TRANSCAPITAL INVESTMENTS LIMITED

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER

2018

TransCapital Investments

CONTENTS

The annual financial statements were prepared under the supervision of Ronen Goldstein CA (SA).

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

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

The annual financial statements are prepared on the going concern basis. The directors have assessed the company's ability to continue as a going concern and have noted that as at 30 September 2018 the company's liabilities exceed its assets by ZAR (941 330). The company's ultimate holding company Transaction Capital Limited has undertaken to take all the appropriate action to ensure the company at all times has access to the technical and financial resources needed to successfully continue in operation and meet its contractual obligations. On this basis the directors have satisfied themselves that the entity has sufficient borrowing facilities and technical financial support to continue in operation for the foreseeable future. A letter of support to this effect has been provided.

The auditors are responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework, and their unmodified report appears on pages 8 to 9.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements on pages 10 to 23 were approved by the board of directors on 20 November 2018, and are signed on their behalf.

David Hurwitz
Director

Ronen Goldstein
Director

COMPANY SECRETARY'S CERTIFICATE

FOR THE YEAR ENDED 30 SEPTEMBER 2018

I hereby certify that, to the best of my 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 of South Africa ('Companies Act'), with the Companies and Intellectual Property Commission ('CIPC') for the financial year ended 30 September 2018, and that all such returns and notices appear to be true, correct and up to date.

Theresa Palos
Company secretary
20 November 2018

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

NATURE OF BUSINESS

The company has been incorporated for the purposes of funding the borrowing requirements of the holding company, Transaction Capital Limited, and its subsidiaries.

FINANCIAL RESULTS

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

DIRECTORATE

The names of the directors in office at the date of this report are set out on page 24.

HOLDING COMPANY

Transaction Capital Limited owns 100% of the issued shares in the company.

The audit, risk and compliance committee and social and ethics committee functions are carried out at the holding company, Transaction Capital Limited.

The Transaction Capital Limited consolidated annual financial statements are available at:
http://www.transactioncapital.co.za/results-reports.php

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

BOARD OF DIRECTORS

The names of the directors in office at the date of this report are set out on page 24.

INDEPENDENT ADVICE

A director may, if necessary, take independent professional advice at the expense of TransCapital Investments (Proprietary) Limited (the company).

COMPANY SECRETARY

All directors have access to the advice and services of the company secretary, who provides guidance to the board as a whole and to individual directors with regard to how their responsibilities should be discharged in the best interest of the company.

BOARD SUB-COMMITTEES

The audit, risk and compliance committee and social and ethics committee functions are carried out at the holding company, Transaction Capital Limited.

The board has concluded that these committees fulfilled its responsibilities for the year under review in compliance with its terms of reference and statutory requirements.

REMUNERATION PHILOSOPHY

The company is a special purpose vehicle which does not employ any employees and no remuneration is paid.

SUSTAINABILITY REPORTING

As a special purpose vehicle, the company does not play an active role where the environment and community is involved. Sustainability issues are dealt with by the holding company.

FUNDAMENTAL AND AFFECTED TRANSACTIONS

The company does not conduct business with entities in which its directors have a financial interest. Directors are required to declare financial interests on an annual basis.

COMPLIANCE WITH KING IV

The company is, as far as practically possible given the special purpose nature thereof, fully committed to the principles of the Code of Governance Principles set out in the King IV Report (the code).

In supporting the code, the directors recognise the need to conduct the affairs of the company with integrity and accountability.

The company is a special purpose vehicle and is a subsidiary of Transaction Capital Limited. The company has no employees and its management is outsourced to its holding company. The audit function and social and ethics function is carried out by the holding company, as provided for in section 94(2) and regulation 43(2) of the Companies Act 71 of 2008. As a consequence the governance framework of the holding company applies to the company, as appropriate. In the context of the above, the directors of the company are of the opinion that the company has complied with the principles of King IV for the year under review.

CORPORATE GOVERNANCE REPORT *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2018

In terms of the JSE Debt Listings Requirements, the company is required to disclose the application of the King IV principles, as set out below.

<table>
<tr><th></th><th>Primary roles and responsibilities</th><th>Principles</th><th>Status</th><th>Comment</th></tr>
<tr><td colspan="5">To be read in conjunction with Transaction Capital Limited's integrated annual report which is available at http://www.transactioncapital.co.za/results-reports.php</td></tr>
<tr><td colspan="5">Leadership, ethics and corporate citizenship</td></tr>
<tr><td>1</td><td>Leadership</td><td>The governing body should lead ethically and effectively.</td><td>Apply</td><td>The board of the company and the board of the holding company maintains a high level of individual and collective responsibility, accountability, fairness and transparency, which together drive a culture of risk awareness, ethical behaviour and value creation.

The holding company has a board charter which serves as a guide to the directors in the performance of their duties in accordance with the principles of good corporate governance.

The Transaction Capital group's values provide the foundation for effective and ethical leadership, and are the basis for all deliberations, decisions and actions at board level and within every area of the business.</td></tr>
<tr><td>2</td><td>Organisational ethics</td><td>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</td><td>Apply</td><td rowspan="2">The company is a special purpose vehicle with no employees and all functions are outsourced to its holding company, with the exception of the external audit function. The services performed by its holding company are conducted in accordance with Transaction Capital's ethics charter, as governed by the audit, risk and compliance (ARC) committee.

Transaction Capital's ethics charter outlines the group's core values of integrity, respect, excellence and innovation. In addition, it describes Transaction Capital's guiding business principles that direct all business dealings within the group, by employees and with other stakeholders. As an ethical roadmap for the group, the ethics charter requires all group operations to conduct business with honesty and integrity, and in accordance with the highest legal and ethical standards.

The functions performed by its holdings company are also governed by Transaction Capital's social and ethics committee.</td></tr>
<tr><td>3</td><td>Responsible corporate citizenship</td><td>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</td><td>Apply</td></tr>
</table>

CORPORATE GOVERNANCE REPORT *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Primary roles and responsibilities	Principles	Status	Comment
Strategy, performance and reporting				
4	Strategy and performance	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Apply	The company is a special purpose vehicle. The strategy, direction and functions of the company are prescribed by the programme memorandum, programme agreement, agency agreement and any other ancillary agreements. Any changes to these agreements are approved by the board.
5	Reporting	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.	Apply	Based on the recommendation of the holding company's ARC committee, the board approves the annual financial statements and any other reports published by the company, where required. The board ensures that the financial statements, which include the independent auditor's report, are available to stakeholders to make informed assessments of the company's performance.
Governing structures and delegation				
6	Primary role and responsibilities of the governing body	The governing body should serve as the focal point and custodian of corporate governance in the organisation.	Apply	The board of directors of the holding company is the focal point of its corporate governance framework. The holding company follows a stakeholder-inclusive approach to governance, with the holding company board being ultimately responsible and accountable to stakeholders for the performance, activities and control of the company.
7	Composition of the governing body	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Apply	The board of the holding company, in conjunction with its nominations committee, assesses the composition and membership of the board and board committees holistically on an annual basis. Based on its most recent assessment performed in November 2017, Transaction Capital's board, together with the nominations committee, is satisfied that the holding company's board's composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.
8	Committees of the governing body	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and the effective discharge of its duties.	Apply	A delegation of authority is in place for board sub-committees of the holding company. Board sub-committees have terms of reference, which are reviewed annually. The governance function of the board sub-committees is outlined in the respective approved committee terms of reference.

CORPORATE GOVERNANCE REPORT *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Primary roles and responsibilities	Principles	Status	Comment
Governing structures and delegation *continued*				
9	Evaluations of the performance of the governing body	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	Apply	A formal performance evaluation of the holding company board, its committees and the company secretary is conducted annually by means of an evaluation questionnaire, to review the mix of skills, performance during the year and contribution of individual directors. Results of the evaluations provide the basis for improvement of the board and its committees for the following year.
10	Appointment and delegation to management	The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	Apply	The company does not have any employees and all its functions have been outsourced to its holding company. Such functions are governed by Transaction Capital's committees.
Governance of functional areas				
11	Risk	The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Apply	The company is a special purpose vehicle. The company does not have employees and all its functions have been outsourced to Transaction Capital Limited. The services performed by Transaction Capital Limited are governed by its ARC committee.
12	Technology and information	The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.	Apply	
13	Compliance	The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	Apply	
14	Remuneration	The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	N/A	The company has no employees and does not remunerate its directors individually.
15	Assurance	The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	Apply	The company is a special purpose vehicle. The company does not have employees and all its functions have been outsourced to Transaction Capital Limited. The services performed by Transaction Capital Limited are governed by its ARC committee. Compliance and internal audit representatives from Transaction Capital Limited are present at the ARC committee meetings.

CORPORATE GOVERNANCE REPORT *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Primary roles and responsibilities	Principles	Status	Comment
Stakeholder relationships				
16	Stakeholders	In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Apply	Stakeholder engagement is reported on at the holding company's board and social and ethics committee.
17	Institutional investors	The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.	N/A	The company is not an institutional investor.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRANSCAPITAL INVESTMENTS LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of TransCapital Investments Limited set out on pages 10 to 23, which comprise the statement of financial position as at 30 September 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of TransCapital Investments Limited as at 30 September 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 Financial Statements section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the 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.

Other information

The directors are responsible for the other information. The other information comprises Statement of Directors' Responsibility and Approval and the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 financial statements

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

In preparing the financial statements, the directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT *continued*

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the 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 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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 TransCapital Investments Limited for 3 years.

Deloitte & Touche
Registered Auditor
Per: Paul Stedall
Partner

20 November 2018

STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2018

	Notes	2018 R	2017 R
ASSETS			
Cash and cash equivalents	1	**37 732**	–
Trade and other receivables	2	**863 501**	860 300
Deferred tax assets	3	**366 112**	173 479
TOTAL ASSETS		**1 267 345**	1 033 779
LIABILITIES			
Group loans		**2 202 501**	1 474 713
Trade and other payables	4	**6 174**	5 053
TOTAL LIABILITIES		**2 208 675**	1 479 766
EQUITY			
Ordinary share capital	5	**100**	100
Accumulated loss		**(941 430)**	(446 087)
TOTAL EQUITY		**(941 330)**	(445 987)
TOTAL EQUITY AND LIABILITIES		**1 267 345**	1 033 779

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 R	2017 R
Interest and other similar income	6	**426**	–
Operating costs	7	**(688 402)**	(619 566)
LOSS BEFORE TAX		**(687 976)**	(619 566)
Income tax benefit	8	**192 633**	173 479
LOSS FOR THE YEAR		**(495 343)**	(446 087)
Other comprehensive income		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(495 343)**	(446 087)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Number of ordinary shares	Share capital R	Accumulated loss R	Total equity R
BALANCE AT 30 SEPTEMBER 2016	100	100	–	100
Total comprehensive income	–	–	(446 087)	(446 087)
Loss for the year	–	–	(446 087)	(446 087)
BALANCE AT 30 SEPTEMBER 2017	**100**	**100**	**(446 087)**	**(445 987)**
Total comprehensive income	**–**	**–**	**(495 343)**	**(495 343)**
Loss for the year	**–**	**–**	**(495 343)**	**(495 343)**
BALANCE AT 30 SEPTEMBER 2018	**100**	**100**	**(941 430)**	**(941 330)**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 R	2017 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised by operations	9	**(687 976)**	(619 566)
CASH FLOW UTILISED IN OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		**(687 976)**	(619 566)
Changes in working capital		**(2 080)**	(855 247)
Increase in trade and other receivables		**(3 201)**	(860 300)
Increase in trade and other payables		**1 121**	5 053
NET CASH UTILISED BY OPERATING ACTIVITIES		**(690 056)**	(1 474 813)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in group loans		**727 788**	1 474 813
NET CASH GENERATED FROM FINANCING ACTIVITIES		**727 788**	1 474 813
NET INCREASE IN CASH AND CASH EQUIVALENTS		**37 732**	–
Cash and cash equivalents at the beginning of the year		**–**	–
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**37 732**	–

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2018

The financial statements of the company are prepared in accordance with International Financial Reporting Standards ('IFRS'), interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC'), the going-concern principle and the requirements of the South African Companies Act, 71 of 2008.

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

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.

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

The principal accounting policies are set out below:

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

1.1 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 company generally does not reclassify financial instruments between different categories subsequent to initial recognition.

1.2 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 fair value through profit and loss unless it is measured at amortised cost or at fair value through other comprehensive income.

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

1.3 Impairment

The company 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 company 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.

Impairment losses or reversals are recognised in profit or loss.

ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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.

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.

3 TAXATION

3.1 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.

3.2 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 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.

4 MANAGEMENT ESTIMATES

4.1 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.

ACCOUNTING POLICIES *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2018

New and amended accounting standards and interpretations

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 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 2019. Significant revenue streams within the group are interest income, revenue from debt collection activities and the sale of goods, therefore the amendment is not expected to have a material impact on the group’s consolidated financial statements.

IFRS 16 – Leases

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

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

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

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

The amendment is effective for the financial year ending 30 September 2020. Except for short-term leases and leases of small value, the group’s current operating leases will be disclosed based on the right of use model in IFRS 16.

IFRS 17 – Insurance contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity’s financial position, financial performance and cash flows.

The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

Short-term insurance contracts will be entitled to use a simplified unearned premium liability model, as opposed to long-term insurance contracts which will be measured as the present value of future insurance cash flows with a suitable adjustment for risk.

The amendment is effective for the financial year ending 30 September 2022. Due to the short term nature of the current insurance operations the amendment is not expected to have a material impact on the group’s consolidated financial statements.

IFRIC 23 – Uncertainty over income tax treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

The amendment is effective for the financial year ending 30 September 2019. The amendment is not expected to have a material impact on the group’s consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

		2018 R	2017 R
1	**CASH AND CASH EQUIVALENTS**		
	Bank balances	**37 732**	–
	TOTAL CASH AND CASH EQUIVALENTS	**37 732**	–
2	**TRADE AND OTHER RECEIVABLES**		
	Prepayments	**863 501**	860 300
	TOTAL TRADE AND OTHER RECEIVABLES	**863 501**	860 300
	The carrying value of trade and other receivables approximates fair value as they are short-term in nature and not subject to material changes in credit risk and fair value.		
3	**DEFERRED TAX**		
	Deferred tax is presented in the statement of financial position as follows:		
	Deferred tax assets	**366 112**	173 479
	THE MOVEMENTS DURING THE YEAR ARE ANALYSED AS FOLLOWS:		
	Balance at the beginning of the year	**173 479**	–
	Recognised in the statement of comprehensive income for the year	**192 633**	173 479
	BALANCE AT THE END OF THE YEAR	**366 112**	173 479

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

	Opening balance R	Charged to income R	Closing balance R
2018			
TEMPORARY DIFFERENCE			
Assessed loss unutilised	**173 479**	**192 633**	**366 112**
TOTAL	**173 479**	**192 633**	**366 112**

	Opening balance R	Charged to income R	Closing balance R
2017			
TEMPORARY DIFFERENCE			
Assessed loss unutilised	–	173 479	173 479
TOTAL	–	173 479	173 479

		2018 R	2017 R
4	**TRADE AND OTHER PAYABLES**		
	Trade payables and accruals	**6 174**	5 053
	TRADE AND OTHER PAYABLES	**6 174**	5 053

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.

NOTES TO THE FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2018

		2018 R	2017 R
5	**ORDINARY SHARE CAPITAL**		
	AUTHORISED		
	1 000 ordinary shares		
	ISSUED		
	100 (2017: 100) ordinary shares		
	Ordinary share capital	**100**	100
	TOTAL ORDINARY SHARE CAPITAL	**100**	100
6	**INTEREST**		
	INTEREST AND OTHER SIMILAR INCOME IS EARNED FROM:		
	Cash and cash equivalents	**426**	–
	TOTAL INTEREST AND OTHER SIMILAR INCOME	**426**	–
7	**OPERATING COSTS**		
	OPERATING COSTS COMPRISE:		
	Audit fees	**(6 882)**	(137 121)
	Audit fees – current year	**(6 882)**	(5 053)
	Audit fees – prior year	**–**	(132 068)
	Bank charges	**(172 694)**	–
	Listing costs	**(192 576)**	(179 978)
	Professional fees	**(316 250)**	(279 300)
	Secretarial fees	**–**	(23 167)
	TOTAL OPERATING COSTS	**(688 402)**	(619 566)
8	**INCOME TAX BENEFIT**		
	South African normal taxation:		
	Deferred taxation – current year	**192 633**	173 479
	TOTAL INCOME TAX BENEFIT	**192 633**	173 479
	TAX RATE RECONCILIATION		
	South African tax rate	**28.0%**	28.0%
	EFFECTIVE TAX RATE	**28.0%**	28.0%
9	**CASH UTILISED BY OPERATIONS**		
	Loss before taxation	**(687 976)**	(619 566)
	CASH UTILISED BY OPERATIONS	**(687 976)**	(619 566)
10	**RELATED PARTIES**		
10.1	Group loans		
	Transaction Capital Limited	**(2 202 501)**	(1 474 713)
	The loan is interest-free and repayable on demand.		

NOTES TO THE FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2018

11 FINANCIAL RISK MANAGEMENT

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

The responsibility for day to day management of risks falls to each of the respective subsidiary's chief executive officers and their executive committees. Risk management is managed at subsidiary level through the divisional executive committees and reviewed by each of the respective subsidiary boards. Group oversight is the responsibility of the group financial director.

11.1 Interest rate risk

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

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

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.

11.1.1 Risk profile of financial assets and liabilities

	Floating rate liabilities R	**Floating rate assets R**	**Net floating rate liabilities R**
2018	**(6 174)**	**37 732**	**31 558**
TOTAL	**(6 174)**	**37 732**	**31 558**

	Floating rate liabilities R	Floating rate assets R	Net floating rate liabilities R
2017	(5 053)	–	(5 053)
TOTAL	(5 053)	–	(5 053)

11.1.2 Weighted average interest rates are as follows:

	2018		2017	
	Bank balances %	**Borrowings %**	Bank balances %	Borrowings %
TOTAL	**5.5%**	**0.0%**	n/a	0.0%

NOTES TO THE FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2018

11 FINANCIAL RISK MANAGEMENT *continued*

11.1 Interest rate risk *continued*

11.1.3 Interest rate sensitivity analysis

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

	Effect on profit before tax of 1% change in rates R	Total carrying value of assets and liabilities R
30 SEPTEMBER 2018		
ASSETS		
Cash and cash equivalents	**377**	**37 732**
TOTAL	**377**	**37 732**
LIABILITIES		
Group loans	**–**	**(2 202 501)**
Trade and other payables	**(62)**	**(6 174)**
TOTAL	**(62)**	**(2 208 675)**
NET EXPOSURE	**315**	**(2 170 943)**
30 SEPTEMBER 2017		
LIABILITIES		
Group loans	–	(1 474 713)
Trade and other payables	(51)	(5 053)
TOTAL EXPOSURE	(51)	(1 479 766)

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.

11.2 Liquidity risk

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 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, an analysis of the company's borrowing facilities and utilisation thereof, borrowing facilities under discussion, maturity profile and concentration of liability by counterparty, asset maturities and borrowing facility obligations and special conditions.

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

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

NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 SEPTEMBER 2018

11 FINANCIAL RISK MANAGEMENT *continued*

11.2 Liquidity risk *continued*

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

	On demand R	Total R
2018		
LIABILITIES		
Trade and other payables	**6 174**	**6 174**
Group loans	**2 202 501**	**2 202 501**
TOTAL LIABILITIES	**2 208 675**	**2 208 675**

	On demand R	Total R
2017		
LIABILITIES		
Trade and other payables	5 053	5 053
Group loans	1 474 713	1 474 713
TOTAL LIABILITIES	1 479 766	1 479 766

11.3 Fair value disclosure

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

	Carrying value 2018 R	Fair value 2018 R	Carrying value 2017 R	Fair value 2017 R
ASSETS				
Cash and cash equivalents	**37 732**	**37 732**	–	–
TOTAL	**37 732**	**37 732**	–	–
LIABILITIES				
Trade and other payables	**6 174**	**6 174**	5 053	5 053
Group loans	**2 202 501**	**2 202 501**	1 474 713	1 474 713
TOTAL	**2 208 675**	**2 208 675**	1 479 766	1 479 766
NET EXPOSURE	**(2 170 943)**	**(2 170 943)**	(665 209)	(665 209)

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

NOTES TO THE FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2018

11 FINANCIAL RISK MANAGEMENT *continued*

11.4 Statement of financial position categories

	Financial assets carried at amortised cost R	Financial liabilities carried at amortised cost R	Non-financial liabilities or financial assets R	Equity R	Total R
2018					
ASSETS					
Cash and cash equivalents	**37 732**	**–**	**–**	**–**	**37 732**
Trade and other receivables	**–**	**–**	**863 501**	**–**	**863 501**
Deferred tax assets	**–**	**–**	**366 112**	**–**	**366 112**
TOTAL ASSETS	**37 732**	**–**	**1 229 613**	**–**	**1 267 345**
EQUITY AND LIABILITIES					
LIABILITIES					
Trade and other payables	**–**	**6 174**	**–**	**–**	**6 174**
Group loans	**–**	**2 202 501**	**–**	**–**	**2 202 501**
TOTAL LIABILITIES	**–**	**2 208 675**	**–**	**–**	**2 208 675**
EQUITY					
Ordinary share capital	**–**	**–**	**–**	**100**	**100**
Accumulated loss	**–**	**–**	**–**	**(941 430)**	**(941 430)**
TOTAL EQUITY	**–**	**–**	**–**	**(941 330)**	**(941 330)**
TOTAL EQUITY AND LIABILITIES	**–**	**2 208 675**	**–**	**(941 330)**	**1 267 345**
	Financial assets carried at amortised cost R	Financial liabilities carried at amortised cost R	Non-financial liabilities or financial assets R	Equity R	Total R
2017					
ASSETS					
Trade and other receivables	–	–	860 300	–	860 300
Deferred tax assets	–	–	173 479	–	173 479
TOTAL ASSETS	–	–	1 033 779	–	1 033 779
EQUITY AND LIABILITIES					
LIABILITIES					
Trade and other payables	–	5 053	–	–	5 053
Group loans	–	1 474 713	–	–	1 474 713
TOTAL LIABILITIES	–	1 479 766	–	–	1 479 766
EQUITY					
Ordinary share capital	–	–	–	100	100
Accumulated loss	–	–	–	(446 087)	(446 087)
TOTAL EQUITY	–	–	–	(445 987)	(445 987)
TOTAL EQUITY AND LIABILITIES	–	1 479 766	–	(445 987)	1 033 779

NOTES TO THE FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2018

12 GOING CONCERN

The annual financial statements were prepared on a going concern basis. Based on their assessment, the directors have assessed the company's ability to continue as a going concern and have noted that as at 30 September 2018 the company's liabilities exceed its assets by ZAR (941 330). The company's ultimate holding company Transaction Capital Limited has undertaken to take all the appropriate action to ensure the company at all times has access to the technical and financial resources needed to successfully continue in operation and meet its contractual obligations. On this basis the directors have satisfied themselves that the entity has sufficient borrowing facilities and technical financial support to continue in operation for the foreseeable future. A letter of support to this effect has been provided.

13 SUBSEQUENT EVENTS

No events which would have a material impact on either the financial position or operating results of the company have taken place between 30 September 2018 and the date of release of this report.

ADMINISTRATION

COMPANY REGISTRATION NUMBER
2016/130129/07

DIRECTORS
EXECUTIVE
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M Herskovits
R Goldstein

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