TRANSSEC 4 (RF) LIMITED
(Registration number 2018/268776/06)

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Prepared by:
D Mandiwana

Supervised by:
B McLellan CA(SA)

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

Issued 11th December 2020

TRANSSEC 4 (RF) LIMITED
Financial statements
for the year ended 30 September 2020

Contents

TRANSSEC 4 (RF) LIMITED
Company information
for the year ended 30 September 2020

Company registration number

2018/268776/06

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 Alex Otto.

Auditors

Deloitte & Touche
Deloitte Building
5 Magwa Crescent
Waterfall City, 2020

TRANSSEC 4 (RF) LIMITED
Directors' responsibility statement
for the year ended 30 September 2020

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 2021 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 2020 set out on pages 9 to 47 were approved by the board of directors on 11 December 2020, and are signed on their behalf.

JE Trevena

A Otto

TRANSSEC 4 (RF) LIMITED
Audit Committee Report
for the year ended 30 September 2020

The audit committee presents its report for the financial year ended 30 September 2020.

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 2020, 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
11 December 2020

TRANSSEC 4 (RF) LIMITED
Directors' report
for the year ended 30 September 2020

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	31 January 2020
JE Trevena	16 July 2018	
R Thanthony	16 July 2018	
OA Ferreira	16 July 2018	
A Otto	01 February 2020	

Secretary	Appointment date	Resignation date
MD Herskovits	16 July 2018	31 January 2020
A Otto	16 March 2020	

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. This assessment included an assessment of the relevance of its business models; the nature of the primary assets and the cash-flows generated from these assets as well as the company's balance sheet and adequate liquidity management in response to COVID 19.

Auditors

Deloitte & Touche were appointed as external auditors for 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 2020

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.

A Otto
Company Secretary
11 December 2020

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Gallo Manor 2052
South Africa

Deloitte & Touche
Registered Auditors
Financial Services Team - FIST
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5 Magwa Crescent
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS 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 47, which comprise the statement of financial position as at 30 September 2020, 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 2020, 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Loans and advances, which represent 92% of total assets, and the associated impairment provisions are significant in the context of the financial statements. The determination of impairment provisions for expected credit losses (ECL) requires significant judgement, and we have identified the audit of ECL impairment provisions to be a key audit matter. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus are: • 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); and • Repair cost methodologies in determining cost to repair salvaged vehicles as this impacts both the expected losses and repossessed inventory valuation. In addition, the COVID-19 pandemic has had a major effect on the South African economy and affected the collections experience at Transsec 4. There is uncertainty as to how the COVID-19 pandemic is likely to impact the forward looking economic influence on the determination of ECL. This requires a higher level of management judgement in considering how the forward looking information (FLI) is taken into account within the models and whether any additional 'out of model adjustments' are required where the models do not cater for all of the potential impact.	With the support of our internal quantitative and credit modelling specialists, our procedures included: • Assessing the design and implementation of relevant controls and assessed the governance structures in place; • Assessing management's model methodology specific to PD, LGW's, TTD, TTR and repair cost methodologies; • Testing the accuracy of the model by independently recalculating the input parameters; • Testing completeness and accuracy of data used in the model; • Assessing the reasonability of ECL adjustments not incorporated into the base model, taking into account the impact of COVID-19 on FLI; and • Assessing the sufficiency of the disclosures. We found the model, its inputs and methodology applied to be reasonable and the overall ECL, taking the impact of COVID-19 into account, to be appropriate. We found the disclosures relating to the expected credit loss on loans and advances and the key judgements and estimates applied in the determination thereof, to be appropriate and in accordance with the relevant accounting standards.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit, Risk and Compliance 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 our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

If, based on the work we have performed 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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 2 (RF) Limited for 2 year.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: Stephen Munro
Partner

11 December 2020

TRANSSEC 4 (RF) LIMITED
Statement of financial position
at 30 September 2020

	Notes	2020 R'000	2019 R'000
Assets			
Cash and cash equivalents	4	103 935	86 336
Taxation receivable		1 549	-
Trade and other receivables	5	26 939	11 911
Loans and advances	6	1 496 669	944 381
Deferred tax assets	7	2 628	2 384
Total assets		1 631 720	1 045 012
Liabilities			
Trade and other payables	8	88 367	54 069
Interest bearing liabilities	9	1 318 627	852 625
Loans from group companies	18	208 676	128 018
Current tax payable		-	586
Total liabilities		1 615 669	1 035 298
Equity			
Ordinary and preference share capital	10	-	-
Retained earnings		16 051	9 714
Total equity attributable to owners of the parent		16 051	9 714
Total equity and liabilities		1 631 720	1 045 012

TRANSSEC 4 (RF) LIMITED
Statement of comprehensive income
for the year ended 30 September 2020

	Notes	2020 R'000	2019 R'000
Interest income	11	331 942	127 646
Interest expense	11	(136 703)	(55 230)
Net interest income	11	195 239	72 416
Impairment of loans and advances*	12	(75 201)	(15 000)
Risk adjusted net interest income		120 038	57 416
Non-interest revenue	13	2 643	856
Indirect costs	14	(113 880)	(44 780)
Profit before tax		8 801	13 492
Income tax expense	15	(2 464)	(3 778)
Profit for the year		6 337	9 714
Other comprehensive income		-	-
Total comprehensive income for the year		6 337	9 714

*Includes a COVID 19 overlay provision of R4m (2019: Rnil)

TRANSSEC 4 (RF) LIMITED
Statement of changes in equity
for the year ended 30 September 2020

	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 2018	**100**	**23**	**-**	**-**	**-**	**-**
Issue of shares	-	-	-		-	-
Total comprehensive income	-	-	-	-	-	-
Profit for the year	-	-	-	-	9 714	9 714
Other comprehensive income	-	-	-	-	9 714	9 714
	-	-	-	-	-	-
Balance at 30 September 2019	100	23	**-**	**-**	**9 714**	**9 714**
Shares Issued	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	6 337	6 337
Profit for the year	-	-	-	-	6 337	6 337
Other comprehensive income	-	-	-	-	-	-
Balance at 30 September 2020	**100**	**23**	**-**	**-**	**16 051**	**16 051**
Notes	10	10	10	10		

* Rounds to less than R1000

TRANSSEC 4 (RF) LIMITED
Statement of Cash Flows
for the year ended 30 September 2020

	Notes	2020 R'000	2019 Restated R'000
Cash flow from operating activities			
Cash generated by operations**	16	(111 192)	(43 909)
Interest received*		295 213	122 364
Interest paid*		(127 155)	(30 645)
Income taxes paid	17	(4 806)	(5 576)
Cash flow from operating activities before changes in operating assets and liabilities		52 060	42 234
Movement in operating assets and liabilities		(590 845)	(954 113)
Increase in gross loans and advances*		(590 845)	(954 113)
Change in working capital		39 616	29 631
Increase in trade and other receivables		(15 028)	(11 911)
Increase in trade and other payables*		54 644	41 542
Net cash utilised from operating activities		(499 169)	(882 248)
Net cash generated from investing activities		-	-
Cash flow from financing activities			
Issue of shares	10	-	-
Proceeds from raising interest bearing liabilities		607 227	878 266
Repayment of interest bearing liabilities		(141 225)	(25 641)
Net proceeds from loans from group companies*		50 764	115 959
Net cash generated from financing activities		516 766	968 584
Net increase in cash and cash equivalents		17 597	86 336
Cash and cash equivalents at beginning of the year	4	86 336	-
Cash and cash equivalents at end of year	4	103 935	86 336

* Restated to present interest received and interest paid separately on the face of the Statement of Cash Flows in line with IAS 7 – Statement of Cash Flows paragraph 31. Refer to note 26 for further details.

**Cash generated from operations has also been restated to adjust for the impacts of bad debts written off of R15.4m (2019: R1.1m) - previously included as part of movements in loans and advances. Refer to note 26 for further details.

1. Accounting policies

The financial statements of Transsec 4 (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.

Fair value 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

The Company has made the following accounting policy elections in terms of IFRS::

- Regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting; and
- Cumulative gains and losses recognised in other comprehensive income ('OCI') in terms of a cash flow hedge relationship are transferred from OCI and included in the initial measurement of the non-financial asset or liability.

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:

The accounting policies applied in the preparation of the consolidated financial statements are in terms of International Financial Reporting Standards (IFRS) and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements as described below.

IFRIC 23 – Uncertainty over Income Tax Treatments

The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Company to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

The adoption of IFRIC 23 has not had any material impact on the disclosures or on the amounts reported in these financial statements.

1. Accounting policies (continued)

The principal accounting policies are set out below:

1.1 Financial instruments

A financial instrument is defined as a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

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

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
- At amortised cost.

1. Accounting policies (continued)

Financial instruments (continued)

Classification (continued)

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.

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.

1. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Amortised cost (continued)

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.

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.

1. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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.

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.

1. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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.

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.

1. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments issued by the Company (continued)

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.

Derivatives (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.

1. Accounting policies (continued)

Financial instruments (continued)

Fair value (continued)

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.

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.

1. Accounting policies (continued)

Financial instruments (continued)

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.

1.2 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.

1.3 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.

1.4 Revenue recognition

General policy

Revenue is recognised when the entity satisfies a performance obligation by transferring a promised good or service (ie: an asset) to a customer.

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.

1. Accounting policies (continued)

Revenue recognition (continued)

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.

PRODUCT AND SERVICE	*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.

1. Accounting policies (continued)

Revenue recognition (continued)

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.

1.5 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.

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.

1. Accounting policies (continued)

Taxation (continued)

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.

2. 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:

Deferred tax assets

Deferred tax assets are recognised to the extent it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

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
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.

Impact of COVID 19

The outbreak of COVID 19 locally had a significant impact on the collections performance across all portfolios. Given the restriction on public movement and public transport operation, a large portion of clients were placed under strain in terms of their ability to generate income and service instalment payments on their loans.

In light of this strain, SA Taxi provided its client base interim payment relief for the month of April 2020, provided that the client's account was in good standing and their vehicles had a fully functioning telematics device. Additional payment relief measures were provided over the months of May, June, July and August – however these were provided on an adhoc basis and affected a small number of accounts of the portfolio (those affected by ongoing restrictions).

Impact of COVID 19 (continued)

These relief measures extended the terms of the contracts, as it resulted in a partial capitalisation of arrears for the affected accounts in the month where the respective client qualified for payment relief (capitalisation applied to the instalments that were raised during the relief time and did not included all arrears). The interes rate remained unchanged and the term extension did not change the present value of the remaining cash flows.

Collections performance has a significant impact on several of the assumptions driving the loans and advances provisioning model, which include the probability of default (PD), loss given write-offs (LGW) (i.e. the magnitude of the loss if there is a default) and the exposure at default (EAD). The impact of the adverse collection experience since April (apart from the part capitalisation discussed above), has been considered in our impairment model parameters – (i.e. we did not modify arrears and as a result we allowed accounts to age and roll forward without modification). These impairment model parameters have been applied in determining expected cash shortfalls arising from non-payment in the best estimate provision on the loan book as at 30 September 2020.

In addition, whilst our models continue to reflect the customers' financial performance information while on book (including their performance over the period affected by COVID 19) and historical performance remains a strong indicator of future performance, we have also overlaid our current estimate of the impact of future collection strains on forward looking expected losses to be incurred. This has resulted in an additional impairment charge of R4 million.

Management continues to support the rebuttals of the 30- and 90- day presumptions and the collateral values applied in the modelling. The extent to which COVID 19 has further impacts on our credit losses going forward will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including duration and severity of the outbreak, the actions that may be required to contain the coronavirus or treat its impact and the resulting recovery profile. If the strain on the underlying collections of the portfolio extend past the end of the calendar year, the estimated credit losses and overall results of operations will be adversely affected. In contrast, if the strain on the underlying collections of the portfolio are better than expected, the estimated credit losses and overall results of operations will be favourably affected.

3. 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 management's view.

3. New and amended standards issued but not yet effective applicable to the Company (continued)

Annual improvements to IFRS standards 2018-2020

The annual improvements applicable for the 2018-2020 cycle include amendments to certain standards, the amendments applicable to the group are:

Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to IFRS 9)
IFRS 9 requires an entity to derecognise a financial liability and recognise a new financial liability when there is an exchange between an existing borrower and the lender of debt instruments with substantially different terms (including a substantial modification of the terms of an existing financial liability or part of it). The terms are substantially different if the discounted present value of the remaining cash flows under the new terms are at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability ('10 per cent' test). The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is effective for the financial year ending 30 September 2023. The amendment is not expected to have a material impact on the group's consolidated financial statements.

		2020 R'000	2019 R'000
4	**Cash and cash equivalents**		
	Bank balances and call deposits held within securitisation special purpose vehicles	103 935	86 336
	Total cash and cash equivalents *	103 935	86 336

** Ceded as part security for amortising securitisation notes and loans as shown in note 9.*

5	**Trade and other receivables**		
	Trade receivables	1 404	2 206
	VAT receivable	4 423	2 327
	Prepayments and other sundry debtors	5 816	5 288
	Interest rate swap (refer to note 20)	15 296	2 090
	Trade and other receivables	26 939	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 FY20 nor in FY19.

Trade receivables consists of intercompany balances due to the entity, which is regarded as recoverable and as such no expected losses have been raised.

6	**Loans and advances**		
	Gross loans and advances (refer to note 6.1)	1 570 477	958 294
	Impairment provision (refer to note 6.2)*	(73 808)	(13 913)
	Loans and advances **	1 496 669	944 381

Loans and advances are ceded as part security for amortising securitising notes and loans as shown in note 9.

** Refer to note 19.1 for details on credit risk management and measurement. Included in this provision is an COVID 19 overlay provision of R4m (2019: Rnil).*

*** Included in this balance are repossessed vehicles valued at R22.3 million. (2019: 2.8 million)*

6.1	**Finance leases**		
	Maturity analysis of gross finance leases including unearned finance charges		
	Amounts up to 1 year	609 005	396 082
	Amounts between one and five years	1 676 576	1 043 644
	Amounts in excess of five years	45 914	4 233
	Gross finance leases including unearned finance charges	2 331 495	1 443 959
	Unearned finance charges	(761 018)	(485 665)
	Gross finance leases	1 570 477	958 294
	Impairment provision (refer to note 6.2)	(73 808)	(13 913)
	Net finance leases	1 496 669	944 382
	Maturity analysis of gross finance leases		
	Amounts up to 1 year	315 530	190 746
	Amounts between one and five years	1 215 736	763 664
	Amounts in excess of five years	39 211	3 884
		1 570 477	958 294
	Average remaining term of lease	57	61
	Average contractual term of leases	75	71

	Notes	2020 R'000	2019 R'000
6 Loans and advances (continued)			
6.2 Impairment provision			
Balance at the beginning of the year		(13 913)	-
Net impairments recognised in profit and loss		(75 116)	(14 986)
Gross impairments recognised in profit and loss	12	(75 201)	(15 000)
Recoveries of amounts previously written off	12	85	14
Utilisation of impairment provision	12	15 221	1 073
Balance at the end of the year*		(73 808)	(13 913)

*Includes an amount of R3.6 million (2019: R0.4 million) relating to repossessed vehicles.

6.3 Related credit risk exposure and enhancements		
Maximum exposure to credit risk of loans and advances	1 570 477	958 294
Impairment allowance	(73 808)	(13 913)
Maximum exposure to credit losses of loans and advances	1 496 669	944 382
Credit risk exposure is mitigated through vehicles held as collateral. The aggregate achievable resale value less costs to sell of collateral held is:	1 829 722	1 112 767
Related specifically to:		
Fair value of collateral held for impaired non-financial assets	22 283	2 804
Fair value of collateral held for impaired financial assets	301 380	40 348
Fair value of collateral held for financial assets past due but not specifically impaired	1 097 444	330 674
Fair value of collateral held for financial assets neither past due nor impaired	408 615	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.

7 Deferred tax assets		2020	2019
The movements during the year are analysed as follows:		R'000	R'000
Deferred tax asset at the beginning of the year		2 384	-
Credit to profit or loss for the year	15	2 162	2 384
Prior year Adjustments		(1 918)	-
Deferred tax asset at the end of the year		2 628	2 384

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

Category of deferred tax	Opening Balance R'000	Charged to income R'000	Prior year adjustments * R'000	Closing Balance R'000
2020				
Loans and advances	2 886	4 015	(1 391)	5 510
Interest bearing borrowings	(502)	(1 853)	(527)	(2 882)
	2 384	2 162	(1 918)	2 628

	R'000	R'000	R'000
2019			
Loans and advances	-	2 886	2 886
Interest bearing borrowings	-	(502)	(502)
	-	2 384	2 384

** Prior year adjustments relate to adjustments to the 2019 tax return for funding costs and doubtful debts allowances (Ruling obtained from SARS)*

	2020 R'000	2019 R'000
8 Trade and other payables		
Trade payables	72 065	31 790
Accrued interest	16 237	15 815
Other	65	6 464
	88 367	54 069

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

				2020 R'000	2019 R'000
9	**Interest bearing liabilities**				
	Debentures	**Interest rate**	**Type**		
	Senior	3 month JIBAR + 90 to 282bps*	Floating	1 150 628	758 947
	Senior	Fixed at 9.225%	Fixed	167 999	93 678
				1 318 627	852 625
	Payable within 12 months			365 454	158 082
	Payable thereafter			953 173	694 543
				1 318 627	852 625

**bps: refers to Basis Points*

For an analysis of contractual maturity and liquidity risk, refer to note 19.3.

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 4 and 6, respectively.

10	**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.*

11	**Net interest income**		
	Interest income is earned from:		
	Cash and cash equivalents	3 880	2 122
	Loans and advances	328 062	125 524
	Interest income	331 942	127 646
	Interest expenses are paid on:		
	Interest bearing liabilities	106 809	43 172
	Intergroup interest	29 894	12 058
	Interest expense	136 703	55 230
	Interest income	331 942	127 646
	Interest expense	(136 703)	(55 230)
	Net interest income	195 239	72 416
	Categorisation of Interest income		
	Financial assets carried at amortised cost	331 942	127 646

12	**Impairment of loans and advances**		
	Impairment comprises:		
	Movement in provision for impairment*	59 895	13 913
	Bad debts written off	15 390	1 101
	Bad debts recovered	(85)	(14)
	Total impairment (refer to note 6.2)	75 201	15 000

*Includes a COVID 19 overlay provision of R4m (2019: Rnil).

		Notes	2020 R'000	2019 Restated* R'000
13	**Non-interest revenue**			
	Non interest revenue comprises:			
	Fee income		2 643	856
	Administration fees		154	37
	Service fees		2 489	819
14	**Indirect costs**			
	Indirect costs comprise:			
	Professional fees		(181)	(21)
	Input VAT not recoverable		(3 054)	(1 479)
	Consulting fees		(629)	(231)
	Listing costs		(383)	(244)
	Management fees		(108 453)	(42 269)
	Director emoluments - Non executive	18	(150)	(68)
	Bank charges		(1 003)	(465)
	Other indirect expenses		(27)	(3)
			(113 880)	(44 780)
15	**Income tax expense**			
	South African normal taxation:			
	Current taxation		2 708	6 162
	Current year		4 626	6 162
	Prior years		(1 918)	-
	Deferred taxation		(244)	(2 384)
	Current year		(2 162)	(2 384)
	Prior years		1 918	-
			2 464	3 778
	Tax rate reconciliation			
	South African tax rate		28%	28%
	Effective tax rate		28%	28%
16	**Cash generated by operations**			
	Profit before taxation		8 801	13 492
	Adjusted for:			
	Interest income*		(331 942)	(127 646)
	Interest expense*		136 703	55 231
	Movement in provision for impairment	12	59 895	13 913
	Bad debts written off**		15 390	1 101
	Other non-cash		(39)	-
	Cash generated by operations		(111 192)	(43 909)

*Restated to present interest received and interest paid separately on the face of the Statement of Cash Flow in line with IAS 7 – Statement of Cash Flows. Refer to note 24 for further details.

**Bad debts written off are now separately reflected as part of the Cash Generated from Operations note, and comparatives have been updated accordingly. Refer to note 24 for further details.

17	**Income taxes paid**			
	Amounts (payable)/receivable at beginning of year		586	-
	Other movements*		(1 955)	-
	Current tax charge to profit or loss		4 626	6 162
	Amounts receivable/(payable) at end of year		1 549	(586)
	Income taxes paid		4 806	5 576

**Relate to adjustments to the 2019 tax return for funding costs and doubtful debts allowances (Ruling obtained from SARS)*

TRANSSEC 4 (RF) LIMITED
Notes to the financial statements
for the year ended 30 September 2020

18 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 charged by related parties:	Nature	Relationship	2020 R'000	2019 R'000
Indirect costs				
SA Taxi Development Finance (Pty) Ltd	Management fees	Fellow subsidiary*	37 379	16 949
Taximart (Pty) Ltd	Management fees	Fellow subsidiary*	71 074	25 321
Transaction Capital Recoveries (Pty) Ltd	Back-up service provider	Fellow subsidiary*	629	231
Transaction Capital Payment Solutions (Pty) Ltd	Transactional fees	Fellow subsidiary*	-	1
Interest expense				
SA Taxi Holdings (Pty) Ltd		Preference shareholder	29 894	12 058

The following are the amounts due from (to) related parties				
Trade receivables (Trade payables)				
SA Taxi Development Finance (Pty) Ltd		Fellow subsidiary*	(63 248)	(25 054)
Taximart (Pty) Ltd		Fellow subsidiary*	13 803	(680)
Transaction Capital Recoveries (Pty) Ltd		Fellow subsidiary*	(178)	(110)
SA Taxi Finance Solutions (Pty) Ltd		Fellow subsidiary*	-	2
Transflow (RF) (Pty) Ltd		Fellow subsidiary*	8	-
Keywood Investments (Pty) Ltd		Fellow subsidiary*	2 601	1 824
SA Taxi Protect (Pty) Ltd		Fellow subsidiary*	0	1 156
Potpale (RF) (Pty) Ltd		Fellow subsidiary*	(14 553)	(33)
Guardrisk Insurance Company Ltd		Cell Captive	(1 404)	(2 284)

* Viewed as a fellow subsidiary as a result of the application of accounting standards/policies.

SA Taxi Holdings (Pty) Ltd	Rate linked to prime*	Preference shareholder	(208 676)	(128 018)
			(208 676)	(128 018)
Total loans due to related parties			(208 676)	(128 018)
Total loans due from related parties			-	-

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

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 A Otto and M 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 (consolidated through control rather than equity ownership), and as such, remuneration received by A Otto and M Herskovits for services rendered to other companies within the SA Taxi Group has not been provided.

Transsec 4 (RF) Limited earnings	150	68
OA Ferreira	50	23
JE Trevena	50	23
R Thanthony	50	22
Consolidated earnings from the Company and other related companies	893	698
OA Ferreira	298	233
JE Trevena	298	233
R Thanthony	297	232

19 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.

Through the fiduciary services rendered by TMF Corporate Services (South Africa) (Pty) Ltd, the directors and the audit committee of the entity provide oversight as to the adequacy of risk management and the setting of the risk management framework.

In addition, given the entity forms part of the SA Taxi Holdings (Pty) Ltd group of companies, the SA Taxi Holdings (Pty) Ltd board is also responsible for risk management and the setting of the risk management framework which is applied consistently across the SA Taxi group of companies. From a SA Taxi Holdings (Pty) Ltd perspective, 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 group chief executive officer and its executive committees.

19.1 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 are exposed to arise from finance leases to minibus taxi operators. SA Taxi 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 combination of cash and debit order collections, with 86% of the portfolio being cash payers. The nature of SA Taxi's services does not result in significant concentration risks in unsecured credit. 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. Deposits are placed only with South African banks and limited to the big five banks within South Africa.

Credit risk management and measurement
Exposure to credit losses is managed by assessing customers' affordability and their ability to repay loans and advances, customers risk profile and 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. Independent models are developed to monitor the robustness of the primary models relative to actual performance and to optimise their effectiveness. The realisable/fair value of the underlying security is taken into consideration in arriving at a final impairment.

Measurement of expected credit losses (ECL)

The Company measures ECL 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 ECL is the maximum contractual period (including extension options) over which the group is exposed to credit risk, and not a longer period, even if that period is consistent with business practice.

The measurement of ECL is a function of the probability of default (PD),loss given default (LGW) and exposure at default (EAD). The assessment of the probability of default and loss given write-offs is based on historical data adjusted by forward looking information as described above.

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

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

19 Financial risk management (continued)

19.1 Credit risk (continued)

Method of provisioning and fair valuing
The credit committee is responsible for providing executive management and oversight over all credit risk arising within and impacting the balance sheet. Credit committee meetings are attended by the company chief executive officer, chief financial officer and chief risk officer. In addition, there is TC representation in the form of non-executive directors.

The credit policy is designed to ensure that the company's credit process is efficient for the applicant while providing the company with the necessary details to make informed credit decisions. The company takes the following into consideration in granting credit to prospective customers:
- Vehicle type;
- Validity of the taxi route;
- Clients' ability to pay using a route calculator (affordability check); and
- Verification of details and credit history against one independent credit bureau.

The expected loss model is developed using statistical techniques based on actual historical data. The expected loss is calculated for each active account, using parameter estimates including the probability of default (PD), exposure at default (EAD) and loss given write-off's (LGWs). The segmentation ensures homogenous risk buckets. The LGW is calculated on an explicit basis per account, taking into consideration the settlement balance, market value, repair cost, discount rates and discount periods. The group determines whether the credit risk of financial instruments has increased significantly since initial recognition based on the contractual delinquency (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.

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 business and the higher risk appetite, compared to other Tier 1 financiers, it is the expectation that a client who is 30 days past due is not a significant risk. Most of our clients are cash payers because the taxi industry collects fares in cash from commuters. Recency is included in our default definition as it is an indicator that the minibus taxi is operational as a cash generating unit and therefore indicative of a customers' ability to make payment on the underlying loan. The Company has therefore rebutted the 30-day past due presumption for significantly increased credit risk. This 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 Company's 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 an account in arrears that did make a qualifying payment (50% of instalment) in the last month.

The Company has defined default as 75 days past due (more than 2.5 missed instalments), with no qualifying payment received in the past 3 months. A qualifying payment is more than 50% of the instalment raised in the last month. The Company has rebutted the 90-day default presumption based on a quantitative analysis of the PDs and alignment to operational collections processes.

The definition of credit-impaired financial assets aligns to the default definition described above. Applying this approach ensures consistency between the accounting application, impairment modelling and internal credit risk management practices. The 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 total R15.4 million (2019: R1.1 million). Refer to note 14.

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).

19 Financial risk management (continued)

19.1 Credit risk (continued)

Modified financial assets (continued)
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. Modifications (term extensions) are provided to clients who have shown proven payment performance and have had operational issues with the vehicle (e.g. mechanical breakdown or accident). Although the term of a contract can be extended, the interest rate applicable for the contract remains unchanged and therefore term extensions do not have any effect on the net present value (NPV) of the financial asset. Due to the fact that a vehicle is an income-producing asset, the Company understands that the client is unable to pay if the vehicle is out of operation, however the Company does not proactively restructure distressed clients in the normal course of business.

Impact of COVID 19
The outbreak of COVID 19 had a significant impact on the collections performance across all portfolios. Given the restriction on public movement and public transport operation, a large portion of our clients were placed under both operational and financial strain regarding their ability to generate income and service instalment payments on their loans.

In light of this strain, the Company gave payment relief covering a one-month period (April 2020) to the majority of its client base provided that the clients account was in good standing and their vehicles had a fully functioning telematics device.
Additional payment relief measures were provided over the months of May, June, July and August – however these were provided on an adhoc basis and affected a small number of accounts of the portfolio (those affected by ongoing restrictions).
These relief measures extended the term of the contracts, as it resulted in a partial capitalisation of arrears for the affected accounts in the month where the respective client qualified for payment relief (capitalisation applied to the instalments that were raised during the relief time and did not include all arrears). The interest rate remained unchanged and the term extension did not change the present value of the remaining cash flows.

The collections performance has a significant impact on several of the assumptions driving the loan book provisioning which include the PD, EAD, and LGW. The impact of the adverse collection experience since April (apart from the part capitalisation discussed above), has been considered on our impairment model parameters – (ie. we did not modify arrears and as a result we allowed accounts to age and roll forward without modification). These impairment model parameters have been applied in determining expected cash shortfalls arising from non-payment in the best estimate provision on the loan book as at 30 September 2020. In addition, whilst our models continue to reflect the customers' financial performance information while on book (including their performance over the period affected by COVID 19) and historical performance remains a strong indicator of future performance, we have also overlaid our current estimate of the impact of future collection strains on forward looking expected losses to be incurred. This has resulted in an additional impairment charge of R4 million.

Management continues to support the rebuttals of the 30- and 90- day presumptions and the collateral values applied in the modelling.

The extent to which the coronavirus has further impacts on our credit losses going forward, will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration and severity of the outbreak, the actions that may be required to contain the coronavirus or treat its impact and the resulting recovery profile. If the strain on the underlying collections of the portfolio extend past the end of the calendar year, the estimated credit losses and overall results of operations will be adversely affected. In contrast, if the strain on the underlying collections of the portfolio are better than expected, the estimated credit losses and overall results of operations will be favourably affected.

Valuation of collateral
The Company typically holds vehicles (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 taxi market minus costs to repair, which has been created by the Company through the SA Taxi Finance Company 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 Company'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.

The outbreak of COVID 19 has had no impact on our average collateral values applied.

19 Financial risk management (continued)

19.1 Credit risk (continued)

19.1.1 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
2020				
Neither past due nor impaired	302 848	22 134	103 935	428 917
Past due but not impaired	923 874	-	-	923 874
Impaired	317 863	-	-	317 863
Impairment provision	(70 199)	-	-	(70 199)
Carrying value of financial assets	**1 474 386**	**22 134**	**103 935**	**1 600 455**
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**

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

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

19 Financial risk management (continued)

19.1 Credit risk (continued)
19.1.2 Financial assets that are past due but not impaired

Financial assets that are past due but not impaired are assets where contractual interest or principal payments are past due, but the group 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.

Credit impaired financial assets are determined considering both ageing and recency of payments. Our customers are mostly cash payers given that they earn their fares from commuters in cash. Recency enables us to understand the cashflow that is generated from the underlying asset which is indicative of a customers' ability to make payment on the underlying loan. The impairment provision calculated on loans and advances disclosed as past due but not impaired are measured applying lifetime expected credit losses. Of the R214.4 million (2019: R16.5 million) reflected as past due (older than 4 months) but not impaired, a qualifying payment was received on accounts reflecting an exposure balance of R142.6 million (67%) (2019: R6.4 million (38%)) in the most recent month, with a further 33% (2019: 62%) being received in the two months prior to the most recent month.

The impact of the adverse collection experience since April caused by COVID 19, has been considered on our impairment model parameters – (ie. we did not modify arrears and as a result we allowed accounts to age and roll forward without modification). These impairment model parameters have been applied in determining expected cash shortfalls arising from non-payment in the best estimate provision on the loan book as at 30 September 2020.

The ageing of loans and advances and trade and other receivables 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
2020						
Loans and advances	195 164	209 114	179 779	125 452	214 366	923 875
	195 164	209 114	179 779	125 452	214 366	923 875
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

19.1.3 Loans and advances that are neither past due nor impaired

		2020 R'000	2019* R'000
Carrying amount of loans and advances		302 847	617 790
Credit quality	High	109 153	335 681
	Medium	68 641	158 684
	Low	125 053	123 425

* During the current period, the credit application scorecard were redeveloped. In line with best practice, application scorecards were recalibrated to ensure the scorecards remain statistically accurate at ranking and predicting default risk. Comparative information has therefore been restated to align to the revised credit scoring methodology. The change in scorecard had no impact on the CD state distribution of the portfolio, it simply represents management's view of credit quality.

The credit quality of loans and advances is determined as follows:

SA Taxi, 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.

In addition to the loans and advances disclosed above, other loans receivables have been assessed as having no significant increased credit risk based on the nature of the counterparty and the recent payment history. Similarly, trade and other receivables have been deemed to not have significant increased credit risk as all the debtors are on standard terms with minimal write-off's and limited concentration to individual debtors.

19 Financial risk management (continued)

19.1 Credit risk (continued)

19.1.4 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	1 531	5 374	6 654	13 559
Closing balance - 30 September 2019*	**1 531**	**5 374**	**6 654**	**13 559**
Originations	1 010	5 591	21 456	28 056
Existing book movements	(967)	(7)	32 417	31 444
Write - off's	(178)	(860)	(1 795)	(2 834)
Settlements in the normal course of business	(15)	(11)	-	(27)
Closing balance - 30 September 2020	**1 380**	**10 087**	**58 732**	**70 199**

*The impairment provision on loans and advances is presented net of repossessed stock of R22.3 million (2019: R2.8 million). The comparative period has been restated accordingly.

19.1.5 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
2020				
Neither past due nor impaired	301 372	1 476	-	302 848
Past due but not impaired	175 793	748 081	-	923 874
Impaired	-	-	317 863	317 863
Impairment provision	(1 380)	(10 087)	(58 732)	(70 199)
Total	**475 785**	**739 470**	**259 131**	**1 474 386**
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**

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

19 Financial risk management (continued)

19.2 Interest rate risk

Interest rate risk is the risk of loss arising from the fair value or 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 created a natural hedge of interest rate risk by borrowing and lending at variable rates. The Company is exposed to cash flow interest rate risk through its variable rate borrowings.

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 financial assets and liabilities into repricing categories, determined to be the earlier of contractual repricing date or maturity.

19.2.1 Risk profile of interest bearing liabilities and assets

2020	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	103 935	-	-	-	-	103 935
Trade and other receivables*	-	-	-	-	22 134	22 134
Loans and advances***	1 474 386	-	-	-	-	1 474 386
Total assets	1 578 321	-	-	-	22 134	1 600 455
Liabilities						
Trade and other payables**	-	-	-	-	88 367	88 367
Interest bearing liabilities	-	1 150 628	-	-	167 999	1 318 627
Loans from group companies	208 676	-	-	-	-	208 676
Total liabilities	208 676	1 150 628	-	-	256 366	1 615 670
Net asset impact	**1 369 645**	**(1 150 628)**	**-**	**-**	**(234 232)**	**(15 215)**

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

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

**** Excludes repossessed stock (non-financial asset).*

19 Financial risk management (continued)

19.2 Interest rate risk (continued)

19.2.1 Risk profile of interest bearing liabilities and assets (continued)

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
Net asset impact	**899 895**	**(758 947)**	**-**	**-**	**(138 168)**	**2 780**

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

*** Revenue received in advance, bonus accrual, leave pay accrual and VAT payable are not financial liabilities and therefore have been excluded from trade and other payables.*

**** Excludes repossessed stock (non-financial asset).*

19 Financial risk management (continued)

19.3 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, to fund the expected balance sheet growth, to honour all cash outflow commitments, to avoid raising funds at market premiums or through the forced sale of assets as a result of liquidity pressure, and to take advantage of attractive but unanticipated borrowing opportunities.

The monitoring and reporting of liquidity risk takes the form of, as a minimum: 1.) cash flow projections to settlement of longest dated funding obligations by subsidiary or securitisation vehicle 2.) an analysis of the Company's borrowing facilities and utilisation thereof 3.) borrowing facilities under discussion 4.) maturity profile and concentration of liability by counterparty 5.) asset maturities and borrowing facility obligations and 6.) special conditions.

The Company's debt capital markets (DCM) team is responsible for executing on fund raising mandates given to it by each subsidiary in support of their respective business models. This includes the ongoing assessment and evaluation of various funding sources designed to grow and diversify the company's funding base in order to achieve an optimal funding profile and sound liquidity. The DCM team is also responsible for the ongoing monitoring of asset portfolio performance and its impact on funder obligations including covenants.

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.

Given the outbreak of the coronavirus disease 2019 (COVID 19) and its impact on the collections off the businesses portfolios, the capital markets team has taken several steps to further strengthen our financial position and maintain financial liquidity and flexibility, including confirmation on our ability to continue drawing down on available facilities as well as securing further liquidity facilities (to be utilised for general corporate purposes) to cover us through a prolonged period of time.

Throughout all engagements, funders have been fully supportive of management's strategies. Along with the additional measures implemented to preserve liquidity in response to COVID 19, we have sufficient liquidity and financial flexibility to support underlying business operations as at 30 September 2020.

The Company's balance sheet is well capitalised and liquid at a holding company level, underpinned by our conservative capital strategy. Along with the additional measures implemented in response to COVID 19, it provides ample liquidity and flexibility to support the divisions as the pandemic runs its course and recessionary conditions intensify.

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.

2020	On demand R'000	Within 1 year R'000	From 1 - 5 years R'000	More than 5 years R'000	Total R'000
Liabilities					
Trade and other payables*	-	88 367	-	-	88 367
Interest bearing liabilities	-	426 952	1 033 766	-	1 460 718
Loans from group companies	-	25 441	291 320	-	316 761
Total Liabilities	**-**	**540 760**	**1 325 086**	**-**	**1 865 846**

2019	On demand R'000	Within 1 year R'000	From 1 - 5 years R'000	More than 5 years R'000	Total 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**

**Revenue received in advance, bonus accrual, leave pay accrual and VAT payable are not financial liabilities and therefore have been excluded from trade and other payables.*

19 Financial risk management (continued)

19.3 Liquidity risk management (continued)

The table below sets out the facility of the entity's listed notes as at issue and reporting date:

Stock code	Balance at issue (ZAR) R'000	Balance at FY20 (ZAR) R'000	Balance at FY19 (ZAR) R'000
TRA4A1	107 000	-	80 995
TRA4A2	300 000	297 474	298 657
TRA4A3	221 000	219 139	220 011
TRA4A4	92 000	101 197	93 678
TRA4B1	160 000	158 653	159 284
TRA4A5	26 400	26 178	-
TRA4A6	270 000	267 726	-
TRA4A7	81 000	80 318	-
TRA4A8	62 000	66 802	-
TRA4B2	102 000	101 141	-
	1 421 400	1 318 628	852 625

19.4 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 sustain future development of the businesses of the Group. The board of directors monitors the cost of capital, which is defined as the weighted average cost of capital, taking into account the Group's internally calculated cost of equity (shareholder funding) and long term cost of debt assumptions. The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position.

19 Financial risk management (continued)

19.5 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.

19.6 Interest rate sensitivity analysis

The Company's exposures to various financial risks are set out below:
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 or down. The effect of a 1% change in interest rates is shown below. As the Company has no control over rate movements, it cannot predict the effect of future rate movements, if any.

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**	**Level 1 R'000**	**Level 2 R'000**	**Level 3 R'000**
30 September 2020						
Assets						
Loans and advances***	14 744	1 474 386	1 478 340	-	1 478 340	-
Trade and other receivables*/****	153	22 134	15 296	-	15 296	-
Cash and cash equivalents***	1 039	103 935	-			
	15 936	1 600 455	1 493 636	-	1 493 636	-
Liabilities						
Interest bearing borrowings	11 506	1 318 627	1 482 399	-	1 482 399	-
- Fixed rate borrowings	-	167 999	167 999	-	167 999	
- Floating rate borrowings	11 506	1 150 628	1 314 400	-	1 314 400	
Trade and other payables**/****	-	88 367	-	-	-	-
Loans from group companies****	2 087	208 676	-	-	-	-
	13 593	1 615 670	1 482 399	-	1 482 399	-
Net exposure	2 343	(15 215)	11 237	-	11 237	-
30 September 2019						
Assets						
Loans and advances***	9 416	941 577	941 577	-	941 577	-
Trade and other receivables*/****	21	9 584	2 090	-	2 090	-
Cash and cash equivalents***	863	86 336	-	-	-	-
	10 300	1 037 497	943 667	-	943 667	-
Liabilities						
Interest bearing borrowings	7 589	852 625	875 745	-	875 745	-
- Fixed rate borrowings	-	93 678	98 948	-	98 948	-
- Floating rate borrowings	7 589	758 947	776 797	-	776 797	-
Trade and other payables**/****	-	54 074	-	-	-	-
Loans from group companies****	1 280	128 018	-	-	-	-
	8 869	1 034 717	875 745	-	875 745	-
Net exposure	1 430	2 780	67 922	-	67 922	-

** 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 liabilities and therefore has been excluded from trade and other payables.*

**** Excludes repossessed stock (non-financial asset).*

*****Items held at amortised cost are not included in the fair value hierarchy*

20 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, 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 R15.3 million (2019: R2.1 million). The interest rate swap is considered to represent a level 2 fair value disclosure.

Derivative assets	**2020 R'000**	**2019 R'000**
Derivatives held for risk management		
Interest rate swap (asset)	(15 296)	(2 090)
Net amount	(15 296)	(2 090)

Hedging instruments per risk category

30 September 2020	**Notional amount***		**Carrying amount of hedging instrument**		
	Foreign Currency	**Local Currency (ZAR'000)**	**Assets**	**Liabilities**	**Hedge ineffectiveness**
Fair value hedges					
Interest rate risk					
Interest rate swaps	N/A	154 000	15 296	-	-

30 September 2019	**Notional amount***		**Carrying amount of hedging instrument**		
	Foreign Currency	**Local Currency (ZAR'000)**	**Assets**	**Liabilities**	**Hedge ineffectiveness**
Fair value hedges					
Interest rate risk					
Interest rate swaps	N/A	92 000	2 090	-	-

** This represents the gross notional amounts of all outstanding contracts at year end.*

21 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
2020					
Assets					
Cash and cash equivalents	-	103 935	-	-	103 935
Trade and other receivables*	15 296	6 838	-	4 805	26 939
Tax receivable	-	-	-	1 549	1 549
Loans and advances	-	1 474 386	-	22 283	1 496 669
Deferred tax	-	-	-	2 628	2 628
Total Assets	15 296	1 585 159	-	31 265	1 631 721
Equity and liabilities					
Liabilities					
Trade and other payables	-	-	88 367	-	88 367
Interest bearing liabilities	-	-	1 318 627	-	1 318 627
Loans from group companies	-	-	208 676	-	208 676
Total Liabilities	-	-	1 615 670	-	1 615 670
Total equity attributable to owners of the parent					16 051
Total equity and liabilities					1 631 721

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

21 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
2019	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
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.*

22 Going concern

The going concern basis was adopted in preparing the annual financial statements.Based on their assessment, 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 resources. This assessment included an assesssment of the relevance of its business models; the natuer of the primary assets and the cash-flows generated from these assets as well as the company's balance sheet and adquate liquidity management in response to COVID 19.

23 Events subsequent to reporting date

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

24 Prior period restatement

The Cash Flow Statement has been restated to present interest paid and interest received in line with the updated disclosure in the Statement of Cash Flows (refer to note 18 of the company financial statements). In addition, a number of other items have been reclassified to cash generated from operations (instead of reflected as part of movements on the face of the Cashflow Statement). Included below is the impact on the relevant presentation and disclosures.

	2019 - R'000		
	As previously	Adjustment	Restated
Cash generated by operations			
Profit before taxation	13 492	-	13 492
Adjusted for:			-
Interest income*	-	(127 646)	(127 646)
Interest expense*	-	55 231	55 231
Bad debts written off**	-	13 913	13 913
Movement in provision for impairment**	13 913	(12 812)	1 101
CASH GENERATED BY OPERATIONS	**27 405**	**(71 314)**	**(43 909)**
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	27 405	(71 314)	(43 909)
Interest received*	-	122 364	122 364
Interest paid*	-	(30 645)	(30 645)
Income taxes paid	(5 576)	-	(5 576)
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND WORKING CAPITAL	**21 829**	**20 405**	**42 234**
Changes in operating assets	(958 294)	4 181	(954 113)
Increase in gross loans and advances*/**	(958 294)	4 181	(954 113)
Change in working capital	42 158	(12 527)	29 631
(Increase)/decrease in trade and other receivables	(11 911)	-	(11 911)
Increase/(decrease) in trade and other payables *	54 069	(12 527)	41 542
Net cash generated by operating activities	**(894 307)**	**12 058**	**(882 249)**
Net cash (utilised)/raised by investing activities	**-**	**-**	**-**
Cash flow from financing activities			
Repayment of interest bearing liabilities	(25 641)	0	(25 641)
Proceeds from raising interest bearing liabilities	878 266	0	878 266
Decrease in net loans from group companies *	128 018	(12 059)	115 959
Net cash raised/(repaid) by financing activities	**980 643**	**(12 059)**	**968 584**
Net increase/(decrease) in cash and cash equivalents	**86 336**	**0**	**86 336**

* The face of the cash flow statement has been revised to reflect interest received and paid in cash

** Impairment of loans and advances and bad debts written off are separately reflected as part of cash generated from operations and no longer reflected as part of movements in loans and advances on the face of the Cashflow Statement