INTERIM RESULTS

FOR THE HALF YEAR ENDED 31 MARCH

2017

Transaction Capital

COMMENTARY

HIGHLIGHTS

SHARE STATISTICS PERFORMANCE

CORE HEADLINE EARNINGS PER SHARE[1]	43.3 CENTS	↑ **17%** 2016 37.0 CENTS
NET ASSET VALUE PER SHARE	581.3 CENTS	↑ **22%** 2016 477.2 CENTS
INTERIM DIVIDEND PER SHARE	15.0 CENTS	↑ **25%** 2016 12.0 CENTS

FINANCIAL PERFORMANCE

	TRANSACTION CAPITAL GROUP	TRANSACTION CAPITAL RISK SERVICES	SA TAXI
GROWTH IN CORE HEADLINE EARNINGS[1]	R254 MILLION ↑ 21%	R93 MILLION ↑ 33%	R144 MILLION ↑ 22%
CORE RETURN ON AVERAGE EQUITY (ROE)[1]	16.1%	20.6%	24.1%

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

INTRODUCTION

Transaction Capital is a non-deposit taking financial services group specialising in higher-risk segments of the financial services market. The group's divisions, SA Taxi and Transaction Capital Risk Services (TCRS), are positioned distinctly in relation to South Africa's demographic and socio-economic realities. This underpins their leading market positions and enables them to deliver both social and commercial benefits.

The group has delivered robust organic earnings growth consistently since it listed on the Johannesburg Stock Exchange (JSE) five years ago. Although SA Taxi and TCRS perform better in a positive economic environment, they are also defensive businesses able to withstand difficult economic conditions.

In line with its strategy to buy and develop complementary businesses that support the growth of its divisions, and to diversify internationally, Transaction Capital acquired the following businesses in TCRS during the period:

- 100% of Recoveries Corporation in Australia, effective 1 January 2017.
- 75% of Road Cover, effective 1 December 2016.
- 51% of The Beancounter, effective 1 December 2016.

Each business is cash generative with a proven track record and scalable business model, which the group is well placed to develop through active management and potential bolt-on acquisitions. Further information regarding the acquisitions may be found in the Stock Exchange News Service (SENS) announcement released on 22 November 2016, available on www.transactioncapital.co.za.

During the first half of the 2017 financial year, Transaction Capital continued to generate consistent organic earnings growth, which was accelerated by the earnings accretive business acquisitions. The group's earnings growth for the full 2017 financial year, excluding once-off acquisition costs, is expected to exceed the earnings growth achieved last year.

Transaction Capital grew core headline earnings by 21% to R254 million. Core headline earnings per share grew by 17% to 43.3 cents per share, diluted slightly by the 28.4 million shares issued as part of the R418.9 million accelerated bookbuild concluded on 2 February 2017. This enhanced the group's balance sheet, increasing net asset value per share by 22% to 581.3 cents per share, and creates the capacity and flexibility for further acquisition opportunities.

COMMENTARY *continued*

SA Taxi grew headline earnings by 22% and generated an ROE of 24.1%, while TCRS grew core headline earnings by 33% and generated a core ROE of 20.6%. TCRS incurred once-off acquisition costs of R22 million during the period.

Shareholders are reminded that the group early adopted IFRS 9 in the 2015 financial year, resulting in a more conservative and lower-risk balance sheet and a higher quality of earnings. This early adoption has removed uncertainty relating to the implementation of IFRS 9 on future financial results and ratios.

TRANSACTION CAPITAL RISK SERVICES

		For the half year ended 31 March		
		2017	2016	**Movement**
Financial performance				
Core headline earnings attributable to the group[1]	Rm	**93**	70	**33%**
Purchased book debts				
Value of purchased book debts acquired	Rm	**210**	41	**>100%**
Purchased book debts	Rm	**930**	571	**63%**
Estimated remaining collections	Rm	**1 492**	1 063	**40%**

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

ENVIRONMENT AND MARKET POSITIONING

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

TCRS acts as an agent on an outsourced contingency or "fee-for-service" basis, or as a principal in acquiring and collecting on clients' non-performing loan portfolios. This diversified revenue model across various consumer credit sectors is central to its defensive positioning, which enables TCRS to continue delivering positive performance under a variety of market conditions.

South African consumers remain vulnerable, with persistently high levels of household debt-to-disposable income, low economic growth and high unemployment. Of the 24.31 million credit-active South African consumers at December 2016, 9.76 million had impaired credit records. This climate favours the acquisition of non-performing loan portfolios as a principal.

Although these macro- and socio-economic challenges affect consumers' ability to repay debt, regulatory changes regarding affordability assessments have prompted more responsible and lower levels of credit extension, particularly in the retail sector. This may result in earlier rehabilitation of the consumer over the medium term.

The business acquisitions made in the period will diversify TCRS' earnings over time, by geography and by sector. Specifically, Recoveries Corporation's revenue is generated in hard currency from outsourced collections in the insurance, telecommunication, utility and public sectors in Australia, whilst Road Cover allows TCRS to enter the adjacent value-added services market segment in South Africa.

ORGANIC GROWTH PERFORMANCE (EXCLUDING THE EFFECT OF THE BUSINESS ACQUISITIONS)

CONTINGENCY AND FEE-FOR-SERVICE REVENUE

TCRS' strategy to deepen its penetration in its traditional market segments (retailers, specialist lenders and banks) and grow revenue from adjacent sectors supported its organic earnings growth in South Africa.

In 89% of its 217 outsourced collection mandates, TCRS is ranked as either the top or second best recoveries agent. Furthermore, the adjacent insurance, telecommunication and public sectors now contribute 9% of TCRS' contingency and fee-for-service revenue.

ACQUISITION OF NON-PERFORMING LOAN PORTFOLIOS AS PRINCIPAL

The current economic context, and TCRS' strong capital position, data analytics capability, technology and scale have enabled greater acquisitions of non-performing loan portfolios in South Africa from risk averse clients who prefer an immediate recovery against their non-performing loans.

During the first half of the 2017 financial year TCRS acquired 13 portfolios with a face value of R2.8 billion for R210 million. TCRS now owns 180 principal portfolios with a face value of R18.1 billion, valued at R930 million at 31 March 2017, up 63% from R571 million a year before.

Revenue from the collection of non-performing loans as principal has grown by 19%, a strong result when compared to the 9% growth for the half year ended 31 March 2016. Estimated remaining collections has increased to R1.5 billion from R1.1 billion at 31 March 2016, which is expected to support positive performance in future.

OPERATIONAL PERFORMANCE

Before taking the business acquisitions into account, TCRS improved its operational leverage with total costs for the half year decreasing by 7%. The technological and operational enhancements implemented last year, together with aggressive cost containment initiatives, contributed to an improved cost-to-income ratio of 74.9% compared to 81.5% in the prior half year period. Prior to the effect of the acquisitions, TCRS grew earnings organically in the high-teens.

EFFECT AND INTEGRATION OF RECENT BUSINESS ACQUISITIONS

Effective 1 December 2016, the earnings of Road Cover and The Beancounter were consolidated for four months. Effective 1 January 2017, Recoveries Corporation's earnings were consolidated for three months. The operational integration of the three businesses, to ensure they deliver on their investment cases, remains a key strategic and operational focus. Each of the businesses is performing in line with expectations.

In Recoveries Corporation, TCRS will apply the group's analytics, pricing expertise and capital to the purchase of non-performing loan portfolios in a highly fragmented Australian debt collection market. As most debt recovery activity in the Australian industry is according to this model, this presents good prospects for growth. Recoveries Corporation is the market leader in the Australian insurance recoveries sector, and will facilitate the growth of TCRS' fledgling insurance recoveries offering in South Africa.

Opportunities in Road Cover include offering their products to the mass consumer market in South Africa through TCRS' existing banking, retail, insurance, telecommunications and other clients. A strategy to deliver Road Cover's product directly to consumers via data analytics, lead generation and direct marketing channels is also being pursued.

CONCLUSION

TCRS' diversified revenue model supported core headline earnings growth of 33% to R93 million for the half year ended 31 March 2017. Robust organic growth, augmented by the earnings accretive business acquisitions, underpinned this result.

As Recoveries Corporation was consolidated for only part of the period and currency movements were negligible, the impact of the foreign exchange translation loss on earnings was insignificant.

SA TAXI

		For the half year ended 31 March		
		2017	2016	**Movement**
Financial performance				
Headline earnings attributable to the group	Rm	**144**	118	**22%**
Non-interest revenue	Rm	**195**	150	**30%**
Net interest income	Rm	**412**	356	**16%**
Net interest margin	%	**11.0**	11.0	
Credit performance				
Gross loans and advances	Rm	**7 757**	6 688	**16%**
Non-performing loan ratio	%	**17.2**	18.0	
Credit loss ratio	%	**3.3**	3.4	

ENVIRONMENT AND MARKET POSITIONING

SA Taxi is a vertically integrated platform incorporating vehicle procurement, retail, finance, insurance, repossession, spare part procurement and refurbishment capabilities. Combined with SA Taxi's proprietary data, these specialist competencies enable the division to extend asset-backed developmental credit, distribute bespoke taxi insurance and sell focused vehicle models and other allied business services to taxi operators. By helping taxi operators to ensure the sustainability of their businesses, SA Taxi has a business model that delivers a commercial benefit while improving this fundamental mode of transport.

With 69% of all South African households utilising minibus taxis, this dominant mode of transport is responsible for more than 15 million commuter trips per day, with no reliance on any government subsidy. In contrast, bus and rail transport requires huge capital investment and ongoing subsidisation from government to build, maintain and operate, and on a combined basis only accounts for 11 million commuter trips per day. For the majority of South African commuters, therefore, minibus taxi transport is a non-discretionary expense that offers the most accessible and cheapest means of travel. This structural element of South Africa's public transport system makes the minibus taxi industry resilient and defensive regardless of the socio-economic environment.

On balance, the economic drivers affecting a minibus taxi operator's business model remain favourable. For the three-year period from January 2014 to December 2016, Toyota has increased the price of its minibus taxi vehicle by an average 8.7% a year, to a current price of about R400 000. Petrol prices have remained below January 2014 levels for 25 of the 36 months. The repo interest rate has increased by 200 basis points over the same period. Commuter fares, which are set by minibus taxi associations taking operators' costs and commuter affordability into account, have been increased appropriately. This can be measured by SA Taxi's improving key credit metrics, demand for minibus taxi vehicles exceeding supply and the proportion of repeat loans originated to existing clients, which during the rolling 12 months ended 31 March 2017 was approximately 23%.

SA Taxi estimates that of the 200 000 national minibus taxi fleet, only 70 000 to 80 000 of these are financed with the remainder estimated to be older than nine years. The limited supply of minibus taxi vehicles into the local market extends the under-capitalisation and age of the national fleet. This structural element has resulted in long-term demand exceeding the supply of minibus taxi vehicles, underpinning SA Taxi's credit performance as it achieves high prices for its refurbished vehicles and remains selective on credit risk.

VEHICLE FINANCING ACTIVITIES

SA Taxi's loans and advances portfolio comprises 27 142 vehicles, approximately one in every three of the financed national minibus taxi fleet. SA Taxi grew the number of loans originated during the first half of 2017 by 11%, now financing more than 40% of local new Toyota minibus taxi sales compared to 38% in 2015.

SA Taxi's loans and advances portfolio grew by 16% to R7.8 billion in the period. The combined effect of SA Taxi's 6% growth in the number of loans on book and minibus taxi price increases supported this result.

Net interest income grew by 16% in line with book growth, to R412 million. SA Taxi's net interest margin remained stable at 11.0%. An increasing interest rate environment anticipated from the downgrade of South Africa's credit rating is not expected to have a meaningful impact on SA Taxi's net interest margin or credit metrics as clients are able to afford higher repayments.

Despite the political uncertainty and concerns regarding South Africa's credit rating, SA Taxi still raised more than R4 billion in debt facilities during the period, securing its annual debt requirements for the 2018 financial year.

SA Taxi is funded by more than 30 distinctive debt investors, and continues to diversify its funding sources by accessing offshore capital pools. In addition to securing more than R2 billion of debt funding from European Development Finance Institutions (DFIs) since 2010, in February 2017 SA Taxi secured further debt facilities in excess of R2 billion from American DFIs. This long-term debt is raised in foreign currency and is fully hedged to Rand.

Reduced credit losses have resulted in an improved risk-adjusted net interest margin of 7.7% for the period. SA Taxi's credit loss ratio remained well within the internally set risk tolerance level of 3% to 4%, improving to 3.3% compared to 3.4% in the prior period. SA Taxi is able to recover more than 73% of the loan value when re-selling repossessed vehicles, as the security value of a taxi vehicle is enhanced in its refurbishment centre, the largest minibus taxi repair facility in Africa. The average cost to repair repossessed vehicles reduced further, driven by efficiencies achieved through SA Taxi's investment in its combined auto body repair and mechanical refurbishment centre.

A positive second order effect of vehicle manufacturers increasing new minibus vehicle prices is that pre-owned vehicle prices follow a similar trend. As SA Taxi's pre-owned product becomes more viable to its customers, SA Taxi is able to recover more when re-selling pre-owned refurbished vehicles in its retail dealership.

The non-performing loan ratio remains within management's expectations, improving to 17.2% from 18.0% in the prior period. A combination of continued strong collection performance, loans of superior credit quality originated via its retail dealership and conservative credit granting criteria supported this improvement.

With the early adoption of IFRS 9, SA Taxi's provisioning model is even more conservative, now based upon expected credit risk/loss (previously incurred credit loss). As a result of fewer non-performing loans, a cheaper average cost to repair repossessed vehicles and higher recoveries when re-selling such vehicles, provision coverage has reduced to 5.8%. At this level, SA Taxi's after tax credit loss remains conservatively covered at 2.4 times.

NON-INTEREST REVENUE

Non-interest revenue for the half year increased by 30% to R195 million, now comprising 32% of SA Taxi's revenue after interest expense compared to 26% in 2015. SA Taxi's vertically integrated business model allows for diversified non-interest revenue streams, including revenue earned from the sale of vehicles, telematics services and insurance offerings.

VEHICLE RETAIL OPERATIONS

SA Taxi's retail dealership, one of the largest dedicated taxi dealerships in the country selling Toyota, Nissan and Mercedes minibuses, and bespoke Toyota Corolla point-to-point taxi vehicles, has grown its annual vehicle turnover to more than R650 million.

Vehicles financed directly through SA Taxi's dealership outstrip the profitability of loans originated through affiliated and non-affiliated dealerships. Product margin, greater insurance revenue and better credit performance is achieved through this channel. The strategy of retailing new and pre-owned taxi vehicles through a SA Taxi owned dealership continues to present an organic growth opportunity.

SA Taxi's combined auto body repair and mechanical refurbishment centre spans more than 20 000 square metres and is estimated to be the largest buyer of Toyota spare parts in Africa. This centre is designed to feed SA Taxi's dealerships with approximately 220 quality refurbished taxi vehicles per month. This, together with its retail dealership channel and well-regarded brand, has enabled SA Taxi to establish the sale, financing and insuring of pre-owned vehicles as a core and profitable product offering.

INSURANCE OPERATIONS

SA Taxi's short-term insurance business continues to be a key driver of non-interest revenue. SA Taxi requires its financed minibus taxis to be fully insured, and has designed a bespoke insurance product to meet its taxi owners' specific needs, including comprehensive vehicle cover, passenger liability as well as business interruption cover. SA Taxi is also responsible for product distribution, premium collections and claims management, and earns the underwriting profits associated with this insurance business.

At 31 March 2017, more than 85% of SA Taxi's financed portfolio was insured directly through SA Taxi, compared to 81.4% at the 2016 half year. Over this period, the number of insurance policies taken up by non-financed clients increased by 23%.

In response to client demand, newly developed insurance products specifically designed for taxi operators will be introduced later this year, such as credit life and warranty products. In addition, management is currently investigating offering Road Cover products to SA Taxi's client and commuter base.

SA Taxi intends to earn additional margin and hence improve insurance underwriting profits by processing a greater proportion of its insurance claims via SA Taxi's combined auto body and mechanical repair facility.

UNIQUE USE OF DATA AND TECHNOLOGY

Technology remains key to mitigating SA Taxi's risk. Data is accumulated daily from each minibus taxi and applied to credit score cards, route profitability assessments, collection strategies and insurance pricing. SA Taxi's use of data and analytics has progressed over the years from repossession (tracking a vehicle's physical location), to credit decision-making (to assess the prospective profitability of a proposed route), to collections (determining current profitability based on kilometres travelled in a specific month), to insurance (whether the vehicle's average movement pattern has changed pointing to potential vehicle damage or theft). Leveraging this data to develop an application for minibus taxi operators represents the next step in SA Taxi's technology evolution. This data-rich application will provide operators with real-time information on the performance of their vehicles, enabling them to better manage their business. Revenue from telematics services increased by 7% from the prior period.

POINT-TO-POINT TAXI OPERATIONS

The point-to-point taxi fleet, consisting of both metered and e-hail taxis, is not yet a significant component of SA Taxi's loans and advances portfolio. Management remains focused on leveraging SA Taxi's existing skill set in the procurement, sale, financing and insuring of point-to-point taxis.

OPERATIONAL PERFORMANCE

SA Taxi's cost-to-income ratio has increased to 50.1% from 48.4% for the half year mainly due to continued investment in SA Taxi's retail dealership and insurance businesses as well as the establishment of the auto body repair centre and point-to-point taxi business.

CONCLUSION

With 16% growth in gross loans and advances, stable net interest margins, 30% growth in non-interest revenue, improving credit performance and a marginally higher cost-to-income ratio it is evident that SA Taxi's credit, operational and financial performance is robust. This translated into 22% growth in headline earnings of R144 million for the period.

GROUP EXECUTIVE OFFICE

The group executive office contributed R17 million to the group's headline earnings in the first half of the 2017 financial year, a decrease of 23% from the prior comparative period. This result is largely due to the deployment of more than R500 million of capital in December 2016 to fund business acquisitions accretive to TCRS' earnings.

PROSPECTS AND STRATEGY

Transaction Capital's strategy is to drive organic growth by enhancing and developing each division to achieve deep vertical integration within current and adjacent market segments. The composition of its portfolio and the defensive positioning of its divisions augurs well for the group's performance going forward.

Acquisitions remain a key component of Transaction Capital's growth strategy. The group favours a conservative approach with a narrow focus on businesses operating within existing or adjacent market segments. More than R500 million was deployed in December 2016 to fund the business acquisitions made in the period. The R418.9 million of additional equity capital raised in February 2017 has ensured that the balance sheet remains well capitalised, liquid and ungeared at a holding company level. This will enable the group to pursue acquisition opportunities with the flexibility of immediate cash settlement.

In addition, the share issue is also expected to help continue building trading liquidity in Transaction Capital shares.

Transaction Capital continues to enjoy strong support from both local debt investors and international DFIs. During November 2016, Transaction Capital established a R2 billion credit rated and JSE-listed Domestic Note Programme. Transaction Capital has been accorded a A-(ZA) (Long Term, National Scale) and A1-(ZA) (Short Term, National Scale) credit rating from Global Credit Ratings Co. It is expected that this programme will enable the group to gain access to a new capital pool at an attractive cost.

Considering Transaction Capital's defensive positioning within the socio-economic context, management is confident about the group's prospects. The combination of robust organic growth together with the accretive acquisitions supports good growth in the medium term. In addition, earnings will become more evenly weighted between its two divisions after the business acquisitions.

DIVIDEND DECLARATION

In line with the stated dividend policy of 2.5 to 3 times, the board has declared an interim gross cash dividend of 15 cents per share for the six months ended 31 March 2017 to those members on the record date appearing below. The dividend is declared out of income reserves. A dividend withholding tax of 20% will be applicable to the dividend to all shareholders that are not exempt from the dividend withholding tax, resulting in a net dividend of 12 cents per share. The salient features applicable to the interim dividend are as follows:

Issued shares as at declaration date	609 456 734
Declaration date	Wednesday 24 May 2017
Last day to trade cum dividend	Tuesday 20 June 2017
Final day to trade ex-dividend	Wednesday 21 June 2017
Record date	Friday 23 June 2017
Payment date	Monday 26 June 2017

Tax reference number: 9466/298/15/6

Share certificates may not be dematerialised or rematerialised between Wednesday 21 June 2017 and Friday 23 June 2017, both dates inclusive.

On Monday 26 June 2017 the cash dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic fund transfer is not available or desired, cheques dated 26 June 2017 will be posted on that date. Shareholders who have dematerialised their share certificates will have their accounts at their CSDP or broker credited on Monday 26 June 2017.

BASIS FOR PREPARATION

The financial information on which this announcement is based has not been reviewed and reported on by Transaction Capital's external auditors. The unaudited results of the group for the half year ended 31 March 2017 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act, 71 of 2008, applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts as a minimum and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), IAS 34: Interim Financial Reporting and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies and their application are in terms of IFRS and are consistent, in all material respects, with those details in Transaction Capital's prior year annual financial statements.

APPROVAL BY THE BOARD OF DIRECTORS

Signed on behalf of the board of directors:

David Hurwitz
Chief executive officer

Ronen Goldstein
Financial director

24 May 2017

Enquiries:
Phillipe Welthagen – Investor Relations
Telephone: +27 (0) 11 049 6700

Sponsor: Deutsche Securities (SA) Proprietary Limited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2017

	2017 Unaudited Rm	2016 Unaudited Rm	Change %
Assets			
Cash and cash equivalents	**782**	965	(19)
Taxation receivable	**30**	24	25
Trade and other receivables	**617**	546	13
Inventory	**222**	97	>100
Loans and advances	**7 785**	6 601	18
Leased assets	**28**	–	100
Purchased book debts	**930**	571	63
Other loans receivable	**32**	40	(20)
Other investments	**590**	425	39
Intangible assets	**212**	43	>100
Property and equipment	**122**	65	88
Goodwill	**696**	200	>100
Deferred tax assets	**314**	249	26
Total assets	**12 360**	9 826	26
Liabilities			
Bank overdrafts	**147**	22	>100
Taxation payable	**13**	32	(59)
Trade and other payables	**420**	203	>100
Provisions	**45**	12	>100
Interest-bearing liabilities	**7 895**	6 691	18
Senior debt	**6 959**	5 523	26
Subordinated debt	**936**	1 168	(20)
Deferred tax liabilities	**250**	127	97
Total liabilities	**8 770**	7 087	24
Equity			
Ordinary share capital	**1 046**	460	>100
Reserves	**139**	113	23
Retained earnings	**2 358**	2 134	10
Equity attributable to ordinary equity holders of the parent	**3 543**	2 707	31
Non-controlling interests	**47**	32	47
Total equity	**3 590**	2 739	31
Total equity and liabilities	**12 360**	9 826	26

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 MARCH 2017

	2017 Unaudited Rm	2016 Unaudited Rm	Change %
Interest and other similar income	**939**	806	17
Interest and other similar expense	**(475)**	(377)	26
Net interest income	**464**	429	8
Impairment of loans and advances	**(125)**	(112)	12
Risk-adjusted net interest income	**339**	317	7
Non-interest revenue	**843**	611	38
Operating costs	**(868)**	(656)	32
Non-operating (loss)/profit	**(2)**	2	<(100)
Profit before tax	**312**	274	14
Income tax expense	**(75)**	(62)	21
Profit for the period	**237**	212	12
Attributable to ordinary equity holders of the parent	**232**	210	10
Attributable to non-controlling equity holders	**5**	2	>100
Basic and headline earnings per share (cents)	**39.5**	37.0	7
Diluted basic and headline earnings per share (cents)	**39.3**	36.6	7
Core headline earnings per share (cents)	**43.3**	37.0	17
Core diluted headline earnings per share (cents)	**43.0**	36.6	17

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 MARCH 2017

	2017 Unaudited Rm	2016 Unaudited Rm	Change %
Profit for the period	**237**	212	12
Other comprehensive income	**(4)**	(17)	(76)
Fair value losses on cash flow hedge	**(2)**	(3)	(33)
Deferred tax on above	**<1**	<1	0
Exchange differences on translation of foreign operations	**(2)**	–	100
Fair value losses arising on valuation of assets held at fair value through other comprehensive income	**<(1)**	(14)	(100)
Total comprehensive income for the period	**233**	195	19
Attributable to ordinary equity holders of the parent	**228**	193	18
Attributable to non-controlling equity holders	**5**	2	>100

CONDENSED HEADLINE EARNINGS RECONCILIATION

FOR THE HALF YEAR ENDED 31 MARCH 2017

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

	2017 Unaudited Rm	2016 Unaudited Rm	Change %
Headline earnings	**232**	210	10
Transaction and other acquisition-related costs	**22**	–	100
Core headline earnings	**254**	210	21

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 MARCH 2017

	Share capital Rm	Reserves Rm	Retained earnings Rm	Ordinary shareholders equity Rm	Non-controlling interests Rm	Total equity Rm
Balance at 31 March 2016	460	113	2 134	2 707	32	2 739
Total comprehensive income	–	41	248	289	3	292
Profit for the period	–	–	248	248	3	251
Other comprehensive income for the period	–	41	–	41	–	41
Dividends paid	–	–	(68)	(68)	(1)	(69)
Grant of share appreciation rights	–	8	–	8	–	8
Settlement of share appreciation rights	–	(13)	(29)	(42)	–	(42)
Issue of shares	53	–	–	53	–	53
Repurchase of shares	(3)	–	–	(3)	–	(3)
Balance at 30 September 2016	**510**	**149**	**2 285**	**2 944**	**34**	**2 978**
Total comprehensive income	**–**	**(4)**	**232**	**228**	**5**	**233**
Profit for the period	**–**	**–**	**232**	**232**	**5**	**237**
Other comprehensive income for the period	**–**	**(4)**	**–**	**(4)**	**–**	**(4)**
Dividends paid	**–**	**–**	**(104)**	**(104)**	**(1)**	**(105)**
Additional non-controlling interests arising on acquisitions	**–**	**–**	**–**	**–**	**9**	**9**
Grant of share appreciation rights and conditional share plan	**–**	**9**	**–**	**9**	**–**	**9**
Settlement of share appreciation rights	**–**	**(15)**	**(55)**	**(70)**	**–**	**(70)**
Issue of shares	**536**	**–**	**–**	**536**	**–**	**536**
Balance at 31 March 2017	**1 046**	**139**	**2 358**	**3 543**	**47**	**3 590**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 MARCH 2017

	2017 Unaudited Rm	2016 Unaudited Rm	Change %
Net cash (utilised)/generated by operating activities	**(110)**	280	<(100)
Net cash utilised by investing activities	**(646)**	(25)	>100
Net cash generated/(utilised) by financing activities	**448**	(8)	>100
Net (decrease)/increase in cash and cash equivalents	**(308)**	247	<(100)
Cash and cash equivalents at the beginning of the period	**943**	696	35
Cash and cash equivalents at the end of the period	**635**	943	(33)

CONDENSED SEGMENT REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2017

	SA Taxi		TCRS		Group executive office*		Group	
	2017 Unaudited Rm	2016 Unaudited Rm	**2017 Unaudited Rm**	2016 Unaudited Rm	**2017 Unaudited Rm**	2016 Unaudited Rm	**2017 Unaudited Rm**	2016 Unaudited Rm
Condensed income statement for the half year ended 31 March 2017								
Net interest income	**412**	356	**28**	30	**24**	43	**464**	429
Impairment of loans and advances	**(124)**	(111)	**(1)**	(1)	**–**	–	**(125)**	(112)
Non-interest revenue	**195**	150	**642**	461	**6**	–	**843**	611
Total operating costs	**(304)**	(245)	**(560)**	(400)	**(4)**	(11)	**(868)**	(656)
Non-operating (loss)/profit	**–**	–	**(2)**	2	**–**	–	**(2)**	2
Profit before tax	**179**	150	**107**	92	**26**	32	**312**	274
Headline earnings attributable to equity holders of the parent	**144**	118	**71**	70	**17**	22	**232**	210
Transaction and other acquisition-related costs	**–**	–	**22**	–	**–**	–	**22**	–
Core headline earnings attributable to equity holders of the parent	**144**	118	**93**	70	**17**	22	**254**	210
Condensed statement of financial position at 31 March 2017								
Assets								
Cash and cash equivalents	**483**	422	**91**	87	**208**	456	**782**	965
Loans and advances	**7 305**	6 166	**480**	435	**–**	–	**7 785**	6 601
Leased assets	**28**	–	**–**	–	**–**	–	**28**	–
Purchased book debts	**–**	–	**930**	571	**–**	–	**930**	571
Other investments	**496**	425	**–**	–	**94**	–	**590**	425
Other assets and receivables	**949**	835	**1 258**	342	**38**	87	**2 245**	1 264
Total assets	**9 261**	7 848	**2 759**	1 435	**340**	543	**12 360**	9 826
Liabilities								
Bank overdrafts	**141**	18	**6**	–	**–**	4	**147**	22
Interest-bearing liabilities	**6 757**	5 571	**794**	530	**344**	590	**7 895**	6 691
Group loans	**910**	1 144	**205**	119	**(1 115)**	(1 263)	**–**	–
Other liabilities and payables	**199**	130	**541**	234	**(12)**	10	**728**	374
Total liabilities	**8 007**	6 863	**1 546**	883	**(783)**	(659)	**8 770**	7 087
Total equity	**1 254**	985	**1 213**	552	**1 123**	1 202	**3 590**	2 739

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

BUSINESS COMBINATIONS

FOR THE HALF YEAR ENDED 31 MARCH 2017

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired %	Consideration transferred Rm
Recoveries Corporation Group Limited (Recoveries Corporation)	Consumer customer management solutions	31/12/2016	**100**	**477**
RC Value Added Services Proprietary Limited (Road Cover)	Proprietary value-added services	01/12/2016	**75**	**120**
The Beancounter Financial Services Proprietary Limited (The Beancounter)	Outsourced accounting, payroll and tax services	01/12/2016	**51**	**10**

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

Consideration transferred

	Recoveries Corporation Rm	Road Cover Rm	The Beancounter Rm	Total Rm
Cash	**377**	**120**	**10**	**507**
Contingent consideration arrangement*	**100**	**–**	**–**	**100**
Total	**477**	**120**	**10**	**607**

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

There has been no change in the fair value of the contingent consideration since the acquisition date.

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

BUSINESS COMBINATIONS *continued*

Assets acquired and liabilities recognised at the date of acquisition

	Recoveries Corporation Rm	Road Cover Rm	The Beancounter Rm	Total Rm
Current assets				
Cash and cash equivalents	21	4	–	25
Trade and other receivables	72	–	1	73
Tax receivable	4	–	–	4
Non-current assets				
Property and equipment	18	2	–	20
Goodwill	147	–	–	147
Deferred tax asset	14	1	–	15
Current liabilities				
Provisions	(30)	–	–	(30)
Contingent liabilities raised in terms of IFRS 3	–	(3)	–	(3)
Trade and other payables	(60)	–	(1)	(61)
Net assets acquired and liabilities recognised	186	4	–	190

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

The receivables acquired in these transactions have a fair value of R73 million. The receivables acquired comprise principally trade receivables with a gross contractual amount of R59 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected are R4 million.

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

Non-controlling interests

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

Goodwill arising on acquisition

	Recoveries Corporation Rm	Road Cover Rm	The Beancounter Rm	Total Rm
Consideration transferred	**477**	**120**	**10**	**607**
Plus: non-controlling interests (25% in Road Cover, 49% in The Beancounter)	**–**	**9**	**<1**	**9**
Less: intangible assets identified from business combination	**(61)**	**(40)**	**(2)**	**(103)**
Plus: deferred tax on intangible assets identified from business combination	**14**	**10**	**1**	**25**
Less: fair value of identifiable net assets acquired	**(186)**	**(4)**	**–**	**(190)**
Goodwill arising on acquisition	**244**	**95**	**9**	**348**

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

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

Net cash outflow on acquisition of subsidiaries

	2017 Rm
Consideration paid in cash (excluding contingent consideration arrangement)	**507**
Less: cash and cash equivalents balance acquired	**(25)**
Net cash outflow	**482**

Impact of acquisitions on the results of the group

Included in profit attributable to equity holders of the group for the period, excluding acquisition costs, is R5 million attributable to the additional business generated by Recoveries Corporation, R6 million attributable by Road Cover and R0.4 million attributable by The Beancounter. Revenue for the period includes R115 million in respect of Recoveries Corporation, R23 million in respect of Road Cover and R4 million in respect of The Beancounter.

Had these business combinations been effected at 1 October 2016, revenue for the group for the interim period would have been R1 930 million, and the profit for the period attributable to equity holders of the group would have been R243 million. The directors consider these pro forma numbers to represent approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

FAIR VALUE DISCLOSURE

FOR THE HALF YEAR ENDED 31 MARCH 2017

The fair values of financial assets and liabilities have been disclosed below:

	Carrying value 2017 Rm	**Fair value 2017 Rm**	Carrying value 2016 Rm	Fair value 2016 Rm
Assets				
Loans and advances	**7 785**	**7 772**	6 601	6 593
Purchased book debts	**930**	**930**	571	571
Other loans receivable	**32**	**32**	40	40
Trade and other receivables*	**527**	**527**	631	631
Cash and cash equivalents	**782**	**782**	965	965
Total	**10 056**	**10 043**	8 808	8 800
Liabilities				
Interest-bearing liabilities	**7 895**	**7 955**	6 691	6 592
Fixed rate liabilities	**238**	**238**	797	723
Floating rate liabilities	**7 657**	**7 717**	5 894	5 869
Trade and other payables**	**358**	**358**	314	314
Bank overdrafts	**147**	**147**	22	22
Total	**8 400**	**8 460**	7 027	6 928
Net exposure	**1 656**	**1 583**	1 781	1 872

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

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

LEVEL DISCLOSURES
FOR THE HALF YEAR ENDED 31 MARCH 2017

	2017			
	Level 1 Rm	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**
Financial assets at fair value through profit or loss				
Entry-level vehicles	**–**	**–**	**39**	**39**
Other financial assets	**–**	**–**	**172**	**172**
Financial assets at fair value through other comprehensive income				
Derivatives	**–**	**56**	**–**	**56**
Other investments	**94**	**–**	**496**	**590**
Total financial assets	**94**	**56**	**707**	**857**
Financial liabilities at fair value through other comprehensive income				
Derivatives	**–**	**6**	**–**	**6**
Total financial liabilities	**–**	**6**	**–**	**6**

	2016			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets at fair value through profit or loss				
Entry-level vehicles	–	–	90	90
Other financial assets	–	–	148	148
Financial assets at fair value through other comprehensive income				
Derivatives	–	125	–	125
Other investments	–	–	425	425
Total	–	125	663	788

FAIR VALUE DISCLOSURE *continued*

Reconciliation of level 3 fair value measurements of financial assets

	2017		
	Fair value through profit or loss Rm	**Fair value through other comprehensive income Rm**	**Total Rm**
Opening balance	**220**	**370**	**590**
Total gains or losses			
In profit or loss	**(53)**	**–**	**(53)**
In other comprehensive income	**–**	**–**	**–**
Other movements*	**44**	**–**	**44**
Closing balance of fair value measurement	**211**	**370**	**581**
Capital deployed to cell	**–**	**126**	**126**
Closing balance of financial instrument	**211**	**496**	**707**

	2016		
	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
Opening balance	266	343	609
Total gains or losses			
In profit or loss	(25)	–	(25)
In other comprehensive income	–	(14)	(14)
Other movements*	(3)	–	(3)
Closing balance of fair value measurement	238	329	567
Capital deployed to cell	–	96	96
Closing balance of financial instrument	238	425	663

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

Sensitivity analysis of valuations using unobservable inputs

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

Movement in fair value given a 10% change in significant assumptions:

	2017		2016	
SA Taxi – loans and advances: entry-level vehicles	**10% Favourable Rm**	**10% Unfavourable Rm**	10% Favourable Rm	10% Unfavourable Rm
Significant unobservable input and description of assumption				
Average collateral value	**2**	**(2)**	2	(2)
Discount rate: The rate used to discount projected future cash flows to present value	**2**	**(2)**	4	(3)
Total	**4**	**(4)**	6	(5)

	2017		2016	
SA Taxi – other investments	**10% Favourable Rm**	**10% Unfavourable Rm**	10% Favourable Rm	10% Unfavourable Rm
Significant unobservable input and description of assumption				
Premium per policy: average insurance premium per policy in a year	**15**	**(15)**	16	(16)
Gross loss ratio: reported claims (excluding the movement in the claims that are incurred but not yet reported reserve) expressed as a percentage of gross written premium in a year	**95**	**(95)**	84	(84)
Mid-term insurance cancellations: number of policies cancelled during a year expressed as a percentage of total policies insured at the beginning of a year	**5**	**(5)**	5	(5)
Discount rate: the rate used to discount projected future cash flows to present value	**6**	**(6)**	17	(16)
Total	**121**	**(121)**	122	(121)

	2017		2016	
Transaction Capital Recoveries – other financial assets	**10% Favourable Rm**	**10% Unfavourable Rm**	10% Favourable Rm	10% Unfavourable Rm
Significant unobservable input and description of assumption				
Cash flows: change in the expected revenue	**<1**	**(1)**	3	(4)
Cash flows: change in expected costs	**<1**	**(1)**	1	(1)
Discount rate: the rate used to discount projected future cash flows to present value	**1**	**(2)**	3	(3)
Total	**1**	**(4)**	7	(8)

Transaction Capital

230 JAN SMUTS AVENUE, DUNKELD WEST, JOHANNESBURG, 2196
PO BOX 41888, CRAIGHALL, 2024, REPUBLIC OF SOUTH AFRICA
TEL: +27 (0) 11 049 6700 • FAX: +27 (0) 11 049 6899

WWW.TRANSACTIONCAPITAL.CO.ZA