profit before tax	**312**	236	**230**	190	**59**	73	**601**	499
Headline earnings attributable to equity holders of the parent	**249**	208	**168**	134	**41**	51	**458**	393

	SA Taxi		Transaction Capital Risk Services		Group executive office		Group	
	2016 Audited Rm	2015 Audited Rm	**2016 Audited Rm**	2015 Audited Rm	**2016 Audited Rm**	2015 Audited Rm	**2016 Audited Rm**	2015 Audited Rm
CONDENSED STATEMENT OF FINANCIAL POSITION at 30 September								
Assets								
Cash and cash equivalents	**761**	594	**72**	57	**443**	518	**1 276**	1 169
Loans and advances	**6 675**	5 703	**515**	457	**–**	–	**7 190**	6 160
Leased assets	**40**	–	**–**	–	**–**	–	**40**	–
Purchased book debts	**–**	–	**728**	561	**–**	–	**728**	561
Other investments	**477**	481	**–**	–	**–**	–	**477**	481
Other assets and receivables	**924**	750	**364**	299	**92**	283	**1 380**	1 332
Total assets	**8 877**	7 528	**1 679**	1 374	**535**	801	**11 091**	9 703
Liabilities								
Bank overdrafts	**173**	44	**–**	8	**–**	–	**173**	52
Interest-bearing liabilities	**6 482**	5 429	**558**	467	**437**	744	**7 477**	6 640
Group loans	**913**	1 019	**230**	166	**(1 143)**	(1 185)	**–**	–
Other liabilities and payables	**167**	134	**285**	246	**11**	20	**463**	400
Total liabilities	**7 735**	6 626	**1 073**	887	**(695)**	(421)	**8 113**	7 092
Total equity	**1 142**	902	**606**	487	**1 230**	1 222	**2 978**	2 611

COMPANY STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER

	Notes	2016 Rm	2015 Rm
Assets			
Group loans		**1 125**	1 331
Cash and cash equivalents	1	**442**	518
Tax receivables		**1**	–
Trade and other receivables	2	**6**	1
Investment in subsidiaries	3	**1 063**	1 029
Total assets		**2 637**	2 879
Liabilities			
Group loans		**7**	–
Trade and other payables	4	**2**	6
Provisions	5	**8**	8
Interest bearing liabilities	6	**474**	776
Total liabilities		**491**	790
Equity			
Ordinary share capital	7	**523**	481
Share based payment reserve		**29**	26
Retained earnings		**1 594**	1 582
Total equity		**2 146**	2 089
Total equity and liabilities		**2 637**	2 879

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	**2016 Rm**	2015 Rm
Interest and other similar income	8	**143**	120
Interest and other similar expense	8	**(88)**	(100)
Net interest income	8	**55**	20
Non-interest revenue	9	**121**	97
Total operating costs	10	**(14)**	(13)
Profit before tax		**162**	104
Income tax expense	11	**(14)**	(3)
Profit for the year		**148**	101
Other comprehensive income		**–**	–
Total comprehensive income for the year		**148**	101

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER

	Number of ordinary shares Rm	Share capital Rm	Share based payment reserve Rm	Retained earnings Rm	Total equity Rm
Balance at 30 September 2014	573	498	14	1 615	2 127
Total comprehensive income	–	–	–	101	101
Profit for the year	–	–	–	101	101
Share appreciation rights – IFRS 2 investment in subsidiaries	–	–	12	–	12
Dividends paid	–	–	–	(134)	(134)
Issue of shares	1	12	–	–	12
Repurchase of shares	(6)	(29)	–	–	(29)
Balance at 30 September 2015	**568**	**481**	**26**	**1 582**	**2 089**
Total comprehensive income	**–**	**–**	**–**	**148**	**148**
Profit for the year	**–**	**–**	**–**	**148**	**148**
Recognition of share appreciation rights	**–**	**–**	**16**	**–**	**16**
Share appreciation rights – adjustment to retained earnings*	**–**	**–**	**(13)**	**–**	**(13)**
Dividends paid	**–**	**–**	**–**	**(136)**	**(136)**
Issue of shares	**5**	**53**	**–**	**–**	**53**
Repurchase of shares	**(1)**	**(11)**	**–**	**–**	**(11)**
Balance at 30 September 2016	**572**	**523**	**29**	**1 594**	**2 146**

* *The group operates a share appreciation rights plan for executives and senior employees of the company and its subsidiaries, refer to note 25 in the group financial statements. The current year net charge of R3 million was capitalised to the relevant investments in subsidiaries.*

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	2016 Rm	2015 Rm
Cash flow generated from/(utilised in) operating activities			
Cash generated by operations	12	**45**	22
Income taxes paid	13	**(15)**	(4)
Dividends received		**117**	90
Dividends paid	14	**(136)**	(134)
Cash flow from operating activities before changes in operating assets and liabilities		**11**	(26)
Net decrease in working capital		**(9)**	(1)
Increase in trade and other receivables		**(5)**	(1)
Decrease in trade and other payables		**(4)**	–
Net cash generated from/(utilised in) operating activities		**2**	(27)
Cash flow (utilised in)/generated from investing activities			
Additional investment in subsidiaries		**(31)**	(276)
Net (increase)/ decrease in inter-company loans		**213**	(62)
Proceeds on disposal of investments		**–**	–
Net cash generated from/(utilised in) investing activities		**182**	(338)
Cash flow (utilised in) financing activities			
Repurchase of shares		**(11)**	(29)
Issue of shares		**53**	12
Settlement of interest-bearing liabilities		**(302)**	(148)
Net cash (utilised in) financing activities		**(260)**	(165)
Net decrease in cash and cash equivalents		**(76)**	(530)
Cash and cash equivalents at beginning of the year		**518**	1 048
Cash and cash equivalents at end of year		**442**	518

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
1 CASH AND CASH EQUIVALENTS		
Bank balances	**1**	5
Call deposits	**441**	513
Total cash and cash equivalents	**442**	518
Total overdraft facilities	**90**	90
2 TRADE AND OTHER RECEIVABLES		
VAT receivable	**1**	1
Other	**5**	–
Trade and other receivables	**6**	1

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

	2016 Rm	2015 Rm
3 INVESTMENT IN SUBSIDIARIES		
Shares at carrying value*	**1 063**	1 029
Amounts receivable	**–**	–
Current	**–**	–
Total investment in subsidiaries	**1 063**	1 029

* *The movement in shares at carrying value is attributable to an additional investment in SA Taxi Development Finance Proprietary Limited to the value of R26 million. The group also operates a share appreciation rights plan for executives and senior employees of the company and its subsidiaries. The current year share appreciation rights net charge of R3.6 million was capitalised to the relevant investments in subsidiaries.*

Refer to note 16 for a schedule of subsidiaries.

The carrying value of amounts receivable approximates fair value as they are short term in nature and not subject to material changes in credit risk and fair value.

	2016 Rm	2015 Rm
4 TRADE AND OTHER PAYABLES		
Other	**2**	6
Trade and other payables	**2**	6

The carrying value of trade and other payables approximates fair value as they are short term in nature and not subject to material changes in fair value.

	2016 Rm	2015 Rm
5 PROVISIONS		
Provision for onerous contract	**8**	8

The provision for onerous lease contracts represents the full value of the loan receivable from Red Sky Finance (Pty) Ltd. The estimate is unlikely to vary.

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
6 INTEREST-BEARING LIABILITIES		
Loans	**474**	776
	474	776
Payable within 12 months	**98**	149
Payable thereafter	**376**	627
	474	776

	Type of loan	Description	Date issued	Interest rate	Maturity date	Currency	Fair value	Carrying value
2016 Loans	Bullet	Structurally subordinated	16/07/13	3 Month JIBAR plus 4.750%	16/07/18	ZAR	100	**98**
	Bullet	Structurally subordinated	01/07/16	3 Month JIBAR plus 4.500%	01/07/21	ZAR	379	**376**
							479	**474**
2015 Loans	Bullet	Structurally subordinated	01/07/11	13.10%	01/07/16	ZAR	75	74
	Bullet	Structurally subordinated	01/07/11	12.30%	01/07/16	ZAR	77	75
	Bullet	Structurally subordinated	15/10/10	Three month JIBAR + 5.00%	30/11/17	ZAR	150	150
	Bullet	Structurally subordinated	16/07/13	Three month JIBAR + 4.75%	16/07/18	ZAR	250	250
	Bullet	Structurally subordinated	05/07/13	Three month JIBAR + 4.50%	05/07/18	ZAR	157	157
	Bullet	Structurally subordinated	05/07/13	11.62%	05/07/18	ZAR	50	50
	Bullet	Structurally subordinated	14/08/13	Three month JIBAR + 4.50%	14/08/18	ZAR	20	20
							779	776

The company's exposure to interest rate risk is similar to that of the group, refer to note 31.2 in the group financial statements.

The effect of a 1% change in interest rates is a net exposure of R11 million. As the company has no control over rate movements, it cannot predict the effect of future rate movements, if any.

Transaction Capital Limited is exposed to interest rate risk associated with the effects of fluctuations in the prevailing levels of market rates on future cash flows of interest bearing liabilities and the fair value of the financial instrument based on changes in market interest rates.

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
7 ORDINARY SHARE CAPITAL		
Authorised		
1 000 000 000 ordinary shares	**–**	–
Issued		
571 850 243 (2015: 568 055 166) ordinary shares		
Ordinary share capital	**523**	481
Ordinary share capital	**523**	481
Preference share capital and share premium		
Authorised		
10 000 000 cumulative, non-participating, non-convertible preference shares*	**–**	–
Issued		
Nil (2015: Nil) preference shares	**–**	–
* *Created by a special resolution passed on 14 January 2013.*		
8 INTEREST		
Interest and other similar income is earned from:		
Cash and cash equivalents	**55**	26
Intergroup interest	**88**	94
Interest and other similar income	**143**	120
Interest and other similar expenses are paid on:		
Bank overdrafts	**(3)**	(2)
Interest bearing liabilities	**(83)**	(98)
Other	**(2)**	–
Interest and other similar expense	**(88)**	(100)
Interest and other similar income	**143**	120
Interest and other similar expense	**(88)**	(100)
Net interest income	**55**	20
9 NON-INTEREST REVENUE		
Non-interest revenue comprises:		
Management fees	**4**	7
Dividends received – subsidiaries	**117**	90
Total non-interest revenue	**121**	97

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
10 TOTAL OPERATING COSTS		
Indirect costs comprise:		
Bank charges	**(1)**	(1)
Consulting fees	**(3)**	–
Audit fees	**>(1)**	>(1)
Audit fees – current year	**>(1)**	>(1)
Directors emoluments	**(3)**	(3)
Listing costs	**(1)**	(1)
Management fees – intergoup*	**(6)**	(7)
Other Indirect Expenses	**–**	(1)
Total operating costs	**(14)**	(13)

* *Management fees paid to group companies are based on certain costs and services incurred by subsidiary companies on behalf of Transaction Capital Limited.*

	2016 Rm	2015 Rm
11 INCOME TAX EXPENSE		
South African normal taxation:		
Current taxation	**(14)**	(4)
Current year	**(14)**	(4)
Prior years	**–**	–
Deferred taxation	**–**	–
Current year	**–**	–
Prior years	**–**	–
Securities transfer tax	**–**	–
Total income tax expense	**(14)**	(4)
Tax rate reconciliation		
South African tax rate	**28.0%**	28.0%
Tax effects of:		
Income not subject to tax – dividends	**(20.2%)**	(24.2%)
Expenses not deductible for tax purposes	**0.8%**	0.5%
Prior year taxes	**–**	(0.3%)
Effective tax rate	**8.6%**	4.0%

	2016 Rm	2015 Rm
12 CASH GENERATED BY OPERATIONS		
Profit before taxation	**162**	104
Adjusted for:		
Dividends received	**(117)**	(90)
Movement in provisions	**–**	8
Cash generated from operations	**45**	22

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm
13 INCOME TAXES PAID		
Amounts receivable at the beginning of year	**–**	(1)
Charged in statement of comprehensive income	**(14)**	(3)
Prior year taxes receivable	**–**	–
Amounts receivable at the end of year	**(1)**	–
Income taxes paid	**(15)**	(4)
14 DIVIDENDS PAID TO ORDINARY SHAREHOLDERS		
Ordinary dividends for the year	**(136)**	(134)
Dividends paid	**(136)**	(134)

A final prior year dividend of 12 (2014: 10) cents per share was declared on 24 November 2015 for payment on 21 December 2015.

An interim dividend of 12 (2015: 10) cents per share was declared on 10 May 2016 and paid on 13 June 2016.

A final dividend of 18 (2015: 12) cents per share was declared on 22 November 2016 for payment on or about 19 December 2016.

	2016 Rm	2015 Rm
15 RELATED PARTIES		
15.1 SUBSIDIARIES		
Details of share ownership and loan balances are disclosed in note 16.		
The following income was received from subsidiaries:		
Interest		
TC Treasury Proprietary Limited	**10**	43
Ellehove Investments Proprietary Limited	**3**	9
TC Corporate Support Proprietary Limited	**70**	40
Transsec (RF) Limited	**6**	3
SA Taxi Securitisation Proprietary Limited	**–**	<1
Fees		
TC Corporate Support Proprietary Limited	**5**	7
The following fees were paid to subsidiaries:		
TC Corporate Support Proprietary Limited	**(6)**	(7)

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	Nature of business and status	Issued share capital		Effective percentage held		Investment (at cost less impairments)		Loans at cost net of impairment	
		2016 Rm	2015 Rm	**2016 %**	2015 %	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm
16 SUBSIDIARIES									
Transaction Capital Limited	T								
SA Taxi									
SA Taxi Finance Holdings Proprietary Limited	*/T	**<1**	<1	**98.0**	98.0	**690**	665	**1**	–
SA Taxi Development Finance Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Taximart Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
SA Taxi Securitisation Proprietary Limited	#/T	**<1**	<1	**100.0**	100.0				
SA Taxi Finance Solutions Proprietary Limited	#/T	**<1**	<1	**100.0**	100.0				
SA Taxi Protect Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Bompass Collections Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
SA Taxi Finance Insurance Brokers Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
Potpale Investments (RF) Proprietary Limited	#/T	**<1**	<1	**100.0**	100.0				
SA Taxi Impact Fund Proprietary Limited	#	**<1**	<1	**100.0**	100.0				
Transsec (RF) Limited	#/T	**<1**	<1	**100.0**	100.0	**31**	32		
Transsec 2 (RF) Limited	#/T	**<1**	<1	**100.0**	100.0	**5**	–		
SA Forklifts (Pty) Ltd	D	**<1**	–	**100.0**	–				
Keywood 2 (Pty) Ltd	T	**<1**	–	**100.0**	–				
Zebra Cabs Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
Transaction Capital Risk Services									
Transaction Capital Risk Services Proprietary Limited	*/T	**<1**	<1	**100.0**	100.0	**231**	229	**10**	–
Asset Solutions Company Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
CMS Capital Proprietary Limited	^	**<1**	<1	**100.0**	100.0				
Capital Data Asset Recovery Management Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Transaction Capital Recoveries Proprietary Limited	T	**<1**	<1	**83.0**	100.0				
Transaction Capital Payment Solutions	T	**<1**	<1	**83.0**	100.0				
Collection and Financial Services Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
MBD Legal Collections Proprietary Limited	T	**<1**	<1	**100.0**	100.0				

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

	Nature of business and status	Issued share capital		Effective percentage held		Investment (at cost less impairments)		Loans at cost net of impairment	
		2016 Rm	2015 Rm	**2016 %**	2015 %	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm
16 SUBSIDIARIES *continued*									
Transaction Capital Risk Services *continued*									
Transaction Capital Credit Health Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Origin Eight Financial Services Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Capital Debt Recovery Proprietary Limited Botswana	T	**<1**	<1	**100.0**	100.0				
MBD Asset Solutions Company Proprietary Limited	^	**<1**	<1	**100.0**	100.0				
Mortgage Capital Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
Specialised Mortgage Capital Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Company Unique Finance Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Afribrokers Proprietary Limited	T	**<1**	<1	**100.0**	100.0				
Transaction Capital Business Solutions Proprietary Limited	T	**<1**	<1	**100.0**	100.0			**4**	–
Dubrovnik Properties Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
Rand Trust Securitisation Proprietary Limited	D	**<1**	<1	**100.0**	100.0				
Principa Decisions Proprietary Limited	T	**<1**	<1	**83.0**	100.0			**2**	–
Group executive office									
TC Corporate Support Proprietary Limited	*/T	**<1**	<1	**100.0**	100.0	**12**	10		
TC Treasury Proprietary Limited	*/T	**<1**	<1	**100.0**	100.0	**<1**	<1	**1 100**	1 265
Nisela Investments Proprietary Limited	*/T	**<1**	<1	**100.0**	100.0	**89**	89		
Bayport Financial Services Proprietary Limited	*/D	**<1**	<1	**100.0**	100.0	**4**	4		
TC Executive Holdings Proprietary Limited	*/D	**<1**	<1	**100.0**	100.0	**<1**	<1		
Transaction Capital Business Partners Proprietary Limited	*/T	**<1**	<1	**100.0**	100.0	**<1**	<1		
TransCapital Investment Limited	*/T	**<1**	–	**100.0**	–	**<1**	–	**<–1**	–
Red Sky Finance Proprietary Limited	*/D	**<1**	<1	**100.0**	100.0	**<1**	<1	**8**	8
Ellehove Investments Proprietary Limited	T	**<1**	<1	**100.0**	100.0			**(7)**	58
						1 063	1 029	**1 118**	1 331

* *Directly held*
\# *Consolidated special purpose entity*
T *Trading company*
D *Dormant company*
^ *Deregistered/In the process of being deregistered*
Amounts less than R500 000 are reflected a "<1"

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

17 FINANCIAL RISK MANAGEMENT

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

17.1 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, 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.

Credit risk management and measurement

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The company has adopted a policy of only dealing with credit worthy counter parties which are companies within the Transaction Capital Limited Group. There has been no change to the manner in which the company manages or measures credit risk. The company is not exposed to any significant credit risk as loans and receivables are largely settled on demand. The maximum credit risk is the carrying amount of Group Loans and Trade and other receivables. Refer to note 17 for details on past due or impaired financial assets.

17.1.1 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** Rm	Other loans receivable Rm	Trade & other receivables* Rm	Purchased book debts Rm	Group loans Rm	Total Rm
2016						
Neither past due nor impaired	**–**	**–**	**6**	**–**	**1 125**	**1 131**
Carrying value of financial assets	**–**	**–**	**6**	**–**	**1 125**	**1 131**

	Loans and advances** Rm	Other loans receivable Rm	Trade & other receivables* Rm	Purchased book debts Rm	Group loans Rm	Total Rm
2015						
Neither past due nor impaired	–	–	1	–	1 331	1 332
Carrying value of financial assets	–	–	1	–	1 331	1 332

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

** *Group loans are all considered to be high quality.*

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

17 FINANCIAL RISK MANAGEMENT *continued*

17.2 LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the company is unable to meet payment obligations when they fall due or that insufficient funds are available to meet loan demands in the ordinary course of business. The company's objectives in relation to liquidity risk 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 company's borrowing facilities and utilisation thereof, borrowing facilities under discussion, maturity profile and concentration of liability by counterparty, asset maturities and borrowing facility obligations and special conditions.

The debt capital markets (DCM) team is responsible for executing on fund raising mandates given to it by each company in support of their respective business models. This includes the ongoing assessment and evaluation of various funding sources designed to grow and diversify the company'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.

It is the responsibility of each company 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.

2016	On demand Rm	Within 1 year Rm	From 1 – 5 years Rm	More than 5 years Rm	Total Rm
Liabilities					
Trade and other payables*	**2**	**–**	**–**	**–**	**2**
Group loans	**7**	**–**	**–**	**–**	**7**
Interest-bearing liabilities	**–**	**43**	**671**	**–**	**714**
Financial liabilities	**9**	**43**	**671**	**–**	**723**
Non-financial liabilities	**8**	**–**	**–**	**–**	**8**
Total liabilities	**17**	**43**	**671**	**–**	**731**

2015	On demand Rm	Within 1 year Rm	From 1 – 5 years Rm	More than 5 years Rm	Total Rm
Liabilities					
Trade and other payables*	6	–	–	–	6
Group loans	–	–	–	–	–
Interest-bearing liabilities	5	236	738	–	979
Financial liabilities	11	236	738	–	985
Non-financial liabilities	9	–	–	–	9
Total liabilities	20	236	738	–	994

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

17 FINANCIAL RISK MANAGEMENT *continued*

17.3 FAIR VALUE DISCLOSURE

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

	Carrying value Rm	Fair value Rm
30 September 2016		
Assets		
Group loans	**1 125**	**1 125**
Investment in subsidiaries	**1 063**	**1 063**
Trade and other receivables*	**6**	**6**
Cash and cash equivalents	**442**	**442**
	2 636	**2 636**
Liabilities		
Interest bearing borrowings	**474**	**479**
Fixed rate borrowings	**–**	**–**
Floating rate borrowings	**474**	**479**
Group loans	**7**	**7**
Trade and other payables**	**6**	**6**
	487	**492**
Net exposure	**2 149**	**2 144**
30 September 2015		
Assets		
Group loans	1 331	1 331
Investment in subsidiaries	1 029	1 029
Trade and other receivables*	1	1
Cash and cash equivalents	518	518
	2 879	2 879
Liabilities		
Interest bearing borrowings	776	781
Fixed rate borrowings	200	202
Floating rate borrowings	576	579
Group loans	–	–
Trade and other payables**	6	6
	782	787
Net exposure	2 097	2 092

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

17 FINANCIAL RISK MANAGEMENT *continued*

17.4 STATEMEMENT OF FINANCIAL POSITION CATEGORIES

2016	At fair value through profit and loss	At fair value through other compre-hensive income	Financial assets carried at amortised cost	Financial liabilities carried at amortised cost	Non-financial liabilities or financial assets	Equity	Total
Assets							
Group loans	–	–	1 125	–	–	–	1 125
Cash and cash equivalents	–	–	442	–	–	–	442
Tax receivables	–	–	–	–	1	–	1
Trade and other receivables	–	–	6	–	–	–	6
Inventories	–	–	–	–	–	–	–
Loans and advances	–	–	–	–	–	–	–
Purchased book debts	–	–	–	–	–	–	–
Investment in subsidiaries	–	–	–	–	1 063	–	1 063
Total assets	–	–	1 573	–	1 064	–	2 637
Equity and liabilities							
Liabilities							
Group loans	–	–	–	7	–	–	7
Bank overdrafts	–	–	–	–	–	–	–
Tax payables	–	–	–	–	–	–	–
Trade and other payables	–	–	–	2	–	–	2
Provisions	–	–	–	–	8	–	8
Interest-bearing liabilities	–	–	–	474	–	–	474
Deferred tax liabilities	–	–	–	–	–	–	–
Other financial liabilities	–	–	–	–	–	–	–
Total liabilities	–	–	–	483	8	–	491
Equity							
Ordinary share capital	–	–	–	–	–	523	523
Ordinary share premium	–	–	–	–	–	–	–
Preference share capital	–	–	–	–	–	–	–
Preference share premium	–	–	–	–	–	–	–
Share based payment reserve	–	–	–	–	–	29	29
Other reserves	–	–	–	–	–	–	–
Retained earnings	–	–	–	–	–	1 594	1 594
Total equity	–	–	–	–	–	2 146	2 146
Total equity and liabilities	–	–	–	483	8	2 146	2 637

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

17 FINANCIAL RISK MANAGEMENT *continued*

17.4 STATEMEMENT OF FINANCIAL POSITION CATEGORIES *continued*

2015	At fair value through profit and loss	At fair value through other compre-hensive income	Financial assets carried at amortised cost	Financial liabilities carried at amortised cost	Non-financial liabilities or financial assets	Equity	Total
Assets							
Group loans	–	–	1 331	–	–	–	1 331
Cash and cash equivalents	–	–	518	–	–	–	518
Tax receivables	–	–	–	–	–	–	–
Trade and other receivables	–	–	1	–	–	–	1
Inventories	–	–	–	–	–	–	–
Loans and advances	–	–	–	–	–	–	–
Purchased book debts	–	–	–	–	–	–	–
Other loans receivable	–	–	–	–	–	–	–
Other investments	–	–	–	–	–	–	–
Investment in subsidiaries	–	–	–	–	1 029	–	1 029
Equity accounted investments	–	–	–	–	–	–	–
Intangible assets	–	–	–	–	–	–	–
Property and equipment	–	–	–	–	–	–	–
Goodwill	–	–	–	–	–	–	–
Deferred tax assets	–	–	–	–	–	–	–
Total assets	–	–	1 850	–	1 029	–	2 879
Equity and liabilities							
Liabilities							
Group loans	–	–	–	–	–	–	–
Bank overdrafts	–	–	–	–	–	–	–
Tax payables	–	–	–	–	–	–	–
Trade and other payables	–	–	–	6	–	–	6
Provisions	–	–	–	–	8	–	8
Interest-bearing liabilities	–	–	–	776	–	–	776
Deferred tax liabilities	–	–	–	–	–	–	–
Total liabilities	–	–	–	782	8	–	790
Equity							
Ordinary share capital	–	–	–	–	–	481	481
Ordinary share premium	–	–	–	–	–	–	–
Preference share capital	–	–	–	–	–	–	–
Preference share premium	–	–	–	–	–	–	–
Share based payment reserve	–	–	–	–	–	26	26
Other reserves	–	–	–	–	–	–	–
Retained earnings	–	–	–	–	–	1 582	1 582
Total equity	–	–	–	–	–	2 089	2 089
Total equity and liabilities	–	–	–	782	8	2 089	2 879

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

17 FINANCIAL RISK MANAGEMENT *continued*

17.4 STATEMEMENT OF COMPREHENSIVE INCOME CATEGORIES

Statement of comprehensive income

2016	At fair value through profit or loss	At fair value through other comprehen-sive income	Financial assets carried at amortised cost	Financial liabilities carried at amortised cost	Non-financial liabilities or financial assets	Total
Interest income	–	–	143	–	–	143
Interest expense	–	–	–	(88)	–	(88)
Fee income arising from financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss – these are fees linked to financial instruments but are not recorded as part of interest.	–	–	–	–	–	–
Fee expense arising from financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss – these are fees linked to financial instruments but are not recorded as part of interest.	–	–	–	–	–	–
Dividend income	–	–	–	–	117	117
Net impairments on loans and advances	–	–	–	–	–	–
Net movements in financial instruments held at fair value	–	–	–	–	–	–
	–	–	143	(88)	117	172

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER

17 FINANCIAL RISK MANAGEMENT *continued*

17.4 STATEMEMENT OF COMPREHENSIVE INCOME CATEGORIES *continued*

Statement of comprehensive income

2015	At fair value through profit or loss	At fair value through other comprehen-sive income	Financial assets carried at amortised cost	Financial liabilities carried at amortised cost	Non-financial liabilities or financial assets	Total
Interest income	–	–	120	–	–	120
Interest expense	–	–	–	(100)	–	(100)
Fee income arising from financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss – these are fees linked to financial instruments but are not recorded as part of interest.	–	–	–	–	–	–
Fee expense arising from financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss – these are fees linked to financial instruments but are not recorded as part of interest.	–	–	–	–	–	–
Dividend income	–	–	–	–	90	90
Net impairments on loans and advances	–	–	–	–	–	–
Net movements in financial instruments held at fair value	–	–	–	–	–	–
	–	–	120	(100)	90	110

FORMULAE
AND DEFINITIONS

ITEM	DEFINITION
Asset turnover ratio	Gross principal book revenue expressed as a percentage of average carrying value of purchased book debts
Average equity attributable to ordinary equity holders of the parent	Sum of equity attributable to ordinary equity holders of the parent at the end of each month from September to September divided by 13
Average gross loans and advances	Sum of gross loans and advances at the end of each month from September to September divided by 13
Average interest-bearing liabilities	Sum of interest-bearing liabilities at the end of each month from September to September divided by 13
Average tangible assets	Sum of tangible assets at the end of each month from September to September divided by 13. Tangible assets excludes investments fair valued through equity for accounting purposes
Average tangible equity attributable to ordinary equity holders of the parent	Sum of equity attributable to ordinary equity holders of the parent less goodwill, intangible assets and fair value movements through equity relating to investments at the end of each month from September to September divided by 13
Average total assets	Sum of total assets at the end of each month from September to September divided by 13
Average cost of borrowing	Interest expense expressed as a percentage of average interest-bearing liabilities
Capital adequacy ratio	Total equity plus subordinated debt capital less goodwill expressed as a percentage of total assets less goodwill and cash and cash equivalents
Cost-to-income ratio	Total operating costs expressed as a percentage of net interest income plus non-interest revenue
Credit loss ratio	Impairment of loans and advances expressed as a percentage of average gross loans and advances
EBITDA	Profit before net interest income, tax, depreciation and amortisation of intangible assets (specifically excluding amortisation of purchased book debts) for Transaction Capital Recoveries (MBD) and Principa only
Effective tax rate	Income tax expense expressed as a percentage of profit before tax
Entry-level vehicles	Vehicle brands: CAM, CMC, Jinbei, King Long, Polar Sun, Foton, Force Traveller, Peugeot
Estimated remaining collections	Estimated undiscounted value of remaining gross cash collections of purchased book debts, estimated to be recovered over the next 96 months
Gearing	Total assets divided by equity attributable to ordinary equity holders of the parent expressed in times
Gross loans and advances	Gross loans and advances specifically exclude the value of the written-off book brought back on to the balance sheet
Gross yield on average gross loans and advances	Total income divided by average gross loans and advances
Gross yield on average assets	Total income divided by average assets

FORMULAE AND DEFINITIONS *continued*

ITEM	DEFINITION
Headline earnings	Headline earnings is defined and calculated as per the circular titled Headline Earnings issued by the South African Institute of Chartered Accountants (SAICA), as amended from time to time, currently being basic earnings attributable to ordinary shareholders adjusted for goodwill impairments, capital profits and losses and other non-headline items
Headline earnings from continuing operations	Headline earnings adjusted for non-headline items arising from discontinued operations as defined in SAICA's circular titled Headline Earnings
Headline earnings per share	Headline earnings divided by weighted average number of ordinary shares in issue
Headline earnings per share from continuing operations	Headline earnings from continuing operations divided by weighted average number of ordinary shares in issue
Net asset value per share	Equity attributable to ordinary equity holders of the parent divided by number of ordinary shares in issue
Net interest margin	Net interest income as a percentage of average gross loans and advances
Non-performing loan coverage	Impairment provision expressed as a percentage of non-performing loans
Non-performing loan ratio	Non-performing loans expressed as a percentage of gross loans and advances
Non-performing loans	(a) the balance outstanding of loans and advances with a contractual delinquency greater than three months including repossessed stock on hand (b) reduced by the balance of such outstanding loans and advances for which three cumulative qualifying payments have been received in the three month period preceding the measurement date
Normalised headline earnings	Headline earnings adjusted for non-headline items arising from discontinued operations as defined in SAICA's circular titled Headline Earnings and the cost of listing equity and debt instruments on an exchange
Normalised headline earnings per share	Normalised headline earnings divided by weighted average number of ordinary shares in issue
Premium vehicles	Non-entry level vehicles
Provision coverage	Impairment provision expressed as a percentage of gross loans and advances
Return on average assets	Profit for the year expressed as a percentage of average total assets
Return on average tangible assets	Profit for the year expressed as a percentage of average tangible assets
Return on average equity	Profit for the year attributable to ordinary equity holders of the parent expressed as a percentage of average equity attributable to ordinary equity holders of the parent
Return on average tangible equity	Profit for the year attributable to ordinary equity holders of the parent expressed as a percentage of average tangible equity attributable to ordinary equity holders of the parent
Return on total sales	Profit for the year expressed as a percentage of total income
Structurally subordinated debt	Senior debt issued by a holding company within the group
Subordinated debt	Debt subordinated by agreement with the lender plus structurally subordinated debt
Tangible assets	Total assets less goodwill and other intangible assets
Tangible net asset value per share	Equity attributable to ordinary equity holders of the parent less goodwill and other intangible assets divided by number of ordinary shares in issue
Total income	Interest and other similar income plus non-interest revenue
Weighted average number of ordinary shares in issue	The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the year during which they have participated in the income of the group excluding treasury shares

ADMINISTRATION

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

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Ronen Goldstein (financial director)
Mark Herskovits (executive director: capital management)
Jonathan Jawno (executive director)
Michael Mendelowitz (executive director)

Independent non-executive

Christopher Seabrooke (chairman)
Phumzile Langeni
Dumisani Tabata
David Woollam
Moses Kgosana
Kuben Pillay

Non-executive

Roberto Rossi

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