

TRANSCAPITAL  
INVESTMENTS LIMITED

AUDITED  
ANNUAL FINANCIAL  
STATEMENTS

**2019**

FOR THE  
YEAR ENDED  
30 SEPTEMBER



Transaction Capital

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## DIRECTORS' RESPONSIBILITY STATEMENT

*for the year ended 30 September 2019*

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 2019 the company's liabilities exceed its assets by R2 519 915. 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 22 were approved by the board of directors on 26 November 2019, and are signed on their behalf.

**David Hurwitz**

Director

**Sean Doherty**

Director

## COMPANY SECRETARY'S CERTIFICATE

*for the year ended 30 September 2019*

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 and that all such returns and notices appear to be true, correct and up to date.

**Theresa Palos**

Company secretary

26 November 2019

## DIRECTORS' REPORT

*for the year ended 30 September 2019*

### 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 23.

### 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. These reports can be found in the consolidated annual financial statements of Transaction Capital Limited available at: <http://www.transactioncapital.co.za/results-reports.php>

## CORPORATE GOVERNANCE REPORT

*for the year ended 30 September 2019*

### BOARD OF DIRECTORS

The names of the directors in office at the date of this report are set out on page 23.

### INDEPENDENT ADVICE

A director may, if necessary, take independent professional advice at the expense of TransCapital Investments 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. 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 2019

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.

Primary roles and responsibilities	Principles	Status	Comment
To be read in conjunction with Transaction Capital Limited's integrated annual report which is available at <a href="http://www.transactioncapital.co.za/results-reports.php">http://www.transactioncapital.co.za/results-reports.php</a>			
<b>LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP</b>			
1	Leadership	The governing body should lead ethically and effectively.	<p>Apply</p> <p>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.</p> <p>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.</p> <p>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.</p>
2	Organisational ethics	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	<p>Apply</p> <p>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.</p>
3	Responsible corporate citizenship	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	<p>Apply</p> <p>Transaction Capital's ethics charter outlines the group's core values of integrity, respect, excellence, accountability 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.</p> <p>The functions performed by its holdings company are also governed by Transaction Capital's social and ethics committee.</p>

CORPORATE GOVERNANCE REPORT *continued*  
For the year ended 30 September 2019

Primary roles and responsibilities	Principles	Status	Comment
<b>STRATEGY, PERFORMANCE AND REPORTING</b>			
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.
<b>GOVERNING STRUCTURES AND DELEGATION</b>			
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 2019, 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 2019

Primary roles and responsibilities	Principles	Status	Comment
<b>GOVERNING STRUCTURES AND DELEGATION</b> <i>continued</i>			
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.
<b>GOVERNANCE OF FUNCTIONAL AREAS</b>			
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 2019

Primary roles and responsibilities	Principles	Status	Comment
<b>STAKEHOLDER RELATIONSHIPS</b>			
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 22, which comprise the statement of financial position as at 30 September 2019 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 2019, 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. 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.

**DELOITTE & TOUCHE****Deloitte & Touche**

Registered Auditor

Per: Paul Stedall

Partner

26 November 2019

Deloitte Place

The Woodlands

Woodlands Drive

Woodmead

Sandton

## STATEMENT OF FINANCIAL POSITION

at 30 September

	Notes	2019 R	2018 R
<b>ASSETS</b>			
Cash and cash equivalents	1	45 384	37 732
Trade and other receivables	2	49 374	863 501
Deferred tax assets	3	663 234	366 112
<b>TOTAL ASSETS</b>		<b>757 992</b>	1 267 345
<b>LIABILITIES</b>			
Trade and other payables	4	6 575	6 174
Group loans		3 271 332	2 202 501
<b>TOTAL LIABILITIES</b>		<b>3 277 907</b>	2 208 675
<b>EQUITY</b>			
Ordinary share capital	5	100	100
Accumulated loss		(2 520 015)	(941 430)
<b>EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>		<b>(2 519 915)</b>	(941 330)
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>757 992</b>	1 267 345

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September

	Notes	2019 R	2018 R
Interest income	6	1 380	426
Operating costs	7	(1 877 087)	(688 402)
<b>LOSS BEFORE TAX</b>		<b>(1 875 707)</b>	(687 976)
Income tax benefit	8	297 122	192 633
<b>LOSS FOR THE YEAR</b>		<b>(1 578 585)</b>	(495 343)
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(1 578 585)</b>	(495 343)

## STATEMENT OF CHANGES IN EQUITY

*for the year ended 30 September*

	Number of ordinary shares	Share capital R	Accumulated loss R	Total equity R
<b>BALANCE AT 30 SEPTEMBER 2017</b>	100	100	(446 087)	(445 987)
Total comprehensive loss	–	–	(495 343)	(495 343)
Loss for the year	–	–	(495 343)	(495 343)
<b>BALANCE AT 30 SEPTEMBER 2018</b>	<b>100</b>	<b>100</b>	<b>(941 430)</b>	<b>(941 330)</b>
Total comprehensive loss	–	–	(1 578 585)	(1 578 585)
Loss for the year	–	–	(1 578 585)	(1 578 585)
<b>BALANCE AT 30 SEPTEMBER 2019</b>	<b>100</b>	<b>100</b>	<b>(2 520 015)</b>	<b>(2 519 915)</b>

## STATEMENT OF CASH FLOWS

for the year ended 30 September

	Notes	2019 R	2018 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash utilised by operations	9	(1 061 150)	(687 976)
<b>CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL</b>			
<b>CHANGES IN WORKING CAPITAL</b>			
Increase in trade and other receivables		(430)	(3 201)
Increase in trade and other payables		401	1 121
<b>NET CASH UTILISED IN OPERATING ACTIVITIES</b>			
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase in group loans owing to holding company		1 068 831	727 788
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>			
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year		7 652	37 732
		37 732	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>			
		45 384	37 732

## ACCOUNTING POLICIES

for the year ended 30 September 2019

The financial statements of TransCapital Investments Limited are prepared in accordance with International Financial Reporting Standards ('IFRS'), interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC'), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the Johannesburg Stock Exchange ('JSE') Debt Listings Requirements, 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.

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, except for the adoption of IFRS 15 – Revenue from Contracts with Customers in the current financial year. The adoption of IFRS 15 had no impact on the financial statements.

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 FINANCIAL ASSETS

##### AMORTISED COST AND EFFECTIVE INTEREST METHOD

These instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets which have been classified as loans and receivables include cash and trade and other receivables.

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Interest income is recognised in profit or loss and is included in the interest income line item in note 6.

#### 1.3 IMPAIRMENT

The company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost.

Impairment losses or reversals are recognised in profit or loss.

## ACCOUNTING POLICIES *continued*

For the year ended 30 September 2019

## 2 TAXATION

### 2.1 CURRENT TAX

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.

### 2.2 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.

## 3 MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. This forms the basis of making the judgements on carrying values of assets or liabilities that are not otherwise readily apparent. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

### NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE

#### *IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- Use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- Clarify the explanation of the definition of material; and
- Incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendment is effective for the financial year ending 30 September 2021. The amendment is not expected to have a material impact on the company's financial statements.

#### *IFRS 16 – Leases*

The standard is effective for the financial year ending 30 September 2020. The amendment is not expected to have any impact on the company's financial statements.

#### *IFRS 3 – Business combinations*

The standard is effective for the financial year ending 30 September 2022. The amendment is not expected to have any impact on the company's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September

	2019 R	2018 R
1 CASH AND CASH EQUIVALENTS		
Bank balances	45 384	37 732
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>45 384</b>	<b>37 732</b>
2 TRADE AND OTHER RECEIVABLES		
Prepayments	49 374	863 501
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>49 374</b>	<b>863 501</b>

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	663 234	366 112
<b>THE MOVEMENTS DURING THE YEAR ARE ANALYSED AS FOLLOWS:</b>		
Balance at the beginning of the year	366 112	173 479
Recognised in the statement of comprehensive income for the year	297 122	192 633
<b>NET DEFERRED TAX ASSETS AT THE END OF THE YEAR</b>	<b>663 234</b>	<b>366 112</b>

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. The assessments are performed on a continuous basis and if required the deferred tax asset is impaired.

	Opening balance R	Charged to statement of compre- hensive income R	Closing balance R
<b>2019</b>			
<b>TEMPORARY DIFFERENCE</b>			
Assessed loss unutilised	366 112	297 122	663 234
<b>TOTAL</b>	<b>366 112</b>	<b>297 122</b>	<b>663 234</b>

	Opening balance R	Charged to statement of compre- hensive income R	Closing balance R
2018			
<b>TEMPORARY DIFFERENCE</b>			
Assessed loss unutilised	173 479	192 633	366 112
<b>TOTAL</b>	<b>173 479</b>	<b>192 633</b>	<b>366 112</b>

	2019 R	2018 R
4 TRADE AND OTHER PAYABLES		
Trade payables and accruals	6 575	6 174
<b>TRADE AND OTHER PAYABLES</b>	<b>6 575</b>	<b>6 174</b>

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

	2019 R	2018 R
<b>5</b>		
<b>ORDINARY SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
1 000 ordinary shares		
<b>ISSUED</b>		
100 (2018: 100) ordinary shares		
Ordinary share capital	<b>100</b>	100
<b>ORDINARY SHARE CAPITAL</b>	<b>100</b>	100
<b>6</b>		
<b>INTEREST</b>		
<b>INTEREST INCOME IS EARNED FROM:</b>		
Cash and cash equivalents	<b>1 380</b>	426
<b>TOTAL INTEREST INCOME</b>	<b>1 380</b>	426
<b>7</b>		
<b>OPERATING COSTS</b>		
<b>OPERATING COSTS COMPRISE:</b>		
Audit fees	<b>(6 575)</b>	(6 882)
Bank charges	<b>(173 728)</b>	(172 694)
Consulting fees	<b>(48 780)</b>	–
Listing costs	<b>(243 066)</b>	(192 576)
Secretarial fees	<b>(8 574)</b>	–
Professional fees	<b>(1 396 364)</b>	(316 250)
<b>TOTAL OPERATING COSTS</b>	<b>(1 877 087)</b>	(688 402)
<b>8</b>		
<b>INCOME TAX BENEFIT</b>		
South African normal taxation:		
Deferred taxation – current year	<b>297 122</b>	192 633
<b>TOTAL INCOME TAX BENEFIT</b>	<b>297 122</b>	192 633
<b>TAX RATE RECONCILIATION</b>		
South African tax rate	<b>28.0%</b>	28.0%
Tax effects of:		
Expenses not deductible for tax purposes*	<b>(12.2%)</b>	0.0%
<b>EFFECTIVE TAX RATE</b>	<b>15.8%</b>	28.0%
* Expenses not deductible for tax purposes consist of expenses incurred in the production of non-taxable income.		
<b>9</b>		
<b>CASH UTILISED BY OPERATIONS</b>		
Loss before taxation	<b>(1 875 707)</b>	(687 976)
Adjusted for:		
Release of prepaid expenses	<b>814 557</b>	–
<b>CASH UTILISED BY OPERATIONS</b>	<b>(1 061 150)</b>	(687 976)
<b>10</b>		
<b>RELATED PARTIES</b>		
<b>10.1 GROUP LOANS</b>		
Transaction Capital Limited	<b>(3 271 332)</b>	(2 202 501)
The loan is interest-free and repayable on demand.		

NOTES TO THE FINANCIAL STATEMENTS *continued*  
for the year ended 30 September**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 the holding company's two board sub-committees; the asset and liability committee ('ALCO') and the audit, risk and compliance ('ARC') committee. The ALCO monitors risks associated with liquidity and funding, interest rates, counterparties, currency exposures and capital adequacy. The ARC committee monitors risks associated with financial reporting, accounting policies, internal control and IT governance. The ARC 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.

**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.

**11.1.1 RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES**

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.

	Floating rate liabilities R	Floating rate assets R	Net floating rate assets R
<b>2019</b>	(6 575)	45 384	38 809
<b>TOTAL</b>	(6 575)	45 384	38 809

	Floating rate liabilities R	Floating rate assets R	Net floating rate assets R
2018	(6 174)	37 732	31 558
<b>TOTAL</b>	(6 174)	37 732	31 558

**11.1.2 WEIGHTED AVERAGE INTEREST RATES**

The table below summarises the weighted interest rate of bank balances and borrowings.

	2019		2018	
	Bank balances %	Borrowings %	Bank balances %	Borrowings %
<b>TOTAL</b>	5.5%	0%	5.5%	0.0%

NOTES TO THE FINANCIAL STATEMENTS *continued*  
for the year ended 30 September11 FINANCIAL RISK MANAGEMENT *continued*11.1 INTEREST RATE RISK *continued*

## 11.1.3 INTEREST RATE SENSITIVITY ANALYSIS

The company's exposure to interest rate risk is set out below:

	Effect on profit before tax of 1% change in rates R	Total carrying value of assets and liabilities R
<b>30 SEPTEMBER 2019</b>		
<b>ASSETS</b>		
Cash and cash equivalents	454	45 384
<b>TOTAL</b>	<b>454</b>	<b>45 384</b>
<b>LIABILITIES</b>		
Group loans	–	(3 271 332)
Trade and other payables	(66)	(6 575)
<b>TOTAL</b>	<b>(66)</b>	<b>(3 277 907)</b>
<b>NET EXPOSURE</b>	<b>388</b>	<b>(3 232 523)</b>
<b>30 SEPTEMBER 2018</b>		
<b>ASSETS</b>		
Cash and cash equivalents	377	37 732
<b>TOTAL</b>	<b>377</b>	<b>37 732</b>
<b>LIABILITIES</b>		
Group loans	–	(2 202 501)
Trade and other payables	(62)	(6 174)
<b>TOTAL</b>	<b>(62)</b>	<b>(2 208 675)</b>
<b>NET EXPOSURE</b>	<b>315</b>	<b>(2 170 943)</b>

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

## 11.2 LIQUIDITY RISK MANAGEMENT

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

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

The holding company'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 each subsidiary 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 September11 FINANCIAL RISK MANAGEMENT *continued*11.2 LIQUIDITY RISK MANAGEMENT *continued*

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

	On demand R	Total R
<b>2019</b>		
<b>LIABILITIES</b>		
Trade and other payables	6 575	6 575
Group loans	3 271 332	3 271 332
<b>TOTAL LIABILITIES</b>	<b>3 277 907</b>	<b>3 277 907</b>
	On demand R	Total R
<b>2018</b>		
<b>LIABILITIES</b>		
Trade and other payables	6 174	6 174
Group loans	2 202 501	2 202 501
<b>TOTAL LIABILITIES</b>	<b>2 208 675</b>	<b>2 208 675</b>

## 11.3 FAIR VALUE DISCLOSURE

	Carrying value 2019 R	Fair value 2019 R	Carrying value 2018 R	Fair value 2018 R
<b>ASSETS</b>				
Cash and cash equivalents	45 384	45 384	37 732	37 732
<b>TOTAL</b>	<b>45 384</b>	<b>45 384</b>	37 732	37 732
<b>LIABILITIES</b>				
Trade and other payables	6 575	6 575	6 174	6 174
Group loans	3 271 332	3 271 332	2 202 501	2 202 501
<b>TOTAL</b>	<b>3 277 907</b>	<b>3 277 907</b>	2 208 675	2 208 675
<b>NET EXPOSURE</b>	<b>(3 232 523)</b>	<b>(3 232 523)</b>	(2 170 943)	(2 170 943)

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 September11 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 non-financial assets R	Equity R	Total R
<b>2019</b>					
<b>ASSETS</b>					
Cash and cash equivalents	45 384	–	–	–	45 384
Trade and other receivables	–	–	49 374	–	49 374
Deferred tax assets	–	–	663 234	–	663 234
<b>TOTAL ASSETS</b>	<b>45 384</b>	<b>–</b>	<b>712 608</b>	<b>–</b>	<b>757 992</b>
<b>EQUITY AND LIABILITIES</b>					
<b>LIABILITIES</b>					
Trade and other payables	–	6 575	–	–	6 575
Group loans	–	3 271 332	–	–	3 271 332
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>3 277 907</b>	<b>–</b>	<b>–</b>	<b>3 277 907</b>
<b>EQUITY</b>					
Ordinary share capital	–	–	–	100	100
Retained earnings	–	–	–	(2 520 015)	(2 520 015)
<b>TOTAL EQUITY</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(2 519 915)</b>	<b>(2 519 915)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>–</b>	<b>3 277 907</b>	<b>–</b>	<b>(2 519 915)</b>	<b>757 992</b>
	Financial assets carried at amortised cost R	Financial liabilities carried at amortised cost R	Non-financial liabilities or non-financial assets R	Equity R	Total R
<b>2018</b>					
<b>ASSETS</b>					
Cash and cash equivalents	37 732	–	–	–	37 732
Trade and other receivables	–	–	863 501	–	863 501
Deferred tax assets	–	–	366 112	–	366 112
<b>TOTAL ASSETS</b>	<b>37 732</b>	<b>–</b>	<b>1 229 613</b>	<b>–</b>	<b>1 267 345</b>
<b>EQUITY AND LIABILITIES</b>					
<b>LIABILITIES</b>					
Trade and other payables	–	6 174	–	–	6 174
Group loans	–	2 202 501	–	–	2 202 501
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>2 208 675</b>	<b>–</b>	<b>–</b>	<b>2 208 675</b>
<b>EQUITY</b>					
Ordinary share capital	–	–	–	100	100
Retained earnings	–	–	–	(941 430)	(941 430)
<b>TOTAL EQUITY</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(941 330)</b>	<b>(941 330)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>–</b>	<b>2 208 675</b>	<b>–</b>	<b>(941 330)</b>	<b>1 267 345</b>

NOTES TO THE FINANCIAL STATEMENTS *continued*  
*for the year ended 30 September*

## 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 2019 the company's liabilities exceed its assets by R2 519 915. 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 2019 and the date of release of this report.

## ADMINISTRATION

### COMPANY REGISTRATION NUMBER

2016/130129/06

### DIRECTORS

D Hurwitz  
M Herskovits  
S Doherty

### COMPANY SECRETARY AND REGISTERED OFFICE

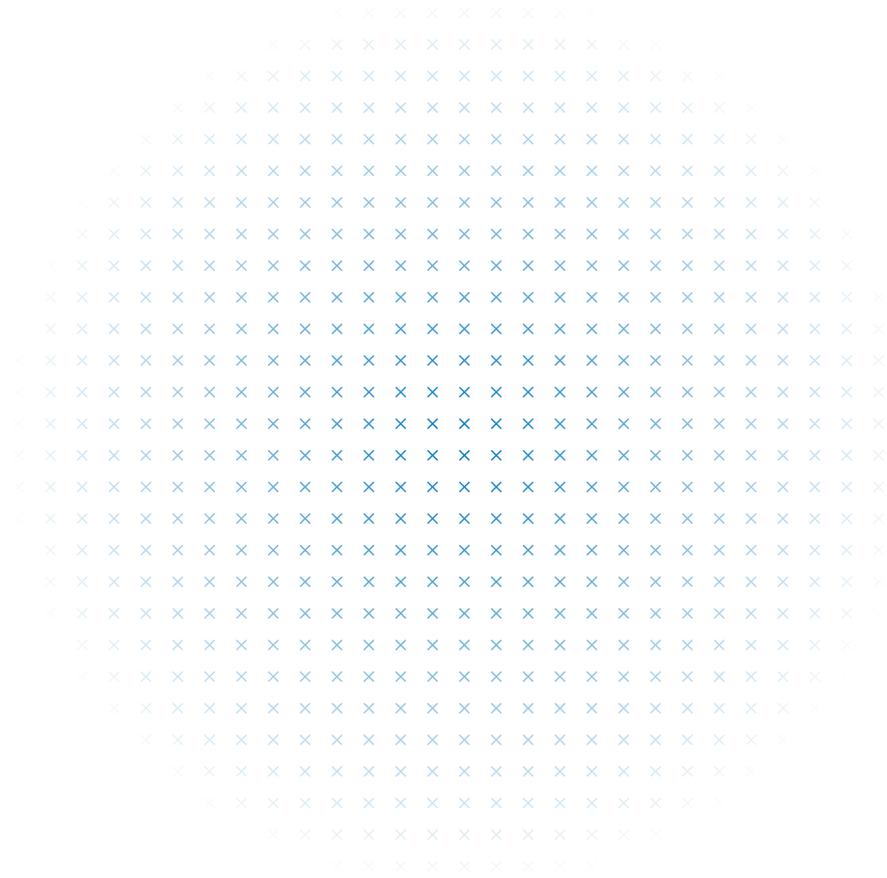
Theresa Palos  
230 Jan Smuts Avenue  
Dunkeld West  
Johannesburg, 2196  
(PO Box 41888, Craighall, 2024)

### SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)  
(Registration number 1929/001225/06)  
1 Merchant Place  
Corner Fredman Drive and Rivonia Road  
Sandton, 2196  
(PO Box 786273, Sandton, 2146)

### INDEPENDENT AUDITORS

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# Transaction Capital

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