TRANSSEC 4 (RF) LIMITED
(Registration number 2018/268776/07)

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Prepared by:
M Rankoana

Supervised by:
G Scott CA(SA)

The Financial statements have been audited in compliance with the Companies Act 71 of 2008

Issued 10th December 2019

TRANSSEC 4 (RF) LIMITED
Financial statements
for the year ended 30 September 2019

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Company information
for the year ended 30 September 2019

Company registration number

2018/268776/07

Place of business and Registered office

179 15th Road
Randjespark
Midrand
Johannesburg

Principal bankers

The Standard Bank of South Africa Ltd

Secretary

The secretary of the Company is Mark Herskovits.

Auditors

Deloitte & Touche
Deloitte Place, The Woodlands
Woodlands Drive
Woodmead, Sandton
Private Bag X6, Gallo Manor, 2052

TRANSSEC 4 (RF) LIMITED
Directors' responsibility statement
for the year ended 30 September 2019

The directors are required in terms of the South African Companies Act (the "Companies Act") to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the audited financial statements fairly present the state of affairs of Transsec 4 (RF) Ltd (the "Company") as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board and the requirements of the Companies Act. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with IFRS and the requirements of the Companies Act and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and management (SA Taxi Development Finance (Pty) Ltd) are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company's cash flow forecast for the year to 30 September 2020 and, in the light of this review and the current financial position, they are satisfied that the Company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Company's financial statements. The financial statements have been examined by the Company's external auditors and their report is presented on page 6 to 8.

The financial statements for the year ended 30 September 2019 set out on pages 9 to 41 were approved by the board of directors on 10 December 2019, and are signed on their behalf.

JE Trevena

MD Herskovits

TRANSSEC 4 (RF) LIMITED
Audit Committee Report
for the year ended 30 September 2019

The audit committee presents its report for the financial year ended 30 September 2019.

Purpose of the audit committee

The main purpose of the audit committee is to assist the board in discharging its duties relating to the safeguarding of assets, accounting systems and practices, the integrity of internal financial control processes and the preparation of accurate financial reporting and statements in compliance with all legal requirements and accounting standards.

Membership and attendance

The audit committee, appointed by the shareholders in respect of the year ended 30 September 2019, comprised Rishendrie Thanthony (chairman), Jack Trevena and Olivia Ferreira who are independent non-executive directors of the Company. The committee meets at least twice per annum.

Functions of the audit committee

- Reviewing and approving the Company external audit plan including the proposed audit scope, approach to Company risk activities and the audit fee;
- Confirming the independence of the auditors Deloitte & Touche;
- Reviewing external audit reports;
- Assessing the nature and extent of non-audit services;
- Reviewing the accounting policies adopted by the Company and all proposed changes in accounting policies and practices; and
- Reviewing the financial statements to confirm the financial statements are prepared in accordance with International Financial Reporting Standards, the Companies Act of South Africa (Act, as amended) and the Listing Requirements of the JSE Limited.

Attendance by auditors and executive directors

The external auditors are advised of, and attend, all meetings of the audit committee. The executive directors of Transsec 4 (RF) Ltd also attended meetings by invitation.

Independence of external auditor

The audit committee has satisfied itself that the auditors are independent of the Company.

Key audit matters

The audit committee has satisfied itself that the auditors have addressed the key audit matters, as raised in the Independent Auditors Report, sufficiently during the audit.

Internal financial controls, accounting practices and Company financial statements

Based on the work of the Company's assurance providers, nothing has come to the attention of the committee which indicates that the Company's system of internal financial controls and accounting practices, in all material respects, does not provide a basis for reliable financial statements.

The committee is satisfied that the Company financial statements are in compliance, in all material respects, with the requirements of the Companies Act and International Financial Reporting Standards, and recommended the financial statements for approval by the board.

Rishendrie Thanthony
Chairman: Audit Committee
10 December 2019

TRANSSEC 4 (RF) LIMITED
Directors' report
for the year ended 30 September 2019

Nature of business

Transsec 4 (RF) Ltd is a registered credit provider managed by SA Taxi Development Finance (Pty) Ltd. The ultimate holding entity is Transsec 4 Issuer Owner Trust. The SA Taxi Group provides finance and related services to the taxi industry in South Africa.

Transsec 4 (RF) Ltd is a ring fenced securitisation special purpose vehicle that has listed notes on the JSE. The last date of issue was 13 March 2019 and the revolving period is still open. The Company is permitted to purchase additional loans until the end of the revolving period, which ends on 13 October 2020.

Financial results

The results of the Company are set out in the financial statements. The Company's profits are attributable to its trading activities.

Directorate	Appointment date	Resignation date
MD Herskovits	16 July 2018	
JE Trevena	16 July 2018	
R Thanthony	16 July 2018	
OA Ferreira	16 July 2018	
A Otto (alternate to MD Herskovits)	26 June 2019	

Secretary	Appointment date	Resignation date
MD Herskovits	16 July 2018	

Authorised and issued share capital

There were no additional shares issued in the period.

Events subsequent to reporting date

No significant events occurred subsequent to the reporting date for the Company that require adjustment to the financial statements.

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).

Please refer to the following link for the application of the King IV principles:

https://www.transactioncapital.co.za/transsec4.php

Going Concern

The going concern basis was adopted in preparing the financial statements. The directors have no reason to believe that the Company will not be a going concern in the foreseeable future based on forecasts.

Auditors

Deloitte & Touche were appointed as external auditors during the period and will continue in office in accordance with section 90 of the Companies Act.

TRANSSEC 4 (RF) LIMITED
Company secretary's certification
for the year ended 30 September 2019

In terms of section 88(2)(e) of the Companies Act (as amended), I certify that, to the best of my knowledge and belief, Transsec 4 (RF) Ltd has lodged with the Commissioner all such returns and notices as are required by the Companies Act, (as amended), and that all such returns and notices are true, correct and up to date.

MD Herskovits
Company Secretary
10 December 2019

Deloitte.

Private Bag X6
Gallo Manor 2052
South Africa

Deloitte & Touche
Registered Auditors
Financial Services Team - FIST
Building 8
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead Sandton
Docex 10 Johannesburg

Tel: +27 (0)11 806 5200
Fax: +27 (0)11 806 5222
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF TRANSSEC 4 (RF) LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Transsec 4 (RF) Limited set out on pages 9 to 42, which comprise the statement of financial position as at 30 September 2019, the statement of comprehensive income, statement of changes in equity and 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 statements of financial position as at 30 September 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Significant estimates and judgements included in the Transsec 4 loans credit impairment model</td></tr>
<tr><td>ISA 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements presumed significant risk of management override of controls, specifically those areas within the impairment/amortisation models which are subject to management judgement and/or estimation.

With regards to Transsec 4, this has been pinpointed as follows:
• Determination of expected losses: probability of default ("PD") and the loss given write-off ("LGW"). Key aspects of the LGW involving estimation include recovery value after repair costs, time to default ("TTD") and time to repossession ("TTR").
• Repair cost methodologies in determining cost to repair salvaged vehicles as this impacts both the expected losses and repossessed inventory valuation.

This is considered to be a key audit matter due to the extent of judgement and /or estimation applied.</td><td>We involved quantitative and credit modelling specialists who performed an assessment of:
• The model methodology in light of ongoing refinements to IFRS 9 Financial Instruments ("IFRS 9");
• The accuracy of the model by independently recalculating the input parameters;
• We challenged and tested the accuracy of the model results by utilising sour "challenger" model and making comparison of model results; and
• the completeness and accuracy of data used in the model.

In addition the audit team assessed the design and implementation of relevant controls and no significant findings were noted.

We assessed the model and its inputs and were satisfied with the methodology applied.

We found the disclosures relating to the financial instruments as presented in notes 6,19, 21 and 22, and the key judgements and estimates applied in the determination thereof, to be appropriate and in accordance with the underlying accounting standards.</td></tr>
</table>

Other Information
The directors are responsible for the other information. The other information comprises the information included in the document titled "Transsec 4 (RF) Limited audited financial statements for the year ended 2019" which includes the Company information, Directors responsibility statement, Directors' Report, Audit Committee's report and the Company Secretary's Certificate, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report. 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 and will 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the 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 the 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.

Auditor's Responsibilities for 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 skepticism 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 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.

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Transsec 4 (RF) Limited for 5 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: Paul Stedall
Partner

10 December 2019

TRANSSEC 4 (RF) LIMITED
Statement of financial position
at 30 September 2019

	Notes	2019 R'000	2018 R'000
Assets			
Cash and cash equivalents	6	86,336	-
Trade and other receivables	7	11,911	-
Loans and advances	8	944,381	-
Deferred tax assets	9	2,384	-
Total assets		1,045,012	-
Liabilities			
Trade and other payables	10	54,069	-
Interest bearing liabilities	11	852,625	-
Loans from group companies	20	128,018	-
Current tax payable		586	-
Total liabilities		1,035,298	-
Equity			
Ordinary and preference share capital	12	-	-
Retained earnings		9,714	-
Total equity attributable to owners of the parent		9,714	-
Total equity and liabilities		1,045,012	-

TRANSSEC 4 (RF) LIMITED
Statement of comprehensive income
for the year ended 30 September 2019

	Notes	2019 R'000	2018 R'000
Interest income	13	127,646	-
Interest expense	13	(55,230)	-
Net interest income	13	72,416	-
Impairment of loans and advances	14	(15,000)	-
Risk adjusted net interest income		57,416	-
Non-interest revenue	15	856	-
Indirect costs	16	(44,780)	-
Profit before tax		13,492	-
Income tax expense	17	(3,778)	-
Profit for the year		9,714	-
Other comprehensive income		-	-
Total comprehensive income for the year		9,714	-

TRANSSEC 4 (RF) LIMITED
Statement of changes in equity
for the year ended 30 September 2019

		Number of ordinary shares	Number of preference shares	Share capital*	Preference Share capital*	Retained earnings	Owners of the parent
				R'000	R'000	R'000	R'000
Balance at 30 September 2017		-	-	-		-	-
Issue of shares		100	23	-		-	-
Total comprehensive income		-	-	-		-	-
Profit for the year		-	-	-		-	-
Other comprehensive income		-	-	-		-	-
Balance at 30 September 2018		100	23	-	-	-	-
Shares Issued		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	9,714	9,714
Profit for the year		-	-	-	-	9,714	9,714
Other comprehensive income		-	-	-	-	-	-
Balance at 30 September 2019		**100**	**23**	**-**	**-**	**9,714**	**9,714**
	Notes	12	12	12	12		

* Rounds to less than R1000

TRANSSEC 4 (RF) LIMITED
Statement of Cash Flows
for the year ended 30 September 2019

	Notes	2019 R'000	2018 R'000
Cash flow from operating activities			
Cash generated by operations	18	27,405	-
Income taxes paid	19	(5,576)	-
Cash flow from operating activities before changes in operating assets and liabilities		21,829	-
Movement in operating assets and liabilities		(958,294)	-
Increase in gross loans and advances		(958,294)	-
Change in working capital		42,158	-
Increase in trade and other receivables		(11,911)	-
Increase in trade and other payables		54,069	-
Net cash generated from operating activities		(894,307)	-
Net cash generated from investing activities		-	-
Cash flow from financing activities			
Issue of shares	12	-	-
Proceeds from raising interest bearing liabilities		878,266	-
Repayment of interest bearing liabilities		(25,641)	-
Net proceeds from loans from group companies		128,018	-
Net cash generated from financing activities		980,643	-
Net increase in cash and cash equivalents		86,336	-
Cash and cash equivalents at beginning of the year	6	-	-
Cash and cash equivalents at end of year	6	86,336	-

1. ACCOUNTING POLICIES

The financial statements of Transsec 3 (RF) Ltd ("the Company") 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, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Johannesburg Stock Exchange ('JSE') Listing Requirements, the going-concern principle and the requirements of the South African Companies Act.

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

The Company's statement of financial position is presented in order of liquidity. Reference to the current maturities of these financial assets and liabilities are disclosed in the notes to the financial statements. The accounting policies are consistent with the previous year, except where otherwise specifically stated.

All monetary information and figures presented in these financial statements are stated in thousands of South African Rand (R'000), unless otherwise indicated.

Changes in accounting policies and disclosures:

Except for those noted below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

The Company has adopted the following new standards with the date of initial application of 1 October 2018.

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 that are not within the scope of another IFRS standard.

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.

Classification and measurement of revenue

An impact analysis has been completed which indicates that the adoption of IFRS 15 does not have a material impact on the revenue classification and measurement of the Company:

- A significant proportion of the Company's revenue comprises interest and other similar income related to gross loans and advances accounted for in terms of IFRS 9 – Financial Instruments and therefore falls outside the scope of IFRS 15.
- Refer to the accounting policy for the nature, timing and satisfaction of performance obligations of additional revenue streams. The impact of IFRS 15 on other revenue earned is immaterial.

1. Accounting policies (continued)

The principal accounting policies are set out below:

2. 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.

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.

Classification

Financial assets are classified into the following categories:

- At fair value through profit or loss; and
- Amortised cost.

Financial liabilities are classified into the following categories:

- At fair value through profit or loss; and
- Amortised cost.

A financial asset is measured at amortised cost if

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

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

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

2. Financial instruments (continued)

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

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

Financial assets

Financial assets at fair value through profit or loss

Financial assets that are held at fair value through profit and loss include derivative financial instruments.

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

Amortised cost

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

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.

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

At each reporting date, the Company recognises in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Company recognises favourable changes in lifetime expected credit losses as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

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

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

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

2. Financial instruments (continued)

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

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

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

The majority of the Company's advances are included in the loans and receivables category.

Impairment

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

The loss allowance for a financial instrument is measured at the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition.

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

If at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

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

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

Impairment losses or reversals are recognised in profit or loss.

2. Financial instruments (continued)

Determining significant increases in credit risk

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

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

A detailed description of the Company's approach to determine significant increases in credit risk have been included in note 21.1.

Definition of default

In respect of loans and advances, the Company has defined default as 90 days past due, with no qualifying payment received in the past 3 months. A qualifying payment is more than 50% of the instalments raised. The group has rebutted the 90-day default presumption based on a quantitative analysis of the purchase defaults and alignment to operational collections processes.

Modified financial assets

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

Measurement of expected credit losses

The Company measures expected credit losses of a financial instrument in a way that reflects:
- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date and other relevant forward-looking information.

2. Financial instruments (continued)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities at amortised cost

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

Derivative instruments

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

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

2. Financial instruments (continued)

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

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

Fair value

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

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

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

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

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

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

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

2. Financial instruments (continued)

Hedge accounting

The Company designates certain derivatives in respect of interest rate risk as fair value hedges.

Fair value hedges

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

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

Offsetting

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

Derecognition

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

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

Vehicles in possession

Vehicles in possession represent security attached where a borrower has defaulted under the terms of a vehicle finance arrangement. Vehicles in possession are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Costs include refurbishment costs and related costs incurred in bringing such vehicles to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of refurbishment and selling expenses. The write down of vehicles in possession to net realisable value and the reversal thereof is recognised in profit and loss. The reversals of the write downs are limited to the reacquired cost of vehicle in possession. Vehicles in possession are reported as part of the loans and advances and included as a non-financial asset in the categorised statement of financial position.

2. Financial instruments (continued)

Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount. They are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as provisions is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation.

3. REVENUE RECOGNITION

General policy

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

Revenue comprises fees for rendering of services to customers, finance charges on loans and suspensive sale credit agreements.

Revenue excludes non-operating income and value added taxation.

Interest income

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

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

a) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Rendering of services

The recognition of revenue from the rendering of services is included in the table below for each significant source of revenue.

3. Revenue recognition (continued)

2. PRODUCT AND SERVICE	3. NATURE, TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS
Administration and service fees	Administration and service fees are recognised over a period of time as performance obligations are met and the service delivered to clients.

Gains and losses

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

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

Interest expense

Interest expense comprises interest on borrowings including debentures and other costs incurred in connection with the borrowing of funds. Interest expense is recognised in the period in which it is incurred using the effective interest method.

4. TAXATION

Current

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

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

4. Taxation (continued)

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.

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.

Indirect taxation

Indirect taxation in the form of non-claimable value-added tax (VAT) on expenses is disclosed as indirect taxation in profit or loss. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position.

5. 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 on-going 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.

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

Impairment of financial assets

The Company measures expected credit losses of a financial instrument in a way that reflects:

a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) The time value of money; and

5. Management estimates (continued)

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

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

More detail on the credit impairment model is included in note 21.1.

New and amended standards issued but not yet effective applicable to the Company

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 based on managements’ view.

		2019 R'000	2018 R'000
6	**Cash and cash equivalents**		
	Bank balances	86,336	-
	Total cash and cash equivalents *	86,336	-

** Ceded as part security for amortising securitisation notes and loans as shown in note 11.*

		2019 R'000	2018 R'000
7	**Trade and other receivables**		
	Trade receivables	2,206	-
	VAT receivable	2,327	-
	Other	5,288	-
	Interest rate swap (refer to note 22)	2,090	
	Trade and other receivables	11,911	-

The carrying value of trade and other receivables approximates fair value, and represents the maximum exposure to credit losses.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. There has been no change in the estimation techniques or significant assumptions made during the current reporting period. No impairment allowance was required in 2019.

		2019 R'000	2018 R'000
8	**Loans and advances**		
	Gross loans and advances (refer to note 8.1)	958,294	-
	Impairment provision (refer to note 8.2)*	(13,913)	-
	Loans and advances **	944,381	-

Loans and advances are ceded as part security for amortising securitising notes and loans as shown in note 11.

** Refer to note 21.1 for details on credit risk management and measurement.*

*** Included in this balance are repossessed vehicles valued at R2.8 million.*

		2019 R'000	2018 R'000
8.1	**Finance leases**		
	Maturity analysis of gross finance leases including unearned finance		
	Amounts up to 1 year	396,082	-
	Amounts between one and five years	1,043,644	-
	Amounts in excess of five years	4,233	-
	Gross finance leases including unearned finance charges	1,443,959	-
	Unearned finance charges	(485,665)	-
	Gross finance leases	958,294	-
	Impairment provision (refer to note 8.2)	(13,913)	-
	Net finance leases	944,381	-
			-
	Maturity analysis of gross finance leases		-
	Amounts up to 1 year	190,746	-
	Amounts between one and five years	763,664	-
	Amounts in excess of five years	3,884	-
		958,294	-
			-
	Average remaining term of lease	61	-
	Average contractual term of leases	71	-

		Notes	2019 R'000	2018 R'000
8	**Loans and advances (continued)**			
8.2	**Impairment provision**			
	Balance at the beginning of the year		-	-
	Gross impairments recognised in profit and loss		(15,014)	-
	Net impairments recognised in profit and loss	14	(15,000)	-
	Recoveries of amounts previously written off	14	(14)	-
	Utilisation of impairment provision	14	1,101	-
			(13,913)	-
8.3	**Related credit risk exposure and enhancements**			
	Maximum exposure to credit losses of loans and advances		944,381	-
	Credit risk exposure is mitigated through vehicles held as collateral. The aggregate achievable resale value less costs to sell of collateral held is:		1,112,767	-
	Related specifically to:			
	Impaired non financial assets*		2,804	-
	Impaired financial assets		40,348	-
	Financial assets past due but not specifically impaired		330,674	-
	Financial assets neither past due nor impaired		738,941	-

The Company is not permitted to sell or encumber the vehicles securing the lease agreements unless they have been reacquired under the finance agreements.
* In the current year, collateral related to non financial assets is presented separately.

		Notes	2019 R'000	2018 R'000
9	**Deferred tax assets**			
	The movements during the year are analysed as follows:			
	Deferred tax asset at the beginning of the year		-	-
	Credit to profit or loss for the year	17	2,384	-
	Deferred tax asset at the end of the year		2,384	-

Category of deferred tax	**Opening Balance R'000**	**Charged to income R'000**	**Closing Balance R'000**
2019			
Loans and advances	-	2,886	2,886
Interest bearing borrowings	-	(502)	(502)
	-	2,384	2,384

Deferred tax assets have been fully recognized on the expectation of future taxable income in respect of Gross loans and advances.

	R'000	**R'000**	**R'000**
2018			
Prepayments	-	-	-
Loans and advances	-	-	-
Interest bearing borrowings	-	-	-
	-		-

		2019 R'000	2018 R'000
10	**Trade and other payables**		
	Trade payables	31,790	-
	Accrued interest	15,815	-
	Other	6,464	-
		54,069	-

The carrying value of trade and other payables approximates fair value.

			2019 R'000	2018 R'000
11 Interest bearing liabilities				
Debentures	**Interest rate**	**Type**		
Senior	3 month JIBAR + 90 to 282bps*	Floating	758,947	-
Senior	Fixed at 9.225%	Fixed	93,678	-
			852,625	-
Payable within 12 months			158,082	-
Payable thereafter			694,543	-
			852,625	-

**bps: refers to Basis Points*

For an analysis of contractual maturity and liquidity risk, refer to note 21.3.

The Company is not in breach or default of any provisions of the terms or conditions of the agreements governing borrowings. These borrowings are secured by cession over finance leases and cash, refer to notes 8 and 6, respectively.

	2019 R'000	2018 R'000
12 Ordinary and preference share capital		
*Authorised***		
4000 ordinary shares		
100 redeemable preference shares		
*Issued **		
100 ordinary shares	-	-
23 redeemable preference shares	-	-
	-	-

** Rounds to less than R1,000*
*** The unissued ordinary shares are under the control of the directors, authorised by the shareholders. This authority remains in force until the next annual general meeting.*

	2019 R'000	2018 R'000
13 Net interest income		
Interest income is earned from:		
Cash and cash equivalents	2,122	-
Loans and advances	125,524	-
Interest income	127,646	-
Interest expenses are paid on:		
Interest bearing liabilities	43,172	-
Intergroup interest	12,058	-
Interest expense	55,230	-
Interest income	127,646	-
Interest expense	(55,230)	-
Net interest income	72,416	-
Categorisation of Interest income		
Financial assets carried at amortised cost	127,646	-
14 Impairment of loans and advances		
Impairment comprises:		
Movement in provision for impairment	13,913	-
Bad debts written off	1,101	-
Bad debts recovered	(14)	-
Total impairment (refer to note 8.2)	15,000	-

		Notes	2019 R'000	2018 R'000
15	**Non-interest revenue**			
	Non interest revenue comprises:			
	Fee income		856	-
	Administration fees		37	-
	Service fees		819	-
16	**Indirect costs**			
	Indirect costs comprise:			
	Professional fees		(21)	-
	Input VAT not recoverable		(1,479)	-
	Consulting fees		(231)	-
	Listing costs		(244)	-
	Management fees		(42,269)	-
	Director emoluments - Non executive	20	(68)	-
	Bank charges		(465)	-
	Other indirect expenses		(3)	-
			(44,780)	-
17	**Income tax expense**			
	South African normal taxation:			
	Current taxation		6,162	-
	Current year		6,162	-
	Deferred taxation		(2,384)	-
	Current year		(2,384)	-
			3,778	-
	Tax rate reconciliation			
	South African tax rate		28%	-
	Effective tax rate		28%	-
18	**Cash generated by operations**			
	Profit before taxation		13,492	-
	Adjusted for:			
	Movement in provision for impairment	14	13,913	-
	Cash generated by operations		27,405	-
19	**Income taxes paid**			
	Amounts receivable at beginning of year		-	-
	Current tax charge to profit or loss		6,162	-
	Amounts payable at end of year		(586)	-
	Income taxes paid		5,576	-

20 Related Parties

The ultimate holding Company is Transaction Capital Limited
The ordinary shareholder is Transsec 4 Issuer Owner Trust
The preference shareholder is SA Taxi Holdings (Pty) Ltd
A listing of the Company's directors can be found in the directors' report

The following amounts were charge by related parties:	Nature	Relationship	2019 R'000	2018 R'000
Indirect costs				
SA Taxi Development Finance (Pty) Ltd	Management fees	Fellow subsidiary**	16,949	-
Taximart (Pty) Ltd	Management fees	Fellow subsidiary**	25,321	-
Transaction Capital Recoveries (Pty) Ltd	Back-up service provider	Fellow subsidiary**	231	-
Transaction Capital Payment Solutions (Pty) Ltd	Transactional fees	Fellow subsidiary**	1	
Interest expense				
SA Taxi Holdings (Pty) Ltd		Preference shareholder	12,058	-
The following are the amounts due from (to) related parties				
Trade receivables (Trade payables)				
SA Taxi Development Finance (Pty) Ltd		Fellow subsidiary**	(25,054)	-
Taximart (Pty) Ltd		Fellow subsidiary**	(680)	-
Transaction Capital Recoveries (Pty) Ltd		Fellow subsidiary**	(110)	-
SA Taxi Finance Solutions (Pty) Ltd		Fellow subsidiary**	2	-
Keywood Investments (Pty) Ltd		Fellow subsidiary**	1,824	-
SA Taxi Protect (Pty) Ltd		Fellow subsidiary**	1,156	-
Potpale (RF) (Pty) Ltd		Fellow subsidiary**	(33)	
Guardrisk Insurance Company Ltd		Cell Captive	(2,284)	
SA Taxi Holdings (Pty) Ltd	Rate linked to prime*	Preference shareholder	(128,018)	-
			(128,018)	-
Total loans due to related parties			(128,018)	-
Total loans due from related parties			-	-

Except where otherwise stated, all group loans are non-interest bearing and repayable on demand.

* Except where otherwise stated, all group loans are non-interest bearing and repayable on demand.
** Viewed as a fellow subsidiary as a result of the application of accounting standards/policies.

Directors fees

Directors fees are paid to TMF Corporate Services (South Africa) (Pty) Ltd for the fiduciary services rendered. These directors are listed below with an arbitrary and equal allocation of the aggregate fees between each director.

No remuneration is paid to MD Herskovits by Transsec 4 (RF) Limited for services rendered as a director. Transsec 4 (RF) Limited does not form part of the statutory SA Taxi Holdings group of companies, and as such, remuneration received by MD Herksovits services rendered to other companies within the SA Taxi Group has not been provided.

	2019	2018
Transsec 4 (RF) Limited earnings	68	-
OA Ferreira	23	-
JE Trevena	23	-
R Thanthony	22	-
Consolidated earnings from the Company and other related companies	698	-
OA Ferreira	233	-
JE Trevena	233	-
R Thanthony	232	-

21 Financial risk management

The Company's operations expose it to a number of financial risks, including: market risk (interest rate risk), credit risk, and liquidity risk. A risk management programme has been established to protect the Company against the potential adverse effects of these financial risks.

The SA Taxi Holdings (Pty) Ltd ("SA Taxi") board is responsible for risk management and the setting of the risk management framework. Oversight of risk management is the responsibility of two Transaction Capital Ltd board subcommittees; the assets and liabilities committee (ALCO) and the audit, risk and compliance committee (ARC). The ALCO monitors risks associated with liquidity and funding, interest rates, counterparties, currency exposures and capital adequacy. The ARC committee monitors risks associated with financial reporting, accounting policies, internal control and IT governance. The ARC is responsible for risk management including setting the risk management framework, setting risk appetite and monitoring SA Taxi's management of risk, including credit and compliance. The management of the Company is outsourced to SA Taxi Development Finance (Pty) Ltd. The responsibility for day to day management of risks falls to SA Taxi's chief executive officer and its executive committees.

21.1 Credit risk

Credit risk is the risk of loss arising from the failure of a client or counterparty to discharge an obligation to the Company. The primary credit risks that the Company is exposed to arise from finance leases to minibus taxi operators. It is not the Company's strategy to avoid credit risk, but rather to manage credit risk within the Company's risk appetite and to earn an appropriate risk adjusted return.

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

Credit risk management and measurement
SA Taxi is responsible for the identification, measurement, management, control and reporting of credit risk. Exposure to credit losses is managed by assessing customer's affordability and their ability to repay loans and advances, customers risk profile, earnings potential. Impairments are monitored and provided for using statistical techniques including experiential and behavioural models. These models are based on customers' financial performance information while on book and assume that recent performance is a strong indicator of future performance. Models are either developed internally or by expert external advisors. The realisable/fair value of the underlying security is taken into consideration in arriving at a final impairment.

The Company has strict policies for granting credit. Loans and advances comprise a large number of accounts which are secured by minibus taxis. Collections of instalments are made through a mix of cash and debit order collections with approximately 80% of the portfolio being cash payers. At the reporting date, the Company did not consider there to be any significant concentration of credit risk which has not been adequately provided for. The nature of the Company's services does not result in significant concentration risks in unsecured credit. The Company maintains cash and cash equivalents and short-term investments with various financial institutions and in this regard it is the Company's policy to limit its exposure to any one financial institution.

The Company determines significant increases in credit risk using both the arrears aging and recency of payments for an account. Due to the nature of the Company's business and higher risk appetite, compared to other Tier 1 financiers, it is the Company's expectation that a client who is 30 days past due is not a significant risk. The Company has therefore rebutted the 30-day presumption. The rebuttal is based on a quantitative analysis of account performance relative to expectation at initial recognition as well as alignment to operational collections processes. The rebuttal is on segments that are never expected to be very large but they are appropriate for the business nonetheless. The Company has therefore defined Stage 2 as 60 days past due or clients that have missed their latest instalment.

Default is defined as 90 days past due, with no qualifying payment received in the past 3 months. A qualifying payment is more than 50% of the instalment raised. The 90-day presumption has been rebutted based on a quantitative analysis of the probabilities of default (PDs) and alignment to operational collections processes.

The definition of credit-impaired financial assets aligns to the default definition, as described above. This ensures consistency between the accounting treatment, impairment modelling and internal credit risk management practices. Write-off of an asset occurs at the point of sale of the vehicle, following repossession.

Once a vehicle has been repossessed, refurbished and ultimately sold, any difference between the net recovery value and the outstanding amount of the underlying asset is written off. Amounts written off in the current year, still subject to enforcement activity are R1m (2018: R0m). Refer to note 14.

Modifications are provided to clients who have shown proven payment performance and have had operational issues with the vehicle (e.g. mechanical breakdown or accident). SA Taxi understands that the client is unable to pay if the vehicle is out of operation, due to the fact that it is an income producing asset and thus do not proactively restructure distressed clients. Quantitative analysis has proven that the modifications do not exhibit significantly higher risk than non-modified accounts. The value of these modified accounts is immaterial, relative to the book size.

21 Financial risk management (continued)

21.1 Credit risk (continued)

The Company's Expected Loss model is developed using statistical techniques based on actual historical data. The expected loss is calculated for each active account, using segmented parameter estimates, including: PD (probability of default); EAD (exposure at default); and LGW (loss given write off). The segmentation ensures homogenous risk buckets. The LGW is calculated on an explicit basis per account, taking consideration for the settlement balance, market value, expected repair cost, discount rates and discount periods. The Company determines whether the credit risk of financial instruments has increased significantly since initial recognition based on the CD State (aging and recency). If the account is in Stage 1 then the 12-month expected credit loss is calculated, otherwise, for Stage 2 & 3, the lifetime expected loss is calculated.

The Company has performed a detailed statistical analysis on a multitude of macro-economic factors, namely Prime Rate, Unemployment Rate, Petrol Price, USD/ZAR Exchange Rate, GDP and CPI. Regression analysis shows that the economic factors do not add explanatory power to the model, hence they are not included. We have incorporated a forward-looking forecast for the mechanical repair costs and resale values as these have shown consistent trends over time. Current investment into parts procurement is expected to manage any inflationary effect on mechanical repair cost in the foreseeable future.

Valuation of collateral
The Company typically holds vehicles (minibus taxis), as collateral against secured advances. Any security taken as part of the credit decision is valued according to the applicable credit policies at the time of credit approval and at regular intervals thereafter. The market value of collateral over the secured debt is calculated with reference to the selling prices achieved in the active second hand minibus taxi market less expected costs to repair, which has been created by the Company through the SA Taxi group subsidiary Taximart (Pty) Ltd.

The carrying values of each vehicle in possession has been tested for impairment against current valuations. Impairments are as a result of an analysis of market related valuations prepared for each vehicle.

Due to the specialised nature of the group’s businesses, a certain degree of concentration in the collateral underpinning the various portfolios cannot be avoided. At the statement of financial position date, the group did not consider there to be any significant concentration of credit risk which has not been adequately provided for. Refer to note 8.3.

21.1.1 Financial assets subject to credit risk

For the purposes of Company disclosure regarding credit quality, the maximum exposure to credit risk of financial assets at the financial year end is the carrying amount of each asset, and is analysed further as follows:

	Loans and advances**	Trade & other receivables*	Other financial assets	Total
	R'000	R'000	R'000	R'000
2019				
Neither past due nor impaired	617,790	9,584	86,336	713,710
Past due but not impaired	294,812	-	-	294,812
Impaired	42,534	-	-	42,534
Impairment provision	(13,559)	-	-	(13,559)
Carrying value of financial assets	**941,577**	**9,584**	**86,336**	**1,037,497**
2018	-	-	-	-
Neither past due nor impaired	-	-	-	-
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
Impairment provision	-	-	-	-
Carrying value of financial assets	**-**	**-**	**-**	**-**

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

*** Excludes repossesed vehicles (non financial assets).*

21 Financial risk management (continued)

21.1 Credit risk (continued)

21.1.2 Financial assets that are past due but not impaired

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

	Past due up to 1 month R'000	Past due up to 1 - 2 months R'000	Past due up to 2 - 3 months R'000	Past due up to 3 - 4 months R'000	Past due older than 4 months R'000	Total R'000
2019						
Loans and advances	143,041	84,877	30,487	19,862	16,545	294,812
	143,041	84,877	30,487	19,862	16,545	294,812
2018						
Loans and advances	-	-	-	-	-	-
	-	-	-	-	-	-

21.1.3 Loans and advances that are neither past due nor impaired

		2019 R'000	2018 R'000
Carrying amount of loans and advances		617,790	-
Credit quality	High	577,803	-
	Medium	39,882	-
	Low	105	-

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

21 Financial risk management (continued)

21.1 Credit risk (continued)

21.1.4 Impairment provision reconciliation

	12 month expected credit losses R'000	Lifetime expected credit losses R'000	Credit impaired financial assets R'000	TOTAL R'000
Opening balance - 1 October 2018	-	-	-	-
Originations	1,532	5,374	7,007	13,913
Closing balance - 30 September 2019	**1,532**	**5,374**	**7,007**	**13,913**
Opening balance- 01 October 2017	-	-	-	-
Originations	-	-	-	-
Closing balance - 30 September 2018	-	-	-	-

21.1.5 Credit risk exposure

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

	12 month expected credit losses R'000	Lifetime expected credit losses R'000	Credit impaired financial assets R'000	TOTAL R'000
2019				
Neither past due nor impaired	615,689	2,101	-	617,790
Past due but not impaired	105,369	189,443	-	294,812
Impaired	-	-	42,534	42,534
Impairment provision	(1,532)	(5,373)	(6,654)	(13,559)
Total	**719,526**	**186,171**	**35,880**	**941,577**
2018				
Neither past due nor impaired	-	-	-	-
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
Impairment provision	-	-	-	-
Total	**-**	**-**	**-**	**-**

** Excludes repossessed vehicles (non financial assets).*

21 Financial risk management (continued)

21.2 Interest rate risk

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

The Company is exposed to interest rate risk associated with the effects of fluctuations in the prevailing levels of market rates on future cash flows of a financial instrument and the fair value of the financial instrument based on changes in market interest rates. The Company is exposed to interest rate risk as it borrows and places funds. This risk is managed by utilising an appropriate mix of fixed and floating rate borrowings. The Company is exposed to fair value interest rate and liquidity risk through its portfolio of fixed rate liabilities. The Company is exposed to cash flow interest rate risk through its variable rate borrowings. The Company created a natural hedge of interest rate risk by borrowing and lending at variable rates. Surplus cash flows exposed to interest rate risk are placed with institutions and facilities which yield the highest rate return.

The table below summarises the exposure to interest rate risk through grouping of financial assets and liabilities into repricing categories, determined to be the earlier of contractual repricing date or maturity.

21.2.1 Risk profile of interest bearing liabilities and assets

2019	Up to 1 month R'000	1 to 3 months R'000	4 to 12 months R'000	Beyond 12 months R'000	Non interest sensitive items R'000	Total R'000
Assets						
Cash and cash equivalents	86,336	-	-	-	-	86,336
Trade and other receivables*	-	-	-	-	9,584	9,584
Loans and advances***	941,577	-	-	-	-	941,577
Total assets	1,027,913	-	-	-	9,584	1,037,497
Liabilities						
Trade and other payables**	-	-	-	-	54,074	54,074
Interest bearing liabilities	-	758,947	-	-	93,678	852,625
Loans from group companies	128,018	-	-	-	-	128,018
Total liabilities	128,018	758,947	-	-	147,752	1,034,717
On balance sheet interest sensitivity	**899,895**	**(758,947)**	**-**	**-**	**(138,168)**	**2,780**

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

*** Revenue received in advance is not a financial liability and therefore has been excluded from trade and other payables.*

**** Excludes repossessed vehicles (non financial assets).*

21 Financial risk management (continued)

21.2 Interest rate risk (continued)
21.2.1 Risk profile of interest bearing liabilities and assets (continued)

2018	**Up to 1 month R'000**	**1 to 3 months R'000**	**4 to 12 months R'000**	**Beyond 12 months R'000**	**Non interest sensitive items R'000**	**Total R'000**
Assets						
Cash and cash equivalents	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-
Total assets	-	-	-	-	-	-
Liabilities						
Trade and other payables	-	-	-	-	-	-
Interest bearing liabilities	-	-	-	-	-	-
Loans from group companies	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
On balance sheet interest sensitivity	**-**	**-**	**-**	**-**	**-**	**-**

21 Financial risk management (continued)

21.3 Liquidity risk management

Liquidity risk is the risk that the Company is unable to meet payment obligations when they fall due or that insufficient funds are available to meet loan demands in the ordinary course of business. The Company’s objectives in relation to liquidity risk management are to manage the contractual mismatch between cash inflows from assets and cash outflows to settle liabilities, and to honour all cash outflow commitments.

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

It is the board's responsibility to ensure the management of daily cash flow requirements, the function is outsourced to an administrator, 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 Capital Markets (hereafter "CM") team of any changes to the business environment that may impact funding requirements.

Prudent liquidity risk management implies maintaining sufficient cash and undrawn facilities and the availability of funding through adequate committed credit facilities. Management monitors rolling forecasts of the Company’s liquidity headroom on the basis of expected cash flows and the resultant net borrowing position compared to available credit facilities. This process is performed during each financial year end for five years forward in term of the Company’s long term planning process.

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

	On demand	Within 1 year	From 1 - 5 years	More than 5 years	Total
2019	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Liabilities					
Trade and other payables*	-	54,074	-	-	54,074
Interest bearing liabilities	-	210,856	819,470	-	1,030,326
Loans from group companies	-	21,418	253,837	-	275,255
Total Liabilities	**-**	**286,348**	**1,073,307**	**-**	**1,359,655**

	On demand	Within 1 year	From 1 - 5 years	More than 5 years	Total
2018	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Liabilities					
Trade and other payables	-	-	-	-	-
Interest bearing liabilities	-	-	-	-	-
Loans from group companies	-	-	-	-	-
Total Liabilities	**-**	**-**	**-**	**-**	**-**

** Revenue received in advance is not a financial liability and therefore has been excluded from trade and other payables.*

21.4 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so as to provide superior returns for shareholders and other stakeholders, by pricing products and services commensurate with the level of risk. The SA Taxi oversight is achieved through the ALCO.

The Company defines capital as equity funding provided by shareholders and debt funding from external parties. Shareholder funding comprises permanent paid up capital, share premium, revenue and other reserves together with loans from shareholders.

The policy is to maintain a strong capital base so as to retain investor and creditor confidence and to ensure remaining debt obligations are met. The board of directors monitors the cost of capital, which is defined as the weighted average cost of capital, taking into account the Company's internally calculated cost of equity (shareholder funding) and long term cost of debt assumptions.

21 Financial risk management (continued)

21.5 Currency risk

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

The Company has no significant exposure to foreign currency risk.

21.6 Interest rate sensitivity analysis

The sensitivity analysis is prepared based on financial instruments that are recognised at the end of the reporting period. This is the case even where those exposures did not exist for the entire period or where the exposure changed materially during the period. The sensitivity that is applied is the amount that could reasonably be expected to occur, and has been determined as 100 basis points up and down.

Interest rate risk	**Effect on profit before tax of 1% change in rates R'000**	**Total carrying value of asset class R'000**	**Fair value R'000**
30 September 2019			
Assets			
Loans and advances***	9,416	941,577	941,577
Trade and other receivables*	-	9,584	9,584
Cash and cash equivalents	863	86,336	86,336
	10,279	1,037,497	1,037,497
Liabilities			
Interest bearing borrowings	7,589	852,625	875,745
- Fixed rate borrowings	-	93,678	98,948
- Floating rate borrowings	7,589	758,947	776,797
Trade and other payables**	-	54,074	54,074
Loans from group companies	1,280	128,018	128,018
	8,869	1,034,717	1,057,837
Net exposure	1,410	2,780	(20,340)

** Prepayments and VAT receivables are not financial assets and therefore have been excluded from trade and other receivables.*
*** Revenue received in advance is not a financial liability and therefore has been excluded from trade and other payables.*
**** Excludes repossessed vehicles (non financial assets).*

30 September 2018			
Assets			
Loans and advances	-	-	-
- Fixed rate loans and advances	-	-	-
- Floating rate loans and advances	-	-	-
Trade and other receivables	-	-	-
Cash and cash equivalents	-	-	-
Loans to group companies	-	-	-
	-	-	-
Liabilities	-	-	-
Interest bearing borrowings	-	-	-
- Fixed rate borrowings	-	-	-
- Floating rate borrowings	-	-	-
Trade and other payables	-	-	-
Loans from group companies	-	-	-
	-	-	-
Net exposure	-	-	-

22 Hedge accounting

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

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

Fair value hedges of interest rate risk
The Company uses interest rate swaps exchanging fixed rate interest for floating rate liabilities.

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

During the year, the fair value hedges were determined to be effective in hedging the fair value exposure to interest rate movements. As a result of the hedging relationship the fair value hedge movement are adjusted to the underlying liabilities to the value of R2.1 million.

The interest rate swap is considered to represent a level 2 fair value disclosure.

Derivative assets	**2019 R'000**	**2018 R'000**
Derivatives held for risk management		
Interest rate swap (asset)	(2,090)	-
Net amount	(2,090)	-

TRANSSEC 4 (RF) LIMITED
Notes to the financial statements
for the year ended 30 September 2019

23 Categorisation of financial instruments and associated gains/(losses)

Statement of Financial Position	At fair value through profit and loss	Financial assets carried at amortised cost	Financial liabilities carried at amortised cost	Non-financial liabilities or financial assets	Total
	R'000	R'000	R'000	R'000	R'000
2019					
Assets					
Cash and cash equivalents	-	86,336	-	-	86,336
Trade and other receivables*	2,090	7,494	-	2,327	11,911
Loans and advances	-	941,577	-	2,804	944,381
Deferred tax	-	-	-	2,384	2,384
Total Assets	2,090	1,035,407	-	7,515	1,045,012
Equity and liabilities					
Liabilities					
Trade and other payables	-	-	54,074	(5)	54,069
Current tax payable	-	-	-	586	586
Interest bearing liabilities	-	-	852,625	-	852,625
Loans from group companies	-	-	128,018	-	128,018
Total Liabilities	-	-	1,034,717	581	1,035,298
Total equity attributable to owners of the parent					9,714
Total equity and liabilities					1,045,012

** The interest rate swap has been designated as a fair value hedge. The effective portion has been recognised against the hedged item.*

23 Categorisation of financial instruments and associated gains/(losses)(continued)

Statement of Financial Position	At fair value through profit and loss	Financial assets carried at amortised cost	Financial liabilities carried at amortised cost	Non-financial liabilities or financial assets	Total
2018	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Assets					
Cash and cash equivalents	-	-	-	-	-
Loans to group companies	-	-	-	-	-
Trade and other receivables	-	-	-	-	-
Current tax receivable	-	-	-	-	-
Loans and advances	-	-	-	-	-
Deferred tax	-	-	-	-	-
Total Assets	-	-	-	-	-
Equity and liabilities					
Liabilities	-	-	-	-	-
Trade and other payables	-	-	-	-	-
Interest bearing liabilities	-	-	-	-	-
Loans from group companies	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Total equity attributable to owners of the parent					-
Total equity and liabilities					-

24 Level Disclosure

	2019			2018		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Financial assets at fair value through profit and loss						
Derivatives	-	2,090	2,090	-	-	-
Total financial assets	-	2,090	2,090	-	-	-

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

25 Events subsequent to reporting date

No significant events occurred subsequent to the reporting date for the Company that require adjustment to the financial statements.

26 Going concern

The going concern basis was adopted in preparing the financial statements. The directors have no reason to believe that the Company will not be a going concern in the foreseeable future based on forecasts and available cash resources.