TRANSACTION CAPITAL
RESULTS AND CASH DIVIDEND DECLARATION

FOR THE HALF YEAR ENDED 31 MARCH

2019

Transaction Capital

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HIGHLIGHTS

SANTACO'S ACQUISITION OF **25% STAKE** IN SA TAXI FOR **R1.7 BILLION** EFFECTIVE FROM 6 FEBRUARY 2019

CORE HEADLINE EARNINGS PER SHARE[1] 59.4 cents ▲17% 2018: 50.8 cents

INTERIM DIVIDEND PER SHARE 27.0 cents ▲29% 2018: 21.0 cents

CORE HEADLINE EARNINGS[1] ATTRIBUTABLE TO THE GROUP

TRANSACTION CAPITAL GROUP ▲17% R363 MILLION

SA TAXI[2] ▲22% R211 MILLION

TRANSACTION CAPITAL RISK SERVICES ▲13% R134 MILLION

INTRODUCTION

Transaction Capital is an active investor in and operator of credit-orientated alternative assets. Central to our business model is to identify value assets; to apply our specialist expertise to assess, mitigate, underwrite and price the inherent credit risk of these alternative assets; and to fund their growth with an optimal balance of equity appropriately leveraged with debt according to our well-regarded capital management approach.

Our ability to identify, assess, develop and partner with entrepreneurial, innovative and experienced founders, owners and managers of focused businesses, in building and scaling sustainably competitive and efficient technology-driven operational platforms underpins this business model. Our track record for generating resilient risk-adjusted returns from value assets, enhanced by capital appreciation in the value of our operating platforms, has been proven over nearly two decades.

Strong decentralised divisional management teams manage these assets within our well-governed and highly effective operational platforms. These business platforms, SA Taxi and Transaction Capital Risk Services (TCRS), operate in specialised, under-served segments of the South African and Australian financial services markets. They are strategically positioned in relation to the socio-economic dynamics in their markets and are highly defensive, delivering shared value through good commercial returns and meaningful social impact, even in low-growth environments.

To drive future earnings growth, we continue to identify opportunities to leverage the high IP, leading technologies and low-cost operational infrastructure established in our South African operations into alternative credit-orientated asset classes in adjacent market segments and larger geographic markets. These new strategic growth initiatives are discussed later in this announcement.

1. *Transaction Capital's core financial ratios exclude once-off non-cash costs of R81 million in accordance with IFRS 2 relating to SA Taxi's ownership transaction with SANTACO, and R3 million of early settlement debt costs, both arising in the first half of the 2019 financial year.*
2. *SA Taxi's total headline earnings grew 31%, and Transaction Capital's attributable portion of SA Taxi's headline earnings grew 22% in the first half of 2019. Transaction Capital's attributable portion of SA Taxi's headline earnings is calculated as follows. For the period from 6 February 2019 (being the date of the finalisation of its ownership transaction with SANTACO) to 31 March 2019, Transaction Capital consolidated 81.4% of SA Taxi's total headline earnings. Prior to 6 February 2019, Transaction Capital consolidated 98.5% of SA Taxi's total headline earnings.*

COMMENTARY *continued*

RESULTS OVERVIEW

Over the past five years, the group has achieved compound annual growth in earnings per share of 19%. Dividends per share have grown even faster at 35%, supported by high cash conversion rates.

In the first six months of the 2019 financial year, notwithstanding the persistent economic headwinds in South Africa, the group extended its track record of high-quality organic earnings growth. Core headline earnings and core headline earnings per share both grew 17% to R363 million and 59.4 cents. The interim dividend per share was 29% higher at 27 cents per share. Net asset value per share increased 30% to 810.4 cents per share from 625.0 cents per share.

The group's balance sheet remains well capitalised and liquid, with funding requirements for the 2019 financial year and beyond already secured and excess capital of more than R1.0 billion. The group's excess capital, which has increased from R650 million a year ago to R1.0 billion, is surplus to the capital adequacy requirements of our well capitalised divisions. Our growth expectations assume no accretive investment of the group's excess capital, making further upside in earnings possible in the medium term.

SA Taxi's strong balance sheet subsequent to the South African National Taxi Council (SANTACO) transaction, coupled with the group's high-quality earnings growth and healthy cash conversion rates, should enable us to maintain our dividend policy at 2 to 2.5 times cover and improve pay-out rates over the medium term.

TRADING ENVIRONMENT

Our macro-economic outlook is similar to that at the end of the 2018 financial year.

In South Africa, economic growth will remain sluggish with gross domestic product (GDP) growth for 2019 estimated at just below 1%, constrained by low consumer and business confidence, and high unemployment and household debt. Low wage growth, a volatile Rand, higher interest rates, stagnating credit extension, and the rising cost of household essentials (with inflation expectations for 2019 being 4.7%) will continue to exacerbate these constraints.

While lower fuel prices since October 2018 alleviated some pressure on household spending and debt burdens, the declines were short-lived. Higher fuel levies since April 2019 have contributed to current fuel prices being only about 2% below the record highs set in 2018.

Confidence will remain low until government is able to effectively address unemployment (recorded at 27.1% in the fourth quarter of 2018) and, importantly, youth unemployment of 54.7%, the highest in sub-Saharan Africa. The likelihood of meaningful macro- and socio-economic recovery remains uncertain and will be contingent on bold structural reforms that at best will only be considered now post the national election held in May this year.

Our economic outlook for Australia is considerably more positive, with estimated GDP growth for 2019 of 3.0%, inflation expectations of 1.7%, low levels of unemployment (5.0% at January 2019) and a benign interest rate outlook. However, the consumer is highly leveraged and risk aversion among credit providers is curbing credit extension.

SA Taxi and TCRS continue to demonstrate their resilience against these negative trends. We have not factored into our guidance any prospect of an economic upturn in South Africa, so there may well be upside potential for our growth expectations over the next three to five years.

TRANSACTION CAPITAL RISK SERVICES

		For the half year ended 31 March 2019		
		2019	2018	Movement
FINANCIAL PERFORMANCE				
Headline earnings attributable to the group	Rm	**134**	119	13%
Non-interest revenue	Rm	**977**	854	14%
PURCHASED BOOK DEBTS				
Price of purchased book debts acquired	Rm	**437**	222	97%
Purchased book debts	Rm	**1 727**	1 030	68%
Estimated remaining collections – 120 months	Rm	**3 597**	2 226	62%

Market positioning and operating context

South Africa

The pressure on consumers intensified throughout 2018 and the first quarter of 2019. With the increase in the cost of household essentials exceeding wage growth, consumers are expected to struggle to reduce debt over the medium term.

Of the 25.9 million credit-active South African consumers at December 2018, close to 40% of these (10.2 million) had impaired credit records. TCRS maintains proprietary data on almost all these distressed consumers. Transaction Capital's Consumer Credit Rehabilitation Index (CCRI) showed that although the South African consumers' propensity to repay debt deteriorated 0.4% in the first quarter of 2019 compared to the quarter before, it was 0.3% better than a year ago.

Australia

Household debt-to-income levels among credit active consumers rose to 199% in the first quarter of 2019, exacerbated by a decline in property values. Additionally, the Banking Royal Commission has seen restricted credit extension due to greater regulatory compliance and risk aversion. However, the trading environment for debt collection in Australia remains positive, and we expect improving returns from TCRS's investments into omni-channel collection platforms and other technology initiatives.

Collection services

Within its most significant business activity, collection services, TCRS acts either as a principal in acquiring and then collecting on non-performing loan (NPL) portfolios, or as a service provider on an outsourced contingency or fee-for-service (FFS) basis. These business activities are diversified across consumer and commercial sectors, clients and geographies, which lowers concentration risk and supports performance in different market conditions.

TCRS's collection services delivered organic revenue growth of 18%.

Acquisition of non-performing consumer loan portfolios as principal

In South Africa, the economic climate continues to favour the acquisition of NPL portfolios from risk averse clients who prefer an immediate recovery against their NPL portfolios. Whereas the division focused historically on acquiring NPL portfolios of written-off unsecured retail debt, it has extended its focus to alternative consumer NPL portfolios such as debt prior to write-off and debt collected via a legal process. These portfolios are typically sold on a private bilateral basis.

In the first half of 2019, TCRS acquired 13 portfolios with a face value of R2.1 billion for R404 million in South Africa, and invested a further R33 million into Australian portfolios. At 31 March 2019, it owned 254 principal portfolios with a face value of R23.5 billion, valued at R1.7 billion, up 68% from R1.0 billion a year ago. Estimated remaining collections stood at R3.6 billion, up 62% from R2.2 billion a year ago. The acceleration in book acquisition is expected to continue over the financial year, supporting future revenue growth.

Although the Australian debt collection market is highly fragmented, we estimate the annual aggregated purchases of NPL portfolios at A$600 million, many times larger than the South African market. This gives some indication of the growth opportunity for TCRS. However, as our acquisition of NPL portfolios in Australia gains traction, underpinned by our analytics and pricing expertise and capital raising capabilities, we will remain cautious and selective.

Contingency and fee-for-service revenue

The difficult consumer credit environment in South Africa since 2016 has resulted in lower credit extension and volumes of contingency matters handed over for collection by banks, credit retailers and specialist lenders.

The South African contingency and FFS division is performing in line with our expectations in this environment. It continues to increase penetration in its traditional market segments (banks, retailers and specialist lenders) and grow revenue from adjacent sectors (insurance, telecommunication and public sectors), according to its sector specialisation strategy. In the first half of 2019, approximately 30% of local contingency and FFS revenue was earned in adjacent sectors.

Recoveries Corporation in Australia posted a robust performance, delivering operational efficiencies. Greater management depth, investment in data and analytics, and implementing business information, payment automation and collection technologies supported this pleasing result. Outsourcing certain functions to our South African low-cost centre of excellence, currently in pilot phase, should support future efficiencies.

COMMENTARY *continued*

Transactional services
Transaction Capital Payment Solutions performed to expectation. It continues to invest in front-end and payment technologies to create cost efficiencies and revenue generating opportunities.

Value-added services
Road Cover performed to expectation. The growth prospects of this business, which include applying proprietary data and analytical skills to augment its offering, remain encouraging.

Transaction Capital Specialised Credit (TCSC)
In line with the group's business model, TCRS's deployment of permanent capital in the origination and acquisition of alternative assets in the specialised credit sector continues to deliver growth and value in South Africa and Australia.

Specialised credit – International
After thorough analysis, we believe the fragmented segment of the European specialised credit market, which is many times larger than the South African and Australian markets, presents an attractive growth opportunity. TCRS will target smaller portfolios of higher-yielding credit-orientated alternative assets, originated in the corporate and consumer sectors. This will be done in partnership with private specialist credit managers who typically acquire these niche portfolios via bespoke, off-market sales processes.

Over recent years, we have created a partner network of specialist credit managers. We will co-invest alongside them to acquire a diversified portfolio of specialised credit related assets. This strategy will give Transaction Capital and our shareholders unique access to niche European specialist credit managers, without concentration risk in any particular portfolio, asset class, asset originator, collection platform or geographic market. No investment in goodwill will be required, and no business integration costs or risks will be incurred.

Although the capital earmarked for this growth opportunity is small in proportion to Transaction Capital's asset base, it will diversify TCRS's earnings base further and we expect it to deliver low double-digit hard currency risk-adjusted interest returns. For a relatively small initial investment, the added benefit of gaining a deeper understanding of the international credit-oriented alternative assets sector, with the potential to participate in emerging opportunities, is already proving meaningful.

In time, we intend to build a scalable business platform to manage our international assets, leveraging off TCRS's high IP, leading technologies and low-cost collection infrastructure in South Africa. Growing the value of this business will add capital appreciation to the total shareholder return we expect from this venture.

To date TCRS has acquired a secured commercial property NPL portfolio in Europe for €1.3 million, with initial returns in line with our expectations.

Transaction Capital Business Solutions (TCBS) – South Africa
Cognisant of higher risk in the small and medium-sized enterprises (SME) sector, TCBS has intentionally curbed its lending book growth. However, given tighter credit extension to underserved mid-tier or smaller listed corporate entities, strong demand exists for specialised finance. TCBS will extend its offering from SMEs to include lower risk mid-tier or smaller listed corporate entities, differentiating its value proposition by offering adjacent and complementary capital solutions that could include distressed debt, mezzanine, specialised property and principal finance.

Conclusion
Technology and operational enhancements, including the optimisation of the dialer and workforce management, have resulted in higher productivity, effectiveness and efficiency, and lower operating costs per activity. TCRS continues to explore the benefits of implementing new technologies, including artificial intelligence.

Combined with the effects of operational leverage, the introduction of innovative new products and cross-selling services has resulted in new clients and mandates, and the associated benefits of scale. This drove the improvement of TCRS's cost-to-income ratio to 80.5%, from 81.0%.

Strong performances from acquiring and collecting on non-performing consumer portfolios, excellent results from Recoveries Corporation in Australia, together with ongoing cost containment and resource efficiency, supported 13% earnings growth for the half year. Future performance is well underpinned with the fair value of purchased book debts and estimated remaining collections both growing by more than 60%. Furthermore, TCRS remains well positioned to take advantage of bolt-on acquisition opportunities that may arise.

SA TAXI

		For the half year ended 31 March 2019		
		2019	2018	Movement
FINANCIAL PERFORMANCE				
Core headline earnings	Rm	**230**	176	31%
Core headline earnings attributable to the group	Rm	**211**	173	22%
Non-interest revenue	Rm	**327**	258	27%
Net interest income	Rm	**553**	491	13%
Net interest margin	%	**11.3**	11.3	
Cost-to-income ratio	%	**46.5**	46.1	
CREDIT PERFORMANCE				
Gross loans and advances	Rm	**10 113**	8 907	14%
NPL ratio	%	**17.9**	17.2	
Credit loss ratio	%	**3.4**	3.7	

Market positioning and operating context

Around 69% of all South African households use minibus taxis, equating to more than 15 million commuter trips a day. Minibus taxi transport is a non-discretionary expense for most South Africans, which supports the industry's resilience even without financial support from government. In contrast, bus and rail are subsidised but together account for less than two million commuter trips a day.

Despite its resilience, the difficult economic conditions in recent years combined with high vehicle prices and escalating fuel costs have placed strain on the minibus taxi industry. Minibus taxi prices have risen 2.5% since September 2018, bringing the recommended retail price for a Toyota diesel vehicle to approximately R445 000, compared to about R355 000 four years ago. Average prices for petrol and diesel rose 12% and 18% respectively in the last 12 months.

Although these conditions necessitated higher fare increases in 2018, with fare increases expected again this year, intensifying commuter density due to urbanisation continues to drive demand. More commuters choose minibus taxis over bus or rail due to competitive pricing, convenience and accessibility.

SANTACO ownership transaction and industry initiatives

The ownership transaction between SA Taxi and SANTACO was finalised on 6 February 2019 (refer to the SENS announcements on 19 November 2018 and 6 February 2019, available at www.transactioncapital.co.za/SENS.php).

Of the R1.18 billion net proceeds from the transaction, SA Taxi settled about R1.0 billion of interest bearing debt, with the remainder retained to fund growth. The immediate financial benefit of the transaction (improved net interest margins from lower leverage and interest expense savings), and the operational benefits of a stronger relationship with SANTACO, have been accretive to SA Taxi's and Transaction Capital's earnings. We expect these benefits to support earnings growth over the medium term.

In the first half of 2019, SA Taxi grew headline earnings 31%, with the group's attributable portion up 22%. From February 2019, 81.4% of SA Taxi's earnings are consolidated compared to 98.5% previously.

Working closely with SANTACO leadership, SA Taxi has made good progress on initiatives designed to deliver sustainable benefits to its clients and the industry as a whole. These initiatives will support growth in SA Taxi's finance, insurance and retail businesses, and unlock opportunities to provide allied services to the broader taxi community, enabling deeper penetration of the total addressable market.

The transaction will also augment SA Taxi's social impact, which extends to financial inclusion, job creation, skills development and economic transformation. Since 2008, the division has provided loans to taxi operators of more than R23.8 billion, supporting the creation of an estimated 76 685 SMEs, and more than 138 000 direct and 230 000 indirect jobs. More broadly, by enabling taxi operators to replace old vehicles with new, safer and lower emission minibus taxis, SA Taxi assists in improving the quality of this critical component of South Africa's integrated public transport network.

COMMENTARY *continued*

Vehicle and Auto Parts retail

SA Taxi's dealership sells new and pre-owned minibus taxis. The division's vertically integrated business model enables it to rebuild and retail high quality income-generating pre-owned minibus taxis, providing operators with a more affordable alternative to purchasing new vehicles. Furthermore, loans originated through its dealerships are more profitable than loans originated through external channels due to product margin earned, higher take up of insurance products and improved credit performance.

Despite the 2.5% increase in Toyota vehicle prices since September 2018, SA Taxi's retail dealerships showed strong momentum in the first half of 2019, with revenue of about R500 million. New dealerships are being considered.

Taxi Auto Parts (TAP) was established in March 2018 as a parts procurement and distribution, and vehicle salvage operation. Shortly afterwards, the TAP retail initiative was launched, to sell well-priced new and refurbished vehicle parts to taxi operators. This initiative is exceeding our initial expectations and presents a promising organic non-interest revenue growth opportunity.

Vehicle insurance

SA Taxi's insurance business is the main driver of non-interest revenue, growing faster than the vehicle financing business. In the first half of 2019, gross written premium grew 22% to R401 million. Broadening its client base and product offering, and enhancing customer service and benefits, supported this result.

SA Taxi insures more than 85% of its financed clients, with other reputable providers insuring the remainder. On average, SA Taxi's insurance clients each have more than two insurance products. New product launches are being planned in collaboration with the minibus taxi industry.

The broker network distribution strategy initiated in 2018 continues to deliver strong growth in the number of open market clients (insurance clients not financed by the division) and further penetration of SA Taxi's financed customer base.

The larger proportion of insurance claims processed via SA Taxi's combined autobody and mechanical refurbishment facility, and operational efficiencies within this facility, have improved claims ratios in the financed and open market insurance portfolios. TAP's ability to procure parts more efficiently has improved this further. As SA Taxi expands its refurbishment capacity over the medium term and processes more insurance claims itself, as opposed to outsourcing to approved panel beaters, we expect claims ratios to continue improving.

Vehicle financing

SA Taxi's loans and advances portfolio, comprising 31 543 vehicles, grew 14% to R10.1 billion. Growth of 9% in the number of loans originated and the increase in minibus taxi prices supported this result. Consistent loan origination strategies focusing on lower risk customers resulted in higher credit quality, with 73% of loans originated in better risk categories and repeat loans to existing clients at approximately 30% of new loans originated.

Net interest income grew 13% to R553 million. Effective capital management contributed to SA Taxi's net interest margin of 11.3%, which is expected to improve over the rest of the year due to the settlement of debt in February 2019. Risk-adjusted net interest margins remained robust at 7.9%. The credit loss ratio improved marginally to 3.4% and remains within our risk tolerance of 3% to 4%. The difficult economic conditions, partially offset by robust collection performance, high quality of loans originated and conservative credit granting criteria, resulted in a marginal increase in the NPL ratio to 17.9% compared to 17.7% at the 2018 financial year end.

The marginally higher NPL ratio, offset by a reduction in the average cost to repair repossessed vehicles, and higher recoveries on the re-sale of these vehicles, resulted in the division reducing provision coverage slightly to 3.9%, from 4.0% at year end.

SA Taxi's funding requirements into the 2020 financial year are already secured, with a diversified funding base of approximately 40 distinct debt investors. The business continues to balance its cost of debt against the benefit of committed facilities and longer duration debt from a diversified and international funding base.

SA Taxi launched Transsec 4, a R2.5 billion Moody's credit rated and JSE-listed debt securitisation programme, in March 2019. Its initial issuance was increased to R1.0 billion from R700 million due to strong investor demand. At a weighted average cost of 175 basis points above three-month JIBAR, this was our lowest priced Transsec issuance ever.

Autobody repair, mechanical refurbishment, salvage and part procurement and distribution

SA Taxi's repair and refurbishment facility is designed to reduce the cost of refurbishment, lowering both insurance claim costs and credit losses in the event of repossession. Enhancing the value of repossessed vehicles through a high quality and efficient refurbishment process enables the division to recover more than 75% of loan value on the sale of repossessed vehicles.

TAP has contributed to improved efficiencies. TAP enables SA Taxi to import and locally procure new parts at lower cost, and recover quality refurbished parts via its salvage operation. These are distributed to SA Taxi's refurbishment centre as well as its network of preferred external autobody repairers. TAP also optimises the salvage value of vehicles, and retails auto parts.

Connected services

Through engagement with the industry, SA Taxi aims to leverage off of its telematics systems and Black Elite fuel rewards programme to develop its Connected Services offering. Its growth strategy will be focused on transacting with South Africa's 250 000 minibus taxi operators.

With approximately 14 000 cards distributed and in excess of 6.5 million litres of fuel pumped since its launch in April 2018, the Black Elite fuel programme delivers commercial benefits to SA Taxi and its clients. Further rewards programmes are under consideration.

Technology and telematics

Data and telematics underpin SA Taxi's operations and are key to mitigating risk. The division continues to enrich its proprietary database, with data accumulated daily from each minibus taxi and applied to credit decisions, collections, repossessions and insurance activities. In addition, it continues to invest in information technology, data management and predictive analytics to inform credit and underwriting decisions, prevent insurable events and reduce the cost of insurance claims, and to improve processing capabilities and operational efficiencies.

Conclusion

SA Taxi's operational, credit and financial performance remains robust. This is evident in 14% growth in gross loans and advances, net interest margins at 11.3% and good credit quality in a challenging environment; the 27% growth in non-interest revenue from insurance, retail and connected services, now comprising 37% of revenue after interest expenses (2014: 24%); and a cost-to-income ratio of 46.5%. These factors supported the 31% growth in SA Taxi's core headline earnings and the 22% growth in the group's attributable portion of core headline earnings to R211 million for the half year.

GROUP EXECUTIVE OFFICE

The executive office added R18 million to the group's headline earnings for the half year, from efficient management of excess capital, which has increased to R1.0 billion from R650 million a year ago. A portion of this excess capital has been deposited into conservative money market funds, with the remaining R418 million advanced to TCRS in the form of a short-term loan, all available on demand. The Transaction Capital holding company balance sheet is strong and debt free, with ample capacity to fund growth.

CHANGES TO THE BOARD

Olufunke Ighodaro resigned as an independent non-executive director and chairman of the audit, risk and compliance (ARC) committee with effect from 30 November 2018. Diane Radley was appointed as chairman of the ARC committee on this date.

Buhle Hanise was appointed to the board as an independent non-executive director with effect from 1 January 2019, and serves as a member of the ARC committee and the asset and liability committee.

Ronen Goldstein resigned as financial director of the company with effect from 1 June 2019, and will remain employed by the company until 31 August 2019 to facilitate an effective handover to his successor. In this regard, Sean Doherty has been appointed to the board as an executive director of the company, in the capacity of chief financial officer, with effect from 1 June 2019.

COMMENTARY *continued*

PROSPECTS AND STRATEGY

Transaction Capital's entrepreneurial management teams will continue to invest in and implement the growth strategies described above, with discipline and precision. We expect this to translate into robust organic earnings and dividend growth over the medium term, at least in line with the group's past performance.

The main driver of organic growth within TCRS will be the accelerated bespoke or bilateral acquisition of NPL portfolios in South Africa and Australia. Future performance will be underpinned by significant growth of more than 60% in the fair value of purchased book debts and estimated remaining collections at half year. Expanding and enriching its database, and ongoing investment in new technologies, should enable TCRS to deliver even higher productivity and operational efficiency.

In the medium term, the division's organic growth will be complemented by the growth opportunities within TCSC. The progression and pace of capital deployment in this business will be conservative, and dependent on the risk-adjusted returns achieved on the initial investments we make.

At SA Taxi, broadening its insurance client and product base is expected to drive further organic growth. There is still scope to reduce the cost of insurance claims and credit losses via technology, data management and predictive analytics, along with procurement and operational efficiencies in its enhanced autobody repair facility, combined with TAP initiatives.

SA Taxi will continue to grow its parts retail offering within the wider taxi industry. Retailing well-priced parts to taxi operators through TAP will also support the expansion of SA Taxi's national dealership network.

With SANTACO now a shareholder, SA Taxi aims to leverage its unique position to drive growth over the medium term, and to the benefit of taxi operators and the broader industry. This will include identifying commercial opportunities such as accessing cheaper funding, expanding its market share of vehicles financed through a finance product targeting low-risk customers currently financed by traditional banks, growing its open market insurance book and designing bespoke insurance offerings for the uninsured minibus taxi market.

In addition, SA Taxi continues to leverage its Black Elite rewards programme to expand and establish a tailored rewards programme within the minibus taxi ecosystem, with the ultimate intention of transacting with South Africa's 250 000 minibus taxi operators. Once established, reward programme initiatives within SA Taxi's Connected Services division could serve as a gateway to provide relevant financial products and services to the 9.9 million households or 15 million commuters who use SA Taxi's minibus taxi infrastructure every day.

DIVIDEND DECLARATION

In line with our stated dividend policy of 2 to 2.5 times, the board has declared an interim gross cash dividend of 27 cents per share (2018: 21 cents per share) for the six months ended 31 March 2019 to those members on the record date below. The dividend has been declared out of income reserves. A dividend withholding tax of 20% will be applicable to the dividend for all shareholders that are not exempt from the dividend withholding tax, resulting in a net dividend of 21.6 cents per share. The salient features applicable to the final dividend are as follows:

Issued shares as at declaration date	611 652 198
Declaration date	Wednesday 15 May 2019
Last day to trade cum dividend	Tuesday 4 June 2019
Ex-dividend	Wednesday 5 June 2019
Record date	Friday 7 June 2019
Payment date	Monday 10 June 2019

Tax reference number: 9466/298/15/6

Share certificates may not be dematerialised or rematerialised between Wednesday 5 June 2019 and Friday 7 June 2019, both dates inclusive.

On Monday 10 June 2019 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 10 June 2019 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 10 June 2019.

BASIS FOR PREPARATION

The condensed consolidated interim financial results have been prepared under the supervision of R Goldstein (CA) SA. The financial information on which this announcement is based has not been reviewed and reported on by Transaction Capital's external auditors. The unaudited results of the group for the half year ended 31 March 2019 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports, and the requirements of the Companies Act, 71 of 2008. The Listings Requirements require interim reports to be prepared in accordance with, and containing the information required by, 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 and their application are in terms of IFRS and are consistent, in all material respects, with those detailed in Transaction Capital's prior year annual financial statements, except for the adoption of IFRS 15 – Revenue from Contracts with Customers.

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

APPROVAL BY THE BOARD OF DIRECTORS

Signed on behalf of the board of directors:

David Hurwitz
Chief executive officer

Ronen Goldstein
Financial director

Dunkeld West
15 May 2019

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	31 March 2019 Unaudited Rm	31 March 2018 Unaudited Rm	30 September 2018 Audited Rm
ASSETS			
Cash and cash equivalents	**1 539**	904	900
Tax receivables	**22**	24	17
Trade and other receivables	**1 158**	786	1 126
Inventories	**611**	354	478
Loans and advances	**10 246**	9 054	9 592
Purchased book debts	**1 727**	1 030	1 374
Other loans receivable	**39**	38	39
Investment in joint venture	**19**	–	–
Intangible assets	**285**	263	283
Property and equipment	**173**	156	167
Goodwill	**1 155**	1 103	1 142
Deferred tax assets	**202**	315	224
TOTAL ASSETS	**17 176**	14 027	15 342
LIABILITIES			
Bank overdrafts	**316**	265	116
Tax payables	**12**	15	5
Trade and other payables	**522**	665	737
Provisions	**128**	123	148
Interest-bearing liabilities	**10 313**	8 735	9 817
Senior debt	**9 758**	7 668	8 753
Subordinated debt	**552**	1 067	1 060
Finance leases	**3**	–	4
Deferred tax liabilities	**377**	355	326
TOTAL LIABILITIES	**11 668**	10 158	11 149
EQUITY			
Ordinary share capital	**1 083**	1 060	1 056
Reserves	**150**	(26)	52
Retained earnings	**3 724**	2 781	3 026
EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	**4 957**	3 815	4 134
Non-controlling interests	**551**	54	59
TOTAL EQUITY	**5 508**	3 869	4 193
TOTAL EQUITY AND LIABILITIES	**17 176**	14 027	15 342

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 MARCH 2019

	Half year ended 31 March		Year ended 30 September
	2019 Unaudited Rm	2018 Unaudited Rm	2018 Audited Rm
Interest and other similar income	**1 181**	1 064	2 154
Interest and other similar expense	**(597)**	(511)	(1 054)
NET INTEREST INCOME	**584**	553	1 100
Impairment of loans and advances	**(172)**	(164)	(314)
RISK-ADJUSTED NET INTEREST INCOME	**412**	389	786
Non-interest revenue	**1 304**	1 112	2 377
Operating costs	**(1 305)**	(1 067)	(2 244)
Non-operating profit/(loss)	**8**	(4)	(3)
PROFIT BEFORE TAX	**419**	430	916
Income tax expense	**(129)**	(112)	(218)
PROFIT FOR THE PERIOD	**290**	318	698
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Ordinary equity holders of the parent	**287**	310	682
Non-controlling interests	**3**	8	16
EARNINGS PER SHARE (CENTS)			
Basic earnings per share	**46.9**	50.8	111.7
Diluted basic earnings per share	**46.4**	50.3	110.6
Headline earnings per share	**45.6**	50.8	111.7
Diluted headline earnings per share	**45.1**	50.3	110.6

Transaction Capital's income statement presented above includes once-off non-cash costs of R81 million attributable to the group in accordance with IFRS 2 relating to SA Taxi's ownership transaction with SANTACO, and R3 million of early settlement debt costs, both arising in the first half of the 2019 financial year. Refer to the group data sheet for core results and ratios, which exclude these once-off transaction costs, as well as the headline earnings reconciliation presented below.

CONDENSED CONSOLIDATED HEADLINE EARNINGS RECONCILIATION

FOR THE HALF YEAR ENDED 31 MARCH 2019

	Half year ended 31 March		Year ended 30 September
	2019 Unaudited Rm	2018 Unaudited Rm	2018 Audited Rm
BASIC EARNINGS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	**287**	310	682
Headline earnings adjustments:			
Profit on disposal of subsidiary	**(8)**	–	–
HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	**279**	310	682
Core headline earnings adjustments:			
Once-off transaction costs	**84**	–	–
CORE HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	**363**	310	682

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 MARCH 2019

	Half year ended 31 March		Year ended 30 September
	2019 Unaudited Rm	2018 Unaudited Rm	2018 Audited Rm
PROFIT FOR THE PERIOD	**290**	318	698
OTHER COMPREHENSIVE (LOSS)/INCOME			
Movement in cash flow hedging reserve	**(10)**	(13)	2
Fair value (loss)/gain arising during the period	**(14)**	(18)	3
Deferred tax	**4**	5	(1)
Exchange gain/(loss) on translation of foreign operations	**6**	(61)	(14)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**286**	244	686
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Ordinary equity holders of the parent	**283**	236	670
Non-controlling interests	**3**	8	16

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 MARCH 2019

	Share capital Unaudited Rm	Reserves Unaudited Rm	Retained earnings Unaudited Rm	Ordinary equity holders Unaudited Rm	Non-controlling interests Unaudited Rm	Total equity Unaudited Rm
BALANCE AT 30 SEPTEMBER 2017	1 056	34	2 628	3 718	54	3 772
Total comprehensive (loss)/income	–	(74)	310	236	8	244
Profit for the period	–	–	310	310	8	318
Other comprehensive loss	–	(74)	–	(74)	–	(74)
Grant of share appreciation rights and conditional share plans	–	16	–	16	–	16
Settlement of share appreciation rights and conditional share plans	–	(2)	(4)	(6)	–	(6)
Dividends paid	–	–	(153)	(153)	(8)	(161)
Issue of shares	8	–	–	8	–	8
Repurchase of shares	(4)	–	–	(4)	–	(4)
BALANCE AT 31 MARCH 2018	1 060	(26)	2 781	3 815	54	3 869
Total comprehensive income	–	62	372	434	8	442
Profit for the period	–	–	372	372	8	380
Other comprehensive income	–	62	–	62	–	62
Grant of share appreciation rights and conditional share plans	–	16	–	16	–	16
Dividends paid	–	–	(127)	(127)	(3)	(130)
Issue of shares	1	–	–	1	–	1
Repurchase of shares	(5)	–	–	(5)	–	(5)
BALANCE AT 30 SEPTEMBER 2018	**1 056**	**52**	**3 026**	**4 134**	**59**	**4 193**
Total comprehensive (loss)/income	**–**	**(4)**	**287**	**283**	**3**	**286**
Profit for the period	**–**	**–**	**287**	**287**	**3**	**290**
Other comprehensive loss	**–**	**(4)**	**–**	**(4)**	**–**	**(4)**
Disposal of subsidiary	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Transactions with non-controlling interests	**–**	**100**	**604**	**704**	**496**	**1 200**
Grant of share appreciation rights and conditional share plans	**–**	**19**	**–**	**19**	**–**	**19**
Settlement of share appreciation rights and conditional share plans	**–**	**(17)**	**(15)**	**(32)**	**–**	**(32)**
Dividends paid	**–**	**–**	**(178)**	**(178)**	**(4)**	**(182)**
Issue of shares	**38**	**–**	**–**	**38**	**–**	**38**
Repurchase of shares	**(11)**	**–**	**–**	**(11)**	**–**	**(11)**
BALANCE AT 31 MARCH 2019	**1 083**	**150**	**3 724**	**4 957**	**551**	**5 508**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 MARCH 2019

	Half year ended 31 March		Year ended 30 September
	2019 Unaudited Rm	2018 Unaudited Rm	2018 Audited Rm
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	**808**	670	1 464
Income taxes paid	**(44)**	(39)	(87)
Dividends paid	**(182)**	(161)	(291)
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND WORKING CAPITAL	**582**	470	1 086
INCREASE IN OPERATING ASSETS	**(1 267)**	(945)	(2 057)
Loans and advances	**(830)**	(765)	(1 457)
Purchased book debts	**(437)**	(180)	(600)
CHANGES IN WORKING CAPITAL	**(352)**	(142)	(520)
Increase in inventories	**(133)**	(143)	(265)
Decrease/(increase) in trade and other receivables	**1**	(124)	(430)
Decrease in other loans receivable	**–**	3	2
(Decrease)/increase in trade and other payables	**(220)**	122	173
NET CASH UTILISED BY OPERATING ACTIVITIES	**(1 037)**	(617)	(1 491)
CASH FLOW FROM INVESTING ACTIVITIES			
Business combinations	**(7)**	(35)	(35)
Acquisition of property and equipment	**(26)**	(23)	(59)
Proceeds on disposal of property and equipment	**1**	–	5
Acquisition of intangible assets	**(23)**	(31)	(60)
Additional interest acquired in subsidiary	**(28)**	–	–
Interest acquired in joint venture	**(19)**	–	–
Net proceeds on issue of shares by subsidiary to non-controlling interests	**1 128**	–	–
Proceeds on disposal of subsidiary	**8**	–	–
NET CASH GENERATED/(UTILISED) BY INVESTING ACTIVITIES	**1 034**	(89)	(149)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing liabilities	**3 112**	3 135	5 946
Settlement of interest-bearing liabilities	**(2 659)**	(2 591)	(4 320)
Repurchase of shares	**(11)**	(4)	(9)
NET CASH GENERATED BY FINANCING ACTIVITIES	**442**	540	1 617
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**439**	(166)	(23)
Cash and cash equivalents at the beginning of the period*	**784**	808	808
Effects of exchange rate changes on the balance of cash held in foreign currencies	**–**	(3)	(1)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD*	**1 223**	639	784

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

CONDENSED CONSOLIDATED SEGMENT REPORT

	SA Taxi		Transaction Capital Risk Services		Group executive office*		Group	
	Half year ended 31 March							
	2019 Unaudited Rm	2018 Unaudited Rm	2019 Unaudited Rm	2018 Unaudited Rm	2019 Unaudited Rm	2018 Unaudited Rm	2019 Unaudited Rm	2018 Unaudited Rm
CONDENSED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 MARCH 2019								
Net interest income	**553**	491	**(4)**	30	**35**	32	**584**	553
Impairment of loans and advances	**(168)**	(162)	**(4)**	(2)	**–**	–	**(172)**	(164)
Non-interest revenue	**327**	258	**977**	854	**–**	–	**1 304**	1 112
Operating costs	**(509)**	(345)	**(783)**	(716)	**(13)**	(6)	**(1 305)**	(1 067)
Non-operating profit/(loss)	**–**	–	**8**	(4)	**–**	–	**8**	(4)
PROFIT BEFORE TAX	**203**	242	**194**	162	**22**	26	**419**	430
Profit attributable to ordinary equity holders of parent	**130**	173	**142**	119	**15**	18	**287**	310
Headline earnings adjustment	**–**	–	**(8)**	–	**–**	–	**(8)**	–
Once-off transaction costs**	**81**	–	**–**	–	**3**	–	**84**	–
CORE HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	**211**	173	**134**	119	**18**	18	**363**	310
CONDENSED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2019								
ASSETS								
Cash and cash equivalents	**844**	689	**106**	170	**589**	45	**1 539**	904
Inventories	**611**	354	**–**	–	**–**	–	**611**	354
Loans and advances	**9 723**	8 467	**523**	587	**–**	–	**10 246**	9 054
Purchased book debts	**–**	–	**1 727**	1 030	**–**	–	**1 727**	1 030
Other assets	**1 503**	1 264	**1 508**	1 404	**42**	17	**3 053**	2 685
TOTAL ASSETS	**12 681**	10 774	**3 864**	3 191	**631**	62	**17 176**	14 027
LIABILITIES								
Bank overdrafts	**150**	265	**166**	–	**–**	–	**316**	265
Interest-bearing liabilities	**9 145**	7 364	**1 168**	996	**–**	375	**10 313**	8 735
Group loans	**–**	1 163	**418**	213	**(418)**	(1 376)	**–**	–
Other liabilities	**456**	519	**556**	617	**27**	22	**1 039**	1 158
TOTAL LIABILITIES	**9 751**	9 311	**2 308**	1 826	**(391)**	(979)	**11 668**	10 158
TOTAL EQUITY	**2 930**	1 463	**1 556**	1 365	**1 022**	1 041	**5 508**	3 869

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

** *Transaction Capital's core financial ratios exclude once-off non-cash costs of R81 million in accordance with IFRS 2 relating to SA Taxi's ownership transaction with SANTACO, and R3 million of early settlement debt costs, both arising in the first half of the 2019 financial year.*

BUSINESS COMBINATIONS

FOR THE HALF YEAR ENDED 31 MARCH 2019

SUBSIDIARY ACQUIRED

Subsidiary	Acquirer	Principal activity	Date of acquisition	Proportion of voting equity interests acquired %	Consideration transferred Rm
Black Elite Benefits (Pty) Ltd	Taximart (Pty) Ltd	Rewards programme	01/02/2019	**90**	**8**

Taximart (Pty) Ltd, a subsidiary of SA Taxi Holdings (Pty) Ltd, acquired an additional 90% shareholding in Black Elite Benefits (Pty) Ltd on 1 February 2019, over and above the current 10% investment held. Black Elite Benefits (Pty) Ltd provides rewards to subscribed SA Taxi customers in partnership with relevant service providers.

CONSIDERATION FOR IFRS 3 PURPOSES

	Total Rm
Cash	**8**
TOTAL CONSIDERATION	**8**

ASSETS ACQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF ACQUISITION

	Total Rm
Current assets	
Cash and cash equivalents	**1**
Trade and other receivables	**<1**
Prepayments	**<1**
Non-current assets	
Property, plant and equipment	**<1**
Current liabilities	
Interest-bearing liabilities	**(2)**
Trade and other payables	**<(1)**
NET ASSETS ACQUIRED AND LIABILITIES RECOGNISED	**(1)**

GOODWILL ARISING ON ACQUISITION

	Total Rm
Consideration for IFRS 3 purposes	**8**
Plus: fair value of identifiable net liabilities recognised	**1**
GOODWILL ARISING ON ACQUISITION	**9**

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

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

NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARY

	Total Rm
Consideration paid in cash	**8**
Less: cash and cash equivalents balance acquired	**(1)**
NET CASH OUTFLOW	**7**

IMPACT OF ACQUISITION ON THE RESULTS OF THE GROUP

Included in profit attributable to ordinary equity holders of the parent for the half year ended 31 March 2019, is a R50k profit attributable to Black Elite Benefits (Pty) Ltd. This R50k profit relates to the post acquisition period. The impact on the group's profit is not expected to be significant for the current financial year.

FAIR VALUE DISCLOSURE

FOR THE HALF YEAR ENDED 31 MARCH 2019

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

	Carrying value 31 March 2019 Unaudited Rm	**Fair value 31 March 2019 Unaudited Rm**	Carrying value 31 March 2018 Unaudited Rm	Fair value 31 March 2018 Unaudited Rm
ASSETS				
Loans and advances	**10 246**	**10 234**	9 054	9 053
Purchased book debts	**1 727**	**1 727**	1 030	1 030
Other loans receivable	**39**	**39**	38	38
Trade and other receivables*	**854**	**854**	633	633
Cash and cash equivalents	**1 539**	**1 539**	904	904
TOTAL	**14 405**	**14 393**	11 659	11 658
LIABILITIES				
Interest-bearing liabilities	**10 313**	**10 475**	8 735	9 029
Fixed rate liabilities	**242**	**244**	42	46
Floating rate liabilities	**10 071**	**10 231**	8 693	8 983
Trade and other payables**	**369**	**369**	591	591
Bank overdrafts	**316**	**316**	265	265
TOTAL	**10 998**	**11 160**	9 591	9 885
NET EXPOSURE	**3 407**	**3 233**	2 068	1 773

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

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

VALUATION METHODS AND ASSUMPTIONS

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

Purchased book debts are carried at amortised cost. The amortised cost is calculated based on expected future cash flows, which are adjusted for risk as the forecast model incorporates historical cash flows and trends. As a result the fair value of purchased book debts approximates amortised cost.

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

The carrying value of trade and other receivables, cash and cash equivalents, trade and other payables and bank overdrafts approximates fair value as they are short-term in nature and not subject to material changes in credit risk and fair value.

LEVEL DISCLOSURE
FOR THE HALF YEAR ENDED 31 MARCH 2019

	31 March 2019 Unaudited			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Loans and advances: entry-level vehicles	–	–	21	21
Other financial assets	–	–	67	67
Derivatives	–	2	–	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Derivatives	–	152	–	152
TOTAL FINANCIAL ASSETS	–	154	88	242
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
Derivatives	–	1	–	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Derivatives	–	5	–	5
TOTAL FINANCIAL LIABILITIES	–	6	–	6

	31 March 2018 Unaudited			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Loans and advances: entry-level vehicles	–	–	27	27
Other financial assets	–	–	36	36
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Derivatives	–	9	–	9
TOTAL FINANCIAL ASSETS	–	9	63	72
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
Trade and other payables	–	–	34	34
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Derivatives	–	144	–	144
TOTAL FINANCIAL LIABILITIES	–	144	34	178

VALUATION METHODS AND ASSUMPTIONS

The fair value of loans and advances for entry-level vehicles is calculated using an expected income approach (estimating and discounting future cash flows) as well as the average collateral value. These represent the significant unobservable parameters applied in the fair value model. Future cash flows are estimated using a lifetime expected loss model, which is consistent with the IFRS 9 provision methodology. The expected future cash flows are then discounted at the market related discount rate of 25% to yield a fair value of the total loans and advances for entry-level vehicles.

The valuation of other financial assets is based on estimated future cash flows, discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. These represent the significant unobservable parameters applied in the fair value model. The group estimates the expected cash flows by considering all the contractual terms of the financial instrument. The discount rate applied to the expected cash flows is based on the current South African prime interest rate and is adjusted for specific risks including government risk, customer concentration risk, limited experience with the customer and small size portfolios (i.e. valuations less than R250 million).

The group enters into derivative financial instruments with respective counterparties. Interest rate swaps and cross currency swaps are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves.

FAIR VALUE DISCLOSURE *continued*

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS

	31 March 2019 Unaudited		
	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
OPENING BALANCE	**72**	**–**	**72**
Total gains or losses			
In profit or loss	**(10)**	**–**	**(10)**
Other movements*	**26**	**–**	**26**
CLOSING BALANCE OF FAIR VALUE MEASUREMENT	**88**	**–**	**88**

	31 March 2018 Unaudited		
	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
OPENING BALANCE	88	–	88
Total gains or losses			
Other movements*	(25)	–	(25)
CLOSING BALANCE OF FAIR VALUE MEASUREMENT	63	–	63

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

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

LOANS AND ADVANCES: ENTRY-LEVEL VEHICLES	31 March 2019 Unaudited 10% Favourable Rm	31 March 2019 Unaudited 10% Unfavourable Rm	31 March 2018 Unaudited 10% Favourable Rm	31 March 2018 Unaudited 10% Unfavourable Rm
Significant unobservable input and description of assumption				
Average collateral value	**1**	**(1)**	1	(1)
Discount rate: the rate used to discount projected future cash flows to present value	**1**	**(1)**	1	(1)
TOTAL	**2**	**(2)**	2	(2)

OTHER FINANCIAL ASSETS	31 March 2019 Unaudited 10% Favourable Rm	31 March 2019 Unaudited 10% Unfavourable Rm	31 March 2018 Unaudited 10% Favourable Rm	31 March 2018 Unaudited 10% Unfavourable Rm
Significant unobservable input and description of assumption				
Cash flows: change in the expected revenue	**<1**	**<(1)**	<1	<(1)
Cash flows: change in expected costs	**1**	**(1)**	<1	<(1)
Discount rate: the rate used to discount projected future cash flows to present value	**–**	**–**	<1	<(1)
TOTAL	**1**	**(1)**	<1	<(1)

CHANGE IN ACCOUNTING POLICIES

FOR THE HALF YEAR ENDED 31 MARCH 2019

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principle-based five-step model to be applied to all contracts with customers.

IFRS 15 also includes a cohesive set of disclosure requirements that would result in providing users of the financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the group's contracts with customers.

An impact analysis has been completed which indicates that the adoption of IFRS 15 does not have a material impact on the revenue recognition of the group:

- A significant proportion of the group's revenue comprises interest and other similar income related to gross loans and advances, all of which are accounted for in terms of IFRS 9 – Financial Instruments. Interest and other similar income therefore fall outside the scope of IFRS 15.
- Revenue earned from the group's vehicle insurance offering mainly includes insurance premiums and commission income earned from insurance contracts, all of which are accounted for in accordance with IFRS 4 – Insurance Contracts, and therefore fall outside the scope of IFRS 15.
- The recognition of revenue earned from collecting on non-performing loan portfolios as principal is performed in accordance with the amortised cost model under IFRS 9 – Financial Instruments, and therefore fall outside the scope of IFRS 15.
- The recognition of revenue earned from collection services as a service provider on an outsourced contingency or fee-for-service basis remains consistent under IFRS 15, with no material impact on revenue recognition.
- The impact of IFRS 15 on other revenue earned is immaterial.

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