2017

TRANSACTION CAPITAL AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER

Transaction Capital

CONTENTS

COMMENTARY

HIGHLIGHTS

CORE HEADLINE EARNINGS[1]	**R577 million**	↑ 26%	2016: R458 million
CORE HEADLINE EARNINGS PER SHARE[1]	**96.4 cents**	↑ 20%	2016: 80.6 cents
TOTAL DIVIDEND PER SHARE	**40.0 cents**	↑ 33%	2016: 30.0 cents

	SA TAXI	TRANSACTION CAPITAL RISK SERVICES
GROWTH IN CORE HEADLINE EARNINGS[1]	↑ 22% R303 MILLION	↑ 39% R233 MILLION
CORE RETURN ON AVERAGE EQUITY[1]	25.3%	22.2%

1 Core financial ratios exclude once-off acquisition costs of R22 million incurred during the first half of the financial year.

INTRODUCTION

Transaction Capital owns businesses that operate in highly specialised and under-served segments of the South African and Australian financial services market. Its market-leading divisions, SA Taxi and Transaction Capital Risk Services (TCRS), led by entrepreneurial and experienced management teams, represent a diversified and scalable financial services platform, underpinned by a mature governance framework. The divisions leverage their proprietary data and technology to create value for their customers. Positioned deliberately in relation to demographic and socio-economic realities, they deliver both commercial returns and social benefits.

Since it listed on the JSE Limited five years ago, the group has delivered high-quality organic earnings growth with high cash conversion rates. Headline earnings per share for the five years to 30 September 2017 grew at a compound annual growth rate (CAGR) of 21%, with dividends per share growth at a CAGR of 36% since 30 September 2014.

During the 2017 financial year, Transaction Capital extended its track record of organic earnings growth. Earnings accretive acquisitions accelerated this growth, with core headline earnings up 26% to R577 million. Core headline earnings per share rose 20% to 96.4 cents, diluted slightly by the issue of 28.4 million shares as part of the accelerated bookbuild concluded on 2 February 2017, which raised R419 million. The group's strong balance sheet provides the capacity and flexibility for further acquisitions.

The adoption of IFRS 9 in the 2015 financial year resulted in a more conservative, lower-risk balance sheet and higher quality earnings. This early adoption has removed any uncertainty relating to the implementation of IFRS 9 on future financial results and ratios. To date no other listed financial services company in South Africa has adopted IFRS 9.

Despite difficult economic conditions, the performance of SA Taxi and TCRS has again demonstrated their defensive character, as detailed in the divisional reviews that follow.

COMMENTARY *continued*

SA Taxi

		For the year ended 30 September		
		2017	2016	Movement
Financial performance				
Headline earnings attributable to the group	Rm	**303**	249	22%
Non-interest revenue	Rm	**427**	315	36%
Net interest income	Rm	**885**	744	19%
Net interest margin	%	**11.4**	11.1	
Cost-to-income ratio	%	**48.6**	51.1	
Credit performance				
Gross loans and advances	Rm	**8 303**	7 151	16%
Non-performing loan ratio	%	**17.1**	17.4	
Credit loss ratio	%	**3.2**	3.1	

MARKET POSITIONING

SA Taxi is a vertically integrated platform incorporating a unique blend of vehicle procurement, retail, repossession and refurbishment capabilities with financing and insurance competencies for focused vehicle types. These competencies, combined with its proprietary data and analytics skills, enable the division to provide asset-backed developmental credit and bespoke taxi insurance, and sell suitable vehicle models and allied services to taxi operators. Through this offering, SA Taxi delivers commercial benefits to taxi operators, helping them to ensure the viability and sustainability of their businesses.

More broadly, SA Taxi facilitates financial inclusion, job creation and economic transformation by extending developmental credit to black-owned taxi operators, most of whom do not easily qualify for traditional finance. Some nine out of 10 of SA Taxi's clients would not qualify for finance from South African banks. Since 2008, the division has extended more than R18.6 billion in loans to taxi operators, supporting the creation of an estimated 64 689 small and medium-sized enterprises (SMEs), more than 116 000 direct jobs and a further 194 000 indirect jobs. This social impact is achieved in the context of improving South Africa's public transport infrastructure as financing taxi operators enables them to replace old and unsafe vehicles with new, safer and reduced emission minibus taxis.

The minibus taxi industry makes the largest contribution to South Africa's economy of all components of the now integrated public transport network. In its role in improving this fundamental mode of public transport, SA Taxi is a key transformation partner and major contributor in the industry value chain. Furthermore, SA Taxi is cognisant of its responsibility to support the overall sustainability of the industry, which creates significant value as an employer and enabler of socio-economic activity. This approach, which reflects a maturing understanding of SA Taxi's social relevance, is essential to its ability to deliver defensible and sustainable financial returns over the long term.

OPERATING CONTEXT

With 69% of all South African households using minibus taxis, equating to more than 15 million commuter trips a day, this is the country's dominant mode of public transport. However, it receives no government subsidy. In contrast, bus and rail, which combined account for only 2 million commuter trips a day, require significant capital investment and subsidisation from government. As the most accessible means of travel, minibus taxi transport is a non-discretionary expense for the majority of South Africans. This supports the minibus taxi industry's resilience even without financial support from government.

Notwithstanding this resilience, the challenging economic environment in South Africa is having an impact on the industry. Minibus taxi vehicle prices have escalated in aggregate from about R350 000 in October 2015 to above R400 000 in September 2017, causing finance instalments and insurance premiums to increase accordingly. For the 12-month period ended 30 September 2017, the average petrol price and driver wages both increased by about 6%, and vehicle maintenance costs have increased marginally.

Despite these conditions, SA Taxi's proprietary data reflects an improvement in its operators' profitability, validated by continued strong credit performance of its clients. Profitability improvements are primarily driven by fare increases of 5% to 7% over the last 12 months. In addition, a greater proportion of commuters are choosing minibus taxis over bus or rail due to competitive pricing, convenience and accessibility; and increasing commuter density due to urbanisation has also increased profitability for operators.

Furthermore, demand for minibus taxi vehicles continues to exceed supply and the proportion of repeat loans to SA Taxi's existing clients has increased to approximately 26% in the 12 months to 30 September 2017 compared to 23% in the 12 months to 31 March 2017. These factors point to structural demand trends that are sustaining our clients' businesses, which in turn has seen SA Taxi's credit metrics remaining robust.

However, in June 2017, factions in the industry embarked on mass protest action. Their frustrations, fuelled by the economic pressure, were directed at government for the lack of subsidies and funding, original equipment manufacturers (OEMs) for vehicle price increases, financial institutions for insufficient or costly finance and insurance products, fuel companies, and retail malls for inadequate infrastructure to accommodate minibus taxi ranks.

Although SA Taxi did not anticipate the protest, given no evidence of undue stress in its loan book, it immediately intensified its engagement with industry leadership to understand the concerns of its most important constituency. Despite being well below the regulated maximum interest rate of 33.75% for developmental credit providers, the division, in consultation with industry, agreed to reduce its highest interest rate from 28.5% to 26.5% on future loans originated to assist its clients. Other relief measures included assisting clients who have had their vehicles repossessed to clear their credit records at bureaus, and instituting a 60-day moratorium on repossessions, ending on 9 August 2017.

An unfortunate outcome of reducing the top interest rate is that clients in the highest risk segment have become unviable for finance thereby impeding SA Taxi's ability to facilitate financial inclusion in this segment. SA Taxi is not a deposit-taking institution and thus raises its debt capital from local banks, asset managers and institutional investors, as well as international development finance institutions (DFIs) who provide long-term debt in foreign currency, which carries the additional cost of currency hedging. This is a major determinant of its cost structure and therefore its pricing. Preserving credit quality by keeping credit extension within defined risk parameters is necessary to sustainably finance the greatest number of clients, to benefit the industry as a whole.

Encouragingly, a direct outcome of the protest action has been deeper collaboration between industry leadership and SA Taxi, who are working together to achieve sustainable benefits for the industry. Initiatives include discussions with OEMs to procure larger quantities of vehicles to be sold directly through SA Taxi's dealership, which will enable it to hold retail prices as low as possible by limiting unnecessary charges and add-ons to vehicles that add no income producing value.

SA Taxi and industry leadership are also lobbying government to channel funding into the minibus taxi industry, which will support the favourable recapitalisation of the national fleet. Indications are that government is acknowledging the importance of the industry as an integral part of an integrated public transport system, with legislation promulgated to this effect. Given South Africa's geographic spread of its population, long travel distances and the historical under-investment in rail and bus networks, greater focus on integrating minibus taxis signals a positive development.

These combined efforts to secure the effectiveness and sustainability of the industry are expected to have a positive impact on SA Taxi's business over the long term.

VEHICLE FINANCING

SA Taxi now estimates the national minibus taxi fleet comprises of more than 200 000 vehicles with only 70 000 to 80 000 financed, and the remainder being older than nine years. The limited supply of new minibus taxis to the local market exacerbates the under-capitalisation and ageing of the national fleet. This has resulted in long-term demand exceeding supply, which has supported SA Taxi's credit performance as it is able to resell refurbished vehicles and be selective on credit risk.

SA Taxi's loans and advances portfolio, which comprises 28 724 vehicles, grew 16% to R8.3 billion. Growth of 9% in the number of loans and a 20% increase in the Rand value of loans originated supported this result. SA Taxi now finances more than 40% of new Toyota minibus taxi sales compared to 36% in 2015.

Net interest income grew 19% to R885 million in line with book growth. SA Taxi's net interest margin increased to 11.4% due to slightly lower gearing and an improved non-performing loan ratio, despite an increase in the cost of borrowing. The recent downgrades of South Africa's credit rating and the industry protest action are not expected to have a meaningful impact on SA Taxi's net interest margin or credit metrics.

The risk-adjusted net interest margin improved to 8.2% from 8.0% in the prior year. The credit loss ratio of 3.2% remained at the bottom end of the division's risk tolerance of 3% to 4% and the non-performing loan ratio improved to 17.1% from 17.4%. A combination of strong collection performance, high credit quality of loans originated in the retail dealership and conservative credit granting criteria supported this improvement.

Enhancing the value of vehicles through refurbishment enables SA Taxi to recover more than 73% of loan value on the sale of repossessed vehicles. The division operates the largest minibus taxi repair facility in Africa, and the average cost to repair repossessed vehicles was reduced further in the year. This was due to efficiencies achieved in the combined auto body repair and mechanical refurbishment centre.

Due to fewer non-performing loans, the reduced average cost to repair repossessed vehicles and higher recoveries on the re-sale of these vehicles, provision coverage reduced to 5.2%. At this level, SA Taxi's after tax credit loss remains conservatively covered at 2.3 times.

Despite political uncertainty and concern about the sovereign rating downgrades, SA Taxi raised R6 billion in debt facilities during the year, securing its requirements for the 2018 financial year. With funding from more than 40 distinct debt investors, the division continues to diversify its funding sources. In February 2017, SA Taxi secured further long-term debt facilities from US-based DFIs in foreign currency, which is fully Rand hedged once drawn.

COMMENTARY *continued*

SA Taxi returned to the local listed debt capital markets during November 2017, issuing R505 million of Moody's credit rated and JSE-listed debt via its Transsec 3 securitisation programme. The issuance was oversubscribed by more than three times and placed with 11 investors, one of which was a first time investor. Credit rated and JSE-listed debt is SA Taxi's most efficient capital pool, with the Transsec 3 issue price at a weighted average cost of 180 basis points above three-month JIBAR, 81 basis points lower than SA Taxi's prior Transsec issuance.

NON-INTEREST REVENUE

SA Taxi's vertically integrated business model generates diversified non-interest revenue streams, including revenue from the sale of vehicles, telematics services and insurance products. New revenue streams are currently being explored together with industry leadership. Non-interest revenue for the year grew 36% to R427 million, now 33% of SA Taxi's revenue after interest expenses (2012: 26%).

Vehicle retail operations

Loans originated through SA Taxi's dealership are more profitable than loans originated through external dealerships, with better product margins, insurance revenue and credit performance. Increasing the number of new and pre-owned taxi vehicles sold through the division's owned dealership therefore presents good opportunity for organic growth.

SA Taxi's dealership now also offers funding from certain South African banks, providing a wider choice of options and broadening its client base with the intention of offering its insurance and vehicle tracking products to these clients.

Insurance operations

SA Taxi's short-term insurance business is a key driver of non-interest revenue, offering bespoke insurance products including comprehensive vehicle cover, passenger liability and instalment protection cover. The division is broadening its product offering, having initiated a credit life product during October 2017. On average SA Taxi's insured clients have 1.8 SA Taxi insurance products each.

SA Taxi's insurance operations now earn gross premiums of more than R550 million per year. At 30 September 2017, more than 85% of SA Taxi's financed clients were also insured by SA Taxi, with SA Taxi's annualised new premium written for its financed clients at R231 million for the year. In addition, SA Taxi has broadened its client base, now also insuring taxi operators not financed by the division. During the year under review SA Taxi's annualised new premium written for non-SA Taxi financed clients was R52 million.

Loss ratios for both the financed and non-financed insurance portfolios are improving as a result of operational efficiencies. The business aims to improve its offering by processing a greater proportion of its insurance claims via SA Taxi's combined auto body and mechanical repair facility.

SA Taxi restructured its insurance operation during the year, which will now be consolidated in accordance with IFRS.

Technology and data

The application of unique technology and data analysis is key to mitigating SA Taxi's risk. Data is accumulated daily from each minibus taxi and applied to credit decisions (to assess the prospective profitability of a proposed route), to collections (to determine profitability based on kilometres travelled in a specific month) and to repossessions and insurance.

CONCLUSION

With 16% growth in gross loans and advances, increasing net interest margins, strong credit performance, 36% growth in non-interest revenue and the cost-to-income ratio improving to 48.6% (2016: 51.1%), it is evident that SA Taxi's credit, operational and financial performance is robust. This translated into 22% growth in headline earnings of R303 million for the year.

Transaction Capital Risk Services

		For the year ended 30 September		
		2017	2016	Movement
Financial performance				
Core headline earnings attributable to the group[1]	Rm	**233**	168	39%
Purchased book debts				
Value of purchased book debts acquired	Rm	**356**	184	93%
Purchased book debts	Rm	**891**	728	22%
Estimated remaining collections	Rm	**1 673**	1 313	27%

1 *Core financial ratios exclude once-off acquisition costs of R22 million incurred during the first half of the financial year.*

MARKET POSITIONING

TCRS is a technology-led, data-driven provider of customer management solutions in South Africa and Australia. The division's scalable and bespoke fintech platform improves its clients' ability to originate, manage and collect from their customers. The division leverages its technology and data to mitigate risk and maximise value for clients throughout the customer engagement lifecycle.

TCRS acts both as an agent on an outsourced contingency or fee-for-service (FFS) basis, and as a principal in acquiring and then collecting on non-performing loan portfolios. This diversified revenue model across various consumer credit sectors is central to the division's defensive positioning, supporting its performance in different market conditions.

In line with its strategy to buy and develop complementary businesses, TCRS acquired 100% of Recoveries Corporation in Australia (effective 1 January 2017), 75% of Road Cover and 51% of The Beancounter (both effective 1 December 2016). The acquisitions will diversify TCRS' earnings over time, by geography and by sector. The operational integration of the three businesses in the year was executed successfully, and they performed to expectation.

Further information on the acquisitions can be found in the SENS announcement released on 22 November 2016, available on www.transactioncapital.co.za.

OPERATING CONTEXT

Credit rehabilitation is a crucial element in growing an inclusive economy, as it allows consumers to again become economically active through access to conventional finance. At the same time, it allows lenders to maintain strong balance sheets and to continue extending credit at affordable interest rates. Of the 24.7 million credit-active South African consumers at March 2017, almost 40% of these (9.7 million) had impaired credit records. TCRS maintains proprietary data on the majority of these distressed consumers.

In August 2017, Transaction Capital released the Consumer Credit Rehabilitation Index (CCRI). The CCRI samples over five million consumers in credit default from TCRS' proprietary database, and uses an algorithm to estimate their propensity to repay debt and progress towards financial rehabilitation. The national rehabilitation prospects of South African consumers already in a default position deteriorated by 1.1% in the second quarter of 2017 compared to the corresponding quarter in 2016. Transaction Capital's second CCRI, published in November 2017, reflected a similar trend, recording a 0.9% deterioration in the third quarter of 2017 compared to the third quarter in 2016.

This deterioration reflects the vulnerability of South African consumers due to high unemployment (currently estimated at 27.7%), the escalating cost of household essentials and high levels of household debt to income (72.6% for the second quarter of 2017). While household debt to income has reduced, this is mainly due to debt growing at a slower pace than income, rather than an absolute decline in household debt. The 25 basis points rate cut in July 2017 and lower inflation (5.1% at 30 September 2017) may improve the debt servicing ability of households, albeit moderately. No meaningful improvement in the consumer environment is expected, but tighter retail credit extension will support this gradual decrease in the debt burden of consumers.

Encouragingly, Transaction Capital's CCRI published in November 2017 reflects a marginal improvement of 0.4% in the national rehabilitation prospect of South African consumers already in default when comparing the third quarter to the preceding quarter in 2017.

Contingency and FFS revenue

TCRS' strategy to deepen its penetration in its traditional market segments (i.e. retailers, specialist lenders and banks) and grow revenue from adjacent sectors supported its organic earnings growth in South Africa. In 89% of its 231 outsourced collection mandates in South Africa, TCRS is ranked as either the top or second-best recoveries agent. Furthermore, the adjacent insurance, telecommunication and public sectors now contribute 27% of TCRS' local contingency and FFS revenue, compared to 20% in the prior year.

The acquisition of Recoveries Corporation has diversified this revenue stream further. This business generated approximately R370 million in hard currency revenue over nine months, from a diversified client base in the insurance (24%), telecommunication and utility (16%), banking (16%) and public (25%) sectors in Australia. Recoveries Corporation is the market leader in the Australian insurance recoveries sector, and will facilitate the growth of TCRS' insurance recoveries offering in South Africa.

Acquisition of non-performing loan portfolios as principal

The current economic climate and TCRS' data, scale and capital position favour the acquisition of non-performing loan portfolios in South Africa from risk averse clients who prefer an immediate recovery against their non-performing loans. TCRS acquired 29 portfolios with a face value of R5.2 billion for R356 million during the year. TCRS now owns 195 principal portfolios with a face value of R12.2 billion, valued at R891 million at 30 September 2017. This is up 22% from R728 million a year ago.

Estimated remaining collections are at R1.7 billion, up from R1.3 billion at 30 September 2016, which will support future performance.

TCRS continues to seek opportunities to apply its analytics, pricing expertise and capital to the selective purchase of non-performing loan portfolios in a highly fragmented Australian debt collection market.

COMMENTARY *continued*

Other activities

Payment services and account management

Transaction Capital Payment Solutions specialises in customised, innovative and flexible payment services, processing R27 billion in value per year via approximately 3 million disbursements and 7 million debit orders and non-authenticated early debit orders (NAEDOs) for over 1 200 clients.

Value added services, lead generation and customer acquisition

Through its acquisition of Road Cover, TCRS has entered the adjacent value-added services market segment in South Africa. Road Cover offers proprietary value-added services to the mass consumer market on a subscription basis. At a low cost, members have access to high quality legal and administrative services, including the administration of Road Accident Fund claims, Compensation for Occupational Injuries and Diseases Act claims and claims against various road agencies and municipalities relating to damage to a member's motor vehicle due to poor road conditions. Road Cover's products are typically embedded in other subscription-based products in the insurance, banking, motor and retail sectors, and are also distributed to consumers as a standalone product via direct marketing channels.

SME financing and services

Transaction Capital Business Solutions (TCBS), incorporating The Beancounter, provides business support (including fully outsourced accounting, payroll and tax services through "software-as-a-service" technology to SMEs on a monthly retainer basis) and SME finance to small businesses that may not otherwise have access to credit, thereby facilitating both SME growth and job creation.

TCBS' main activity includes disclosed invoice discounting, incorporating the outsourced management of debtors' books, processing on average 450 000 invoices to the value of approximately R8.5 billion per year. Other SME financing activities include targeted trade and property finance. At 30 September 2017, gross loans and advances grew to R570 million, up 15%.

CONCLUSION

Before taking the business acquisitions into account, TCRS' cost-to-income ratio remained stable from the prior year. The technological and operational enhancements initiated in 2016, together with aggressive cost containment initiatives, contributed to this result.

Including the effects of the acquisitions, core headline earnings growth of 39% to R233 million was achieved for the year ended 30 September 2017. Solid organic growth, augmented by the earnings accretive business acquisitions, underpinned this result.

The impact of the foreign exchange translation loss on earnings from Recoveries Corporation was insignificant.

Group executive office

The group executive office contributed R41 million to the group's headline earnings for the 2017 financial year, resulting from efficient capital management and treasury functions relating to the excess capital of R650 million.

DIRECTORATE AND COMPANY SECRETARY

As previously communicated on SENS, Theresa Palos was appointed as company secretary with effect from 2 March 2017, replacing Statucor (Pty) Ltd. Olufunke Ighodaro was appointed as an independent non-executive director with effect from 1 April 2017 and Paul Miller was appointed as a non-executive director with effect from 1 July 2017. David Woollam and Dumisani Tabata resigned as independent non-executive directors with effect from 2 March 2017 and Moses Kgosana resigned as an independent non-executive director with effect from 8 September 2017.

DIVIDEND POLICY

The dividend policy has been amended to a reduced cover ratio of 2 to 2.5 times (previously 2.5 to 3 times). This change has been implemented due to the improved quality of earnings as evidenced by high cash conversion rates and lower balance sheet risk, the stable capital requirements of the group and the ungeared net position of the holding company. All of these factors allow for a higher sustainable dividend policy going forward.

PROSPECTS AND STRATEGY

Transaction Capital's strategy is to drive organic growth in each division through deep vertical integration within core and adjacent market segments. As SA Taxi and TCRS gain deeper insight into their respective sectors, underpinned by a maturing understanding of their social relevance, they are able to identify and create more value for all stakeholders.

This model is supported by the group's conservative approach to acquisitions, with a focus on acquiring and developing established platforms within these core and adjacent market segments. More than R500 million was deployed to fund the business acquisitions made in the year. The R419 million of equity capital raised thereafter has ensured that the group's balance sheet remains well capitalised, liquid and ungeared. With excess capital of around R650 million, the group has the flexibility for immediate cash settlement of any future acquisitions.

Despite difficult economic conditions, the performance of SA Taxi and TCRS has again demonstrated their defensive character. Robust organic growth of the group's high quality earnings, blended with the returns of the acquired businesses, will position Transaction Capital to continue to increase earnings and dividends in line with past performance.

Any forecast financial information has not been reviewed or reported on by the company's auditors.

DIVIDEND DECLARATION

Following the interim dividend of 15 cents per share (2016 interim: 12 cents per share), and in line with the new dividend policy, the board has declared a final gross cash dividend of 25 cents per share (2016: 18 cents per share) for the six months ended 30 September 2017 to those members on the record date appearing below. The dividend is declared out of income reserves. A dividend withholding tax of 20% will be applicable to the dividend to all shareholders that are not exempt from the dividend withholding tax, resulting in a net dividend of 20 cents per share.

The salient features applicable to the final dividend are as follows:

Issued shares as at declaration date	610 146 776
Declaration date	Tuesday 21 November 2017
Last day to trade cum dividend	Tuesday 5 December 2017
Ex-dividend	Wednesday 6 December 2017
Record date	Friday 8 December 2017
Payment date	Monday 11 December 2017

Tax reference number: 9466/298/15/6

Share certificates may not be dematerialised or rematerialised between Wednesday 6 December 2017 and Friday 8 December 2017, both dates inclusive.

On Monday 11 December 2017 the cash dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic fund transfer is not available or desired, cheques dated 11 December 2017 will be posted on that date. Shareholders who have dematerialised their share certificates will have their accounts at their CSDP or broker credited on Monday 11 December 2017.

BASIS FOR PREPARATION

The auditors, Deloitte and Touche, have issued their opinions on the consolidated financial statements and the summarised consolidated financial statements for the year ended 30 September 2017. The audit was conducted in accordance with International Standards on Auditing. They have issued unmodified audit opinions.

The consolidated financial statements and summarised consolidated financial statements have been prepared under the supervision of R Goldstein (CA) SA. These results represent a summary of the complete set of audited consolidated financial statements of Transaction Capital approved on 21 November 2017. The directors take full responsibility and confirm that this information has been correctly extracted from the consolidated financial statements. The complete set of consolidated financial statements is available for inspection at Transaction Capital's registered office.

The summarised consolidated financial statements have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements on the Companies Act of South Africa, no 71 of 2008, applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS, IAS 34: Interim Financial Reporting and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

The accounting policies applied in the preparation of these summarised consolidated financial statements are in terms of IFRS and are consistent, in all material respects, with those details in Transaction Capital's prior year annual consolidated financial statements.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the unmodified ISA 810 audit report together with the accompanying financial information from the company's registered office.

COMMENTARY *continued*

APPROVAL BY THE BOARD OF DIRECTORS

Signed on behalf of the board of directors:

David Hurwitz
Chief executive officer

Ronen Goldstein
Financial director

21 November 2017

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Sponsor: RAND MERCHANT BANK (A division of FirstRand Bank Limited)

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER

	2017 Audited Rm	2016 Audited Rm
Assets		
Cash and cash equivalents	**944**	1 276
Tax receivables	**22**	28
Trade and other receivables	**687**	472
Inventories	**212**	201
Loans and advances	**8 456**	7 190
Leased assets	**–**	40
Purchased book debts	**891**	728
Other loans receivable	**41**	35
Other investments	**–**	477
Intangible assets	**247**	93
Property and equipment	**150**	104
Goodwill	**1 165**	200
Deferred tax assets	**259**	247
Total assets	**13 074**	11 091
Liabilities		
Bank overdrafts	**136**	173
Tax payables	**19**	8
Trade and other payables	**584**	286
Provisions	**147**	14
Interest-bearing liabilities	**8 191**	7 477
Senior debt	**7 228**	6 512
Subordinated debt	**963**	965
Deferred tax liabilities	**225**	155
Total liabilities	**9 302**	8 113
Equity		
Ordinary share capital	**1 056**	510
Reserves	**34**	149
Retained earnings	**2 628**	2 285
Equity attributable to ordinary equity holders of the parent	**3 718**	2 944
Non-controlling interest	**54**	34
Total equity	**3 772**	2 978
Total equity and liabilities	**13 074**	11 091

SUMMARISED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER

	2017 Audited Rm	2016 Audited Rm
Interest and other similar income	**1 971**	1 688
Interest and other similar expense	**(964)**	(809)
Net interest income	**1 007**	879
Impairment of loans and advances	**(260)**	(209)
Risk-adjusted net interest income	**747**	670
Non-interest revenue	**1 937**	1 279
Operating costs	**(1 910)**	(1 348)
Non-operating loss	**(3)**	–
Profit before tax	**771**	601
Income tax expense	**(203)**	(138)
Profit for the year	**568**	463
Profit for the year attributable to:		
Ordinary equity holders of the parent	**555**	458
Non-controlling interests	**13**	5
Earnings per share (cents)		
Basic and headline earnings per share	**92.8**	80.6
Diluted basic and headline earnings per share	**92.2**	80.0

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER

	2017 Audited Rm	2016 Audited Rm
Profit for the year	**568**	463
Other comprehensive income		
Movement in cash flow hedging reserve	**(8)**	(3)
Fair value losses arising during the year	**(12)**	(4)
Deferred tax	**4**	1
Movement in equity instruments held at fair value	**(72)**	27
Exchange gains on translation of foreign operations	**15**	–
Total comprehensive income for the year	**503**	487
Total comprehensive income attributable to:		
Ordinary equity holders of the parent	**490**	482
Non-controlling interests	**13**	5

SUMMARISED CONSOLIDATED HEADLINE EARNINGS RECONCILIATION
FOR THE YEAR ENDED 30 SEPTEMBER

Headline earnings is equal to profit after tax for the year as there are no headline earnings adjustments required.

	2017 Audited Rm	2016 Audited Rm
Headline earnings	**555**	458
Transaction and other acquisition-related costs	**22**	–
Core headline earnings	**577**	458

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER

	Share capital Audited Rm	**Reserves Audited Rm**	**Retained earnings Audited Rm**	**Ordinary equity holders Audited Rm**	**Non-controlling interest Audited Rm**	**Total equity Audited Rm**
Balance at 30 September 2015	468	122	1 991	2 581	30	**2 611**
Total comprehensive income	–	24	458	482	5	**487**
Profit for the year	–	–	458	458	5	**463**
Other comprehensive income	–	24	–	24	–	**24**
Grant of share appreciation rights	–	16	–	16	–	**16**
Settlement of share appreciation rights	–	(13)	(29)	(42)	–	**(42)**
Dividends paid	–	–	(135)	(135)	(1)	**(136)**
Issue of shares	53	–	–	53	–	**53**
Repurchase of shares	(11)	–	–	(11)	–	**(11)**
Balance at 30 September 2016	510	149	2 285	2 944	34	**2 978**
Total comprehensive income	**–**	**(65)**	**555**	**490**	**13**	**503**
Profit for the year	**–**	**–**	**555**	**555**	**13**	**568**
Other comprehensive income	**–**	**(65)**	**–**	**(65)**	**–**	**(65)**
Grant of share appreciation rights and conditional share plan	**–**	**18**	**–**	**18**	**–**	**18**
Settlement of share appreciation rights	**–**	**(20)**	**(64)**	**(84)**	**–**	**(84)**
Transfer to retained earnings	**–**	**(48)**	**48**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**(196)**	**(196)**	**(3)**	**(199)**
Issue of shares	**557**	**–**	**–**	**557**	**–**	**557**
Repurchase of shares	**(11)**	**–**	**–**	**(11)**	**–**	**(11)**
Non-controlling interests arising on business combinations	**–**	**–**	**–**	**–**	**10**	**10**
Balance at 30 September 2017	**1 056**	**34**	**2 628**	**3 718**	**54**	**3 772**

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

	2017 Audited Rm	2016 Audited Rm
Cash flow from operating activities		
Cash generated by operations	**1 134**	908
Income taxes paid	**(51)**	(87)
Dividends received from insurance activities	**115**	71
Dividends paid	**(199)**	(136)
Cash flow from operating activities before changes in operating assets and liabilities	**999**	756
Increase in operating assets and liabilities	**(1 126)**	(727)
Loans and advances	**(1 572)**	(1 245)
Leased assets	**–**	(40)
Purchased book debts	**(280)**	(279)
Net proceeds from interest-bearing liabilities	**726**	837
Changes in working capital	**(238)**	(137)
Increase in inventories	**(127)**	(180)
(Increase)/decrease in trade and other receivables	**(223)**	10
Increase in trade and other payables	**112**	33
Net cash utilised by operating activities	**(365)**	(108)
Cash flow from investing activities		
Business combinations	**(226)**	(3)
Acquisition of property and equipment	**(66)**	(67)
Acquisition of intangible assets	**(70)**	(77)
Decrease in other investments	**–**	31
(Increase)/decrease in other loans receivable	**(6)**	221
Net cash (utilised)/generated by investing activities	**(368)**	105
Cash flow from financing activities		
Repurchase of shares	**(11)**	(11)
Issue of shares	**449**	–
Net cash generated/(utilised) by financing activities	**438**	(11)
Net decrease in cash and cash equivalents	**(295)**	(14)
Cash and cash equivalents at the beginning of the year*	**1 103**	1 117
Cash and cash equivalents at the end of the year*	**808**	1 103

* *Cash and cash equivalents are presented net of bank overdrafts.*

SUMMARISED CONSOLIDATED SEGMENT REPORT
FOR THE YEAR ENDED 30 SEPTEMBER

	SA Taxi	
	2017 Audited Rm	2016 Audited Rm
Summarised income statement for the year ended 30 September 2017		
Net interest income	**885**	744
Impairment of loans and advances	**(253)**	(206)
Non-interest revenue	**427**	315
Operating costs	**(638)**	(541)
Non-operating loss	**–**	–
Profit before tax	**421**	312
Headline earnings attributable to equity holders of the parent	**303**	249
Once-off transaction and other acquisition-related costs	**–**	–
Core headline earnings attributable to equity holders of the parent	**303**	249
Summarised statement of financial position at 30 September 2017		
Assets		
Cash and cash equivalents	**608**	761
Loans and advances	**7 872**	6 675
Purchased book debts	**–**	–
Other investments	**–**	477
Other assets	**1 438**	964
Total assets	**9 918**	8 877
Liabilities		
Bank overdrafts	**136**	173
Interest-bearing liabilities	**6 879**	6 482
Group loans**	**1 164**	913
Other liabilities	**408**	167
Total liabilities	**8 587**	7 735
Total equity	**1 331**	1 142

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

** *Of SA Taxi's total group loans of R1 164 million at 30 September 2017, R400 million is repayable on demand as part of the group's treasury management function. The remaining R764 million group loans is subordinated debt with fixed repayment terms. TCRS' total group loans of R107 million is repayable on demand.*

	Transaction Capital Risk Services		Group executive office*		Group	
	2017 Audited Rm	2016 Audited Rm	**2017 Audited Rm**	2016 Audited Rm	**2017 Audited Rm**	2016 Audited Rm
	77	65	**45**	70	**1 007**	879
	(7)	(3)	**–**	–	**(260)**	(209)
	1 485	964	**25**	–	**1 937**	1 279
	(1 260)	(796)	**(12)**	(11)	**(1 910)**	(1 348)
	(3)	–	**–**	–	**(3)**	–
	292	230	**58**	59	**771**	601
	211	168	**41**	41	**555**	458
	22	–	**–**	–	**22**	–
	233	168	**41**	41	**577**	458
	161	72	**175**	443	**944**	1 276
	584	515	**–**	–	**8 456**	7 190
	891	728	**–**	–	**891**	728
	–	–	**–**	–	**–**	477
	1 327	364	**18**	92	**2 783**	1 420
	2 963	1 679	**193**	535	**13 074**	11 091
	–	–	**–**	–	**136**	173
	968	558	**344**	437	**8 191**	7 477
	107	230	**(1 271)**	(1 143)	**–**	–
	531	285	**36**	11	**975**	463
	1 606	1 073	**(891)**	(695)	**9 302**	8 113
	1 357	606	**1 084**	1 230	**3 772**	2 978

BUSINESS COMBINATIONS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Subsidiaries acquired

	Acquirer	Principal activity	Date of acquisition	Proportion of voting equity interests acquired %	Consideration for IFRS 3 purposes Rm
Recoveries Corporation Group Limited (Recoveries Corporation)*	Transaction Capital Risk Services	Consumer management solutions	31/12/2016	**100**	**477**
RC Value Added Services Proprietary Limited (Road Cover)*	Transaction Capital Risk Services	Proprietary value-added services	01/12/2016	**75**	**120**
The Beancounter Financial Services Proprietary Limited (The Beancounter)*	Transaction Capital Business Solutions	Outsourced accounting, payroll and tax services	01/12/2016	**51**	**10**
SA Taxi cell in Guardrisk International Limited PCC (SA Taxi cell captive)**	SA Taxi Development Finance	Insurance operations	30/06/2017	**100**	**497**

* *Refer to the announcements released on SENS on 14 November 2016 and 22 November 2016 for further detail with regards to these acquisitions.*

** *SA Taxi transferred its existing insurance business into a ring-fenced Protected Cell Company (PCC) in Mauritius. The PCC ring-fences SA Taxi's capital which triggers control and as such constitutes a business combination.*

Consideration for IFRS 3 purposes

	Recoveries Corporation Rm	Road Cover Rm	The Beancounter Rm	SA Taxi cell captive Rm	Total Rm
Cash	**377**	**120**	**10**	**–**	**507**
Contingent consideration arrangement*	**100**	**–**	**–**	**–**	**100**
Transfer of assets	**–**	**–**	**–**	**497**	**497**
Total	**477**	**120**	**10**	**497**	**1 104**

* *In terms of the contingent consideration arrangement at transaction date, the group was required to pay Recoveries Corporation a further potential AUD10 million over an earn-out period ending 31 October 2018. A maximum potential first earn-out payment of AUD2.5 million was payable at or about the end of October 2017 and AUD0.5 million is payable at or about the end of December 2017, subject to achieving certain profit warranties, with a maximum last earn-out payment of AUD7 million payable at or about the end of October 2018, again subject to achieving certain profit warranties. The present value of the contingent consideration on the date of acquisition was AUD9 million which represents the estimated fair value of this obligation at this date.*

There has been no material change in the fair value of the contingent consideration since the acquisition date to year-end, other than the unwinding of the time value of money. A first earn-out payment of AUD2.4 million (of AUD2.5 million) was made on 3 October 2017.

Acquisition-related costs amounting to R22.5 million (Recoveries Corporation R20.5 million, Road Cover R1.4 million, The Beancounter R0.1 million and SA Taxi's cell captive R0.5 million) have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year.

Assets acquired and liabilities recognised at the date of acquisition

	Recoveries Corporation Rm	Road Cover Rm	The Beancounter Rm	SA Taxi cell captive Rm	Total Rm
Current assets					
Cash and cash equivalents	21	4	–	256	281
Trade and other receivables	72	–	1	37	110
Tax receivables	4	–	–	4	8
Non-current assets					
Property and equipment	16	2	–	–	18
Goodwill	147	–	–	–	147
Deferred tax assets	14	1	–	54	69
Current liabilities					
Provisions	(30)	–	–	(294)	(324)
Trade and other payables	(76)	(6)	(1)	(5)	(88)
Net assets acquired and liabilities recognised	168	1	–	52	221

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

The receivables acquired in these transactions have a fair value of R110 million. The receivables acquired compromise principally of trade receivables with a gross contractual amount of R96 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected is R4 million.

Non-controlling interests

The non-controlling interests in Road Cover (25%) and The Beancounter (49%) were measured at acquisition date at the non-controlling interests' proportionate share of the identifiable net assets.

Goodwill arising on acquisition

	Recoveries Corporation Rm	Road Cover Rm	The Beancounter Rm	SA Taxi cell captive Rm	Total Rm
Consideration for IFRS 3 purposes	477	120	10	497	1 104
Plus: non-controlling interests (25% in Road Cover, 49% in The Beancounter)	–	9	<1	–	9
Less: intangible assets identified from business combinations	(61)	(40)	(2)	(13)	(116)
Plus: deferred tax on intangible assets identified from business combinations	14	9	1	4	28
Plus: contingent liabilities raised in terms of IFRS 3	–	3	–	–	3
Less: fair value of identifiable net assets acquired	(168)	(1)	–	(52)	(221)
Goodwill arising on acquisition	262	100	9	436	807

BUSINESS COMBINATIONS *continued*

The consideration paid for the business combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Recoveries Corporation, Road Cover, The Beancounter and SA Taxi's cell captive. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

On acquisition of Road Cover, and in accordance with the requirements of IFRS 3, the group recognised an additional contingent liability of R3 million in respect of historic subscriber claims at acquisition date for which the costs associated with the settlement of claims is uncertain. The contingent liability was measured with reference to historic trend analysis of costs incurred associated with subscriber claims at the acquisition date and, if an outflow occurs, it is expected to be settled within 18 months of the acquisition date. There has been no change in the fair value of the contingent liability since the acquisition date.

Net cash outflow on acquisition of subsidiaries

	Rm
Consideration paid in cash	**507**
Less: cash and cash equivalent balance acquired	**(281)**
Net cash outflow	**226**

Impact of acquisitions on the results of the group

Included in profit attributable to equity holders of the group for the year, excluding acquisition costs, is R28 million attributable to Recoveries Corporation, R16 million attributable to Road Cover and R1 million attributable to The Beancounter. Revenue for the year includes R372 million in respect of Recoveries Corporation, R62 million in respect of Road Cover and R10 million in respect of The Beancounter.

Had these business combinations been effected at 1 October 2016, revenue for the group would have been R4 056 million, and the profit for the year attributable to equity holders of the group would have been R566 million. The directors consider these pro forma numbers to represent approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

The acquisition made by the SA Taxi group related to the insurance business resulted in control of the Protected Cell and the ring-fencing of the capital. The change in control resulted in full consolidation of the insurance business, represented by gross premiums earned of R557 million for the year, with no resultant impact on the profit after tax of the insurance business.

FAIR VALUE DISCLOSURE
FOR THE YEAR ENDED 30 SEPTEMBER

The fair values of financial assets and financial liabilities are disclosed below:

	Carrying value 2017 Rm	Fair value 2017 Rm	Carrying value 2016 Rm	Fair value 2016 Rm
Assets				
Loans and advances	**8 456**	**8 454**	7 190	7 191
Purchased book debts	**891**	**891**	728	728
Other loans receivable	**41**	**41**	35	35
Trade and other receivables*	**580**	**580**	413	413
Cash and cash equivalents	**944**	**944**	1 276	1 276
Total	**10 912**	**10 910**	9 642	9 643
Liabilities				
Interest-bearing liabilities	**8 191**	**8 571**	7 477	7 459
– Fixed rate liabilities	**25**	**25**	427	426
– Floating rate liabilities	**8 166**	**8 546**	7 050	7 033
Trade and other payables**	**512**	**512**	228	228
Bank overdrafts	**136**	**136**	173	173
Total	**8 839**	**9 219**	7 878	7 860
Net exposure	**2 073**	**1 691**	1 764	1 783

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

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

FAIR VALUE DISCLOSURE *continued*

LEVEL DISCLOSURES

	2017			
	Level 1 Rm	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**
Financial assets at fair value through profit or loss				
Loans and advances: entry-level vehicles	**–**	**–**	**26**	**26**
Other financial assets	**–**	**–**	**62**	**62**
Financial assets at fair value through other comprehensive income				
Derivatives	**–**	**53**	**–**	**53**
Total financial assets	**–**	**53**	**88**	**141**
Financial liabilities at fair value through profit or loss				
Trade and other payables	**–**	**–**	**100**	**100**
Financial liabilities at fair value through other comprehensive income				
Derivatives	**–**	**4**	**–**	**4**
Total financial liabilities	**–**	**4**	**100**	**104**

	2016			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets at fair value through profit or loss				
Loans and advances: entry-level vehicles	–	–	62	62
Other financial assets	–	–	158	158
Financial assets at fair value through other comprehensive income				
Derivatives	–	73	–	73
Other investments	–	–	477	477
Total financial assets	–	73	697	770

Reconciliation of level 3 fair value measurements of financial assets

	2017		
	Fair value through profit or loss Rm	**Fair value through other comprehensive income Rm**	**Total Rm**
Opening balance	**220**	**477**	**697**
Total gains or losses			
In profit or loss	**(19)**	**–**	**(19)**
In other comprehensive income	**–**	**(72)**	**(72)**
Capital deployed to cell	**–**	**92**	**92**
Business combination	**–**	**(497)**	**(497)**
Other movements*	**(113)**	**–**	**(113)**
Closing balance of fair value measurement	**88**	**–**	**88**

	2016		
	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
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 of loans for entry-level vehicles as well as movements in other financial assets.*

FAIR VALUE DISCLOSURE *continued*

Sensitivity analysis of valuations using unobservable inputs

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

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

SA Taxi – loans and advances: entry-level vehicles	**2017** 10% Favourable Rm	**2017** 10% Unfavourable Rm	2016 10% Favourable Rm	2016 10% Unfavourable Rm
Significant unobservable input and description of assumption				
Average probability of default	**12**	**(3)**	17	(35)
Average loss given write-off	**12**	**(12)**	38	(35)
Average collateral value	**1**	**(1)**	2	(2)
Discount rate: the rate used to discount projected future cash flows to present value	**1**	**(1)**	3	(3)
Average effective interest rate	**1**	**(1)**	3	(3)
Total	**27**	**(18)**	63	(78)

SA Taxi – investment in unlisted entity	**2017** 10% Favourable Rm	**2017** 10% Unfavourable Rm	2016 10% Favourable Rm	2016 10% Unfavourable Rm
Significant unobservable input and description of assumption				
Premium per policy: average insurance premium per policy in a year	**–**	**–**	17	(17)
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)
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)
Discount rate: the rate used to discount projected future cash flows to present value	**–**	**–**	18	(16)
Total	**–**	**–**	129	(127)

Transaction Capital Recoveries – other financial assets	**2017** 10% Favourable Rm	**2017** 10% Unfavourable Rm	2016 10% Favourable Rm	2016 10% Unfavourable Rm
Significant unobservable input and description of assumption				
Cash flows: change in the expected revenue	**–**	**–**	–	(1)
Cash flows: change in expected costs	**–**	**–**	1	(1)
Discount rate: the rate used to discount projected future cash flows to present value	**<1**	**<(1)**	4	(3)
Total	**<1**	**<(1)**	5	(5)

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