TRANSACTION CAPITAL
Results

2020

For the year ended
30 September

Transaction Capital

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COMMENTARY

HIGHLIGHTS

CORE PRE-PROVISION PROFIT[1,2]

Transaction Capital

R1 807 million 10%

FY19: R1 646 million

SA Taxi
driving our nation forward

R1 117 million 11%

FY19: R1 005 million

Transaction Capital
Risk Services

R649 million 12%

FY19: R578 million

NET ASSET VALUE PER SHARE

879.5 cents

10%

FY19: 799.1 cents

VALUE ACCRETIVE ACQUISITION OF **49.9% OF WE BUY CARS PTY LTD (WeBuyCars)** FOR **R1.86 BILLION**, AN INVESTMENT INTO TRANSACTION CAPITAL'S THIRD ADJACENT MARKET VERTICAL

GROUP WELL PLACED TO RETURN TO **LONG-TERM TRACK RECORD** OF **GROWTH FROM FY21** (APPLYING FY19 AS BASE)

ROBUST BALANCE SHEET WITH AMPLE CAPACITY TO FUND ORGANIC GROWTH

TOTAL EQUITY ISSUED R889 MILLION

R560 million raised via accelerated bookbuild in June 2020

R329 million of new equity issued in September 2020 to part fund the investment in **WeBuyCars**

Royal Bafokeng Holdings (RBH) introduced as a strategic shareholder in November 2020

DEBT FACILITIES

R1 billion of undrawn approved facilities at holding company for strategic growth initiatives including accelerated capital deployment opportunities for Transaction Capital Risk Services (TCRS) and TC Global Finance

Undrawn debt facilities to fund expected loan origination at SA Taxi and the acquisition of non-performing consumer loan portfolios acquired by TCRS as principal (NPL Portfolios) into FY22

BUSINESS MODELS MORE RELEVANT IN POST COVID-19[3] ENVIRONMENT

SA Taxi | As an essential service, minibus taxis operated during national lockdown, while other modes of public transport faltered and are yet to resume full operations

TCRS | COVID-19 is driving up indebtedness and impairing consumers' ability to service debt, resulting in larger NPL Portfolios to manage or acquire

WeBuyCars | With disposable income under strain and new vehicle prices increasing, consumers are opting for used vehicles, driving growth in this market segment

PRE COVID-19 TRACK RECORD OF GROWTH AND FINANCIAL OUTPERFORMANCE MAINTAINED

CAGR FY14 TO FY19

HEADLINE EARNINGS	HEADLINE EARNINGS PER SHARE
24% ▲	23% ▲

INCREASED PROVISION COVERAGE AND CONSERVATIVE APPROACH APPLIED TO THE ANTICIPATED IMPACT OF COVID-19 ON FUTURE CASHFLOWS, PROTECTING THE BALANCE SHEET

SA Taxi *driving our nation forward*

PROVISION COVERAGE
6.7% ▲
HY20: 5.4%
FY19: 4.8%

CREDIT IMPAIRMENTS (BEFORE TAX)
R836 million
HY20: R338 million
FY19: R322 million

Transaction Capital Risk Services

ADJUSTMENTS TO THE CARRYING VALUE OF PURCHASED BOOK DEBTS (BEFORE TAX)
R588 million
HY20: R161 million
FY19: R159 million

FAR HIGHER CREDIT IMPAIRMENTS AND NON-CASH ADJUSTMENTS TO THE CARRYING VALUE OF PURCHASED BOOK DEBTS AT 30 SEPTEMBER 2020 COMPARED TO HISTORICAL PERIODS SUBDUES FY20 RESULTS BUT OPERATIONS PROVE RESILIENT

CORE HEADLINE EARNINGS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE GROUP[2,4]
R276 million ▼ 65%
FY19: R789 million

CORE HEADLINE EARNINGS PER SHARE FROM CONTINUING OPERATIONS[2,4]
44.3 cents ▼ 66%
FY19: 129.0 cents

1. *Profit before tax from continuing operations of R369 million (FY19: R1 061 million), before once-off, pre-NCI transaction costs of R14 million (FY19: R104 million) and excluding credit impairments of loans and advances at SA Taxi of R836 million (FY19: R322 million), and adjustments to the carrying value of purchased book debts at TCRS of R588 million (FY19: R159 million).*
2. *As a measure of maintainable performance, Transaction Capital has presented non-IFRS measures referred to as core financial ratios, as these are used by management as key metrics in the business. These may be referenced to headline earnings from continuing operations of R262 million (FY19: R705 million) by excluding:*
   a. *Once-off acquisition costs of R5 million incurred in the first half of the 2020 financial year, relating to the acquisition of Net1 Fihrst Holdings (Fihrst) on 1 December 2019, and R9 million relating to the acquisition of a non-controlling 49.9% interest in We Buy Cars (Pty) Ltd (WeBuyCars) on 11 September 2020.*
   b. *Once-off costs of R84 million, which arose in the first half of the 2019 financial year relating to SA Taxi's ownership transaction with the South African National Taxi Council (SANTACO), of which R81 million was non-cash and in accordance with IFRS 2 and a further R3 million related to early debt settlement costs.*
3. *The novel Coronavirus and the disease it causes (COVID-19), and the associated socioeconomic impact.*
4. *Discontinued operations: Transaction Capital Business Solutions, Principa Decisions and Company Unique Finance, which collectively made a loss of R87 million in FY20 (FY19: R14 million profit).*

NOTE: The group adopted IFRS 16 – Leases based on the modified retrospective approach from 1 October 2019, with no restatement of comparative information as permitted under the specific transitional provisions in the standard. The cumulative effect arising from the initial adoption of IFRS 16 is presented as an adjustment to the opening balance of retained earnings at 1 October 2019.

Introduction

Transaction Capital is an investor in and operator of alternative assets in credit-related and other specialised market verticals. Our strong decentralised divisional management teams manage our assets in well-governed, agile and efficient operational platforms. With a near 20-year track record for high-quality earnings growth and attractive risk-adjusted returns, the group achieved compound annual growth in core headline earnings per share of 23% for the five years to 30 September 2019. Prior to the effects of COVID-19, the group was on track to deliver earnings growth in line with this past performance.

Like most businesses across the world, COVID-19 subdued the group's performance for FY20, interrupting our long-term growth trend. However, SA Taxi and TCRS demonstrated resilience in their agile responses to the volatile dynamics accompanying the pandemic. Their operational, financial and strategic flexibility allowed them to quickly align their operating models, financial structures and growth plans to prevailing economic realities and emerging opportunities. Operational activity in many instances is now nearing pre COVID-19 lockdown levels. The group's swift responses to the impacts of the pandemic underpinned a decisive recovery in our divisions and enabled significant strategic progress in the year.

The prudence of our capital management strategy, and the resilience of the group's capital structure, was tested and proven. The group's good standing with investors allowed us to issue nearly R900 million of new equity on a pre-emptive basis to facilitate a transformational and value accretive acquisition of 49.9% of WeBuyCars. It also enabled us to secure ample debt facilities to fund our strategic organic growth initiatives. At a time when most other businesses were focused on managing risk at the expense of growth, we were able to acquire a non-controlling 49.9% interest in WeBuyCars, to enter our third adjacent market vertical (see our SENS announcement of 8 September 2020).

We are pleased to announce RBH's intention to invest R500 million into the group as a long-term strategic shareholder. 12 million Transaction Capital shares, representing approximately 1.8%, were acquired via a secondary purchase in the market on 20 November 2020. RBH is expected to increase its stake by subscribing for a further 12.4 million shares in January 2021, subject to shareholder approval. A circular to shareholders and notice of general meeting in this regard will be distributed in due course.

We also made good progress in deepening the social relevance of our divisions, introducing measurable environmental, social and economic (ESE) frameworks in SA Taxi and TCRS. These will provide stakeholders with an objective view of the group's consolidated impacts and inform our long-term strategies in this regard. We also augmented the skills and independence of our board, to complement the insight and oversight required as we move forward in this uncertain economic environment.

Prospects

The business models of SA Taxi, TCRS and WeBuyCars have gained relevance in the COVID-19 environment, underpinned by the defensive characteristics of their market sectors. With support from the group executive office, SA Taxi and TCRS will continue to refine their strategic positioning and competitive value propositions, diversify their revenues and expand their total addressable markets.

Our current assessment of operating conditions and growth prospects sees the group resuming its strong organic growth trend in the coming year, with FY21 exceeding FY19 levels in line with pre COVID-19 growth rates. Should this expectation materialise, we anticipate being in a position to resume dividend payments within our stated dividend policy of 2 to 2.5 times cover.

It is important to note that we expect some COVID-19 disruption during the first few months of FY21 (October 2020 to January 2021), with financial and operational performance normalising thereafter.

With uneven signs of recovery and the pandemic resurging in key economies, further shocks to the global economy are possible. The recovery of South Africa's fragile economy is in any event likely to lag that of the global economy, with gross domestic product (GDP) only expected to reach 2019 levels by 2024. Although SA Taxi, TCRS and WeBuyCars are well placed to return to their long-term track records for growth, further sharp downturns in socioeconomic conditions in South Africa remain the primary downside risk to our expectations for growth and returns in the years ahead.

Performance overview

FINANCIAL AND OPERATIONAL PERFORMANCE

Prior to the effects of COVID-19, the group was on track to deliver earnings growth in line with past performance and guidance given at the time of our AGM in March 2020. Despite the operational disruption of COVID-19, with most of our business operations restricted and in certain instances fully closed for more than two months, the group's core pre-provision profit from continuing operations grew 10%. Positive operational leverage supported this resilient performance.

We have adopted a conservative approach in accounting for the impact of COVID-19, which has given rise to far higher non-cash credit impairments at SA Taxi and adjustments to the carrying value of TCRS's purchased book debts compared to historical periods. Importantly, the adjustments are non-cash and relate to assets held at 30 September 2020 and not the origination of future assets. In SA Taxi, the credit impairment charge against loans and advances for FY20 increased 160% to R836 million, compared to R322 million in FY19. In TCRS, the adjustment to the carrying value of purchased book debts was R588 million in FY20, 270% higher than the R159 million adjustment in FY19.

As noted, these charges saw our financial performance deviate from our historical earnings growth trend. The group's core headline earnings from continuing operations fell 65% to R276 million, and core headline earnings per share from continuing operations decreased 66% to 44.3 cents.

SA Taxi performed to expectation until mid-March, although disrupted vehicle supply due to industrial action at the Toyota plant early in calendar 2020 constrained vehicle sales, and the originations of loans and insurance policies. Despite this, the division was on track to grow its earnings in line with prior years. However, with SA Taxi Direct, other external dealerships, SA Taxi Auto Repairs and SA Taxi Auto Parts closed during the national lockdown from 27 March 2020, no loan originations, refurbishments and parts sales were possible during April 2020. These activities resumed in May 2020 at limited levels due to COVID-19 disruptions. Further strain on the supply of minibus taxi vehicles to the market came from the closure of the Toyota plant during the same period.

SA Taxi introduced a relief programme for clients in good standing to defer repayment of loan instalments and insurance premiums during April 2020. Further specific payment relief was provided to approximately 3 000 qualifying clients (mainly operators of long-distance routes most impacted by the national lockdown) for May and June 2020. Payment relief provided to clients totalled approximately R400 million.

The minibus taxi industry has recovered quickly as lockdown restrictions have been eased, with SA Taxi expected to return to near-normal levels of activity during the first quarter of FY21. Should future payment patterns be in line with our expectation, the credit impairment provision will be utilised, which will support the return of SA Taxi's credit metrics to pre COVID-19 levels over the medium term.

SA Taxi's core headline earnings decreased 57% to R221 million, with Transaction Capital's attributable portion 59% lower at R181 million.

TCRS's continuing operations performed better than expected for the period given the effects of the pandemic, with collections services in South Africa and Australia proving resilient to the weak economic conditions prior to and exacerbated by COVID-19. TCRS's core operating costs grew 13% (excluding adjustments to the carrying value of purchased book debts of R588 million and once-off COVID-19 related expenditure of R57 million) as it implemented work-from-home capabilities and proactively restructured its staff complement and infrastructure in anticipation of the medium-term effects of COVID-19. TCRS has effectively transitioned to a combination of work-from-home and on-site activity in both South Africa and Australia, which has improved productivity levels. These measures will yield significant benefit into FY21.

TCRS's core headline earnings from continuing operations of R55 million was 82% lower than the prior year.

The deployment of nearly R900 million of our cash resources to invest in **WeBuyCars** has been immediately value accretive, converting interest income on undeployed capital into operating earnings. WeBuyCars' headline earnings attributable to the group (from 11 September 2020) was R19 million, which includes operational income of R10 million. We are excited about the growth potential of WeBuyCars, which has recovered well from the impact of COVID-19 and is expected to lift the group's growth trajectory above historical trends.

Balance sheet and liquidity

Stakeholders will be aware of the actions taken to enhance the group's financial flexibility and strategic agility. Most recently, we raised R560 million of new capital via an accelerated bookbuild (see our SENS announcement of 17 June 2020), and issued R329 million of new share capital to partly fund our investment in WeBuyCars (see our SENS announcement of 8 September 2020). These two share issues bolstered our equity base by almost R900 million.

Our conservative capital management strategy, tested and validated during FY20, has ensured a robust group balance sheet. The undeployed capital held prior to COVID-19, together with the equity raised and debt facilities secured at holding company level despite the pandemic, provided the liquidity and financial flexibility to enter an attractive market vertical with strong growth prospects. The group's undrawn debt facilities, alongside those available at SA Taxi and TCRS, provide ample capacity and liquidity to fund the organic growth initiatives underway in our divisions. The group's capital structure, and the long-term nature of our assets, provide sufficient financial flexibility and headroom should recessionary conditions intensify.

SA Taxi is adequately capitalised, with a Tier I capital adequacy ratio of 15.7% and R2.7 billion of equity. Its access to liquidity remains unfettered with more than R4.0 billion of new debt facilities concluded since 1 April 2020. Ample liquidity is available in undrawn debt facilities to fund loan origination into FY22.

TCRS's balance sheet is robust, with R5.1 billion of assets and R1.9 billion of senior debt underpinned by R1.7 billion of equity at 30 September 2020. As market dynamics become clearer, the acquisition of NPL Portfolios in South Africa, Australia and Europe may provide opportunities to accelerate capital deployment for attractive risk-adjusted returns. The division's funding requirements for the acquisition of NPL Portfolios in South Africa and Australia into FY22 are already secured, and new debt facilities at holding company level will support our ability to invest further in our TC Global Finance strategy.

WeBuyCars has a strong balance sheet with low levels of debt, supported by the capital-light nature of its operations resulting in high cash conversion rates.

After the investment in WeBuyCars, the group's balance sheet remains well capitalised with unrestricted access to liquidity to fund our growth aspirations.

Trading environment

SOUTH AFRICA

It is clear that the economic ramifications of COVID-19 (including the strict lockdown and downgrades of sovereign credit ratings) will result in a deeper recession than after the global financial crisis in 2008/2009. Initial expectations were that GDP would retract by as much as 6% in 2020. The unprecedented pressure on the domestic economy now has banks, analysts and government warning that GDP could retreat as much as 10%, the largest contraction in nearly 90 years.

The country's official unemployment rate rose to 30.8% (September 2020), compared to 29.1% a year earlier. This is South Africa's highest unemployment rate in 12 years and reflects the socioeconomic impact of COVID-19, with more than 2.2 million jobs lost in the second quarter of 2020 alone. This will intensify the pressure on already indebted consumers (with household debt to income of 72.8% reported at 31 December 2019).

As the payment relief provided by financial institutions and temporary government support expire, further economic strain on the consumer sector can be expected. Despite a benign inflation outlook (3.3% for 2020) and interest rate cuts of 3% to five-decade lows, consumers will struggle as household income is eroded and over-indebtedness climbs. Any positive impact that may come from government's newly minted Economic Reconstruction and Recovery Plan will only be felt in time.

AUSTRALIA

Despite a significant government stimulus programme, the economy recently entered its first recession in nearly 30 years. Real GDP is expected to fall 1.5% in the year to June 2021 before rebounding 4.75% in 2022. Unemployment is forecast to peak at 10% in December 2020 before slowly recovering to 6.5% by June 2022 (5.1% pre COVID-19).

SA Taxi

		For the year ended 30 September		
		2020	2019	Movement
Financial performance				
Core pre-provision profit	Rm	**1 117**	1 005	11%
Core headline earnings	Rm	**221**	519	(57%)
Core headline earnings attributable to the group	Rm	**181**	446	(59%)
Non-interest revenue	Rm	**609**	584	4%
Net interest income	Rm	**1 358**	1 217	12%
Net interest margin	%	**11.8**	12.2	
Core cost-to-income ratio	%	**43.2**	44.2	
Credit performance				
Gross loans and advances	Rm	**12 243**	10 753	14%
Non-performing loan (NPL) ratio	%	**32.3**	17.9	
Credit loss ratio	%	**7.3**	3.2	
Provision coverage	%	**6.7**	4.8	

OPERATING CONTEXT AND MARKET POSITIONING

Most South Africans rely on public transport, with the minibus taxi industry being the largest and most vital service in the integrated public transport network. Spending on minibus taxi transport is largely non-discretionary, making this a defensive industry in challenging economic conditions. With bus and rail services floundering over recent years, now exacerbated by COVID-19, more commuters are likely to choose minibus taxis due to competitive pricing, convenience and accessibility, especially as economic strain intensifies.

As an essential service, the minibus taxi industry operated during the national lockdown, unlike other modes of public transport, albeit with restrictions on distance and occupancy. Towards the end of March and extending well into May 2020, sharply lower commuter mobility and restricted operations affected the industry's profitability. Restrictions on load capacity were lifted for short-distance routes on 16 July 2020, with long-distance routes only opening toward the end of August 2020.

Retail prices for minibus taxi vehicles have risen 5.6% since September 2019 and a further 1.5% in October 2020. The recommended retail price of a Toyota HiAce diesel vehicle is now R484 200, compared to R363 400 five years ago. Furthermore, with passenger loads per trip down due to the lingering impact of COVID-19, the industry's profitability will remain under strain.

Factors in the industry's favour in recovering profitability include lower interest rates and fuel prices. At 30 September 2020, the 12-month average for petrol and diesel prices were, respectively, 4% and 8% lower than a year ago and 12% and 18% lower than the all-time high recorded in November 2018.

The minibus taxi industry is indispensable to South Africa's economic productivity and is therefore an early beneficiary of economic and social recovery. With commuter mobility a precursor to economic activity, the minibus taxi industry is transitioning closer to normal operational activity as restrictions ease and the economy re-opens. This is evident in SA Taxi's telematics data (tabled below), which shows the recovery in average activity of its minibus taxi fleet benchmarked against pre COVID-19 levels.

	Level 5 27 March – 30 April 2020	Level 4 May 2020	Level 3 1 June – 17 August 2020	Level 2 18 August – 20 September 2020	Level 1 21 September – 15 November 2020
Operating vehicles	69%	90%	100%	100%	100%
Average distance travelled per vehicle	65%	88%	87%	88%	96%
Drive time	47%	80%	94%	96%	100%

Notwithstanding the strain on their profitability, our internal models show that minibus taxi operators are able to afford their loan and insurance premium instalments, supported by fare increases.

As the industry consolidates its recovery, SA Taxi's strong market position, track record as an industry pioneer and its vertically integrated business model positions it well to serve clients along the full minibus taxi value chain. Demand for minibus taxis, evidenced by the level of loan applications, remains strong and in line with pre COVID-19 levels.

SA Taxi will continue to assess opportunities for further vertical integration, to broaden its addressable market and support future organic growth. An important growth initiative will be to establish a business that combines its telematics capabilities, rewards programmes, client data and finance offerings into a single transactional account relevant to South Africa's minibus taxi industry. With SANTACO as a strategic partner, SA Taxi will leverage its unique position in the market to drive growth over the medium term, to the benefit of minibus taxi operators and the broader minibus taxi industry.

SA TAXI FINANCE AND SA TAXI AUTO REPAIRS

SA Taxi's gross loans and advances book grew 14% to R12.2 billion, comprising 32 890 loans. The retention of market share and higher retail prices for new vehicles supported this growth. It is important to note that in normal conditions, book growth is a function of loans originated and vehicle price increases, less attrition. Historically, attrition accounts for about 20% of the loan book being rolled off each year through repossession and settlements (i.e. full repayment of loans in the ordinary course).

Restricted repossession and settlement activity due to COVID-19 slowed the attrition rate, which resulted in gross loans and advances growing despite the lower number of loans originated. By September 2020, repossession activity was back to normal, although collections are only expected to normalise by January 2021.

The number of loans originated was 27% lower than last year. Contributing to this decline was interrupted new vehicle supply due to industrial action at the Toyota plant in January 2020, and the closure of the plant during lockdown. Furthermore, the closure of SA Taxi's and other external dealerships curbed the division's ability to originate vehicle loans. In FY21 to date, Toyota's monthly output of minibus taxis is slightly lower than but nearing pre COVID-19 levels.

The closure of SA Taxi Auto Repairs during lockdown also constrained the availability of pre-owned vehicle stock at our dealerships. However, demand for both new and pre-owned vehicles remains far higher than supply. Qualifying applications approved prior to COVID-19 were more than three times higher than the loans taken up, again the case from June 2020. As vehicle supply recovers to pre COVID-19 levels (expected by the end of January 2021), the recovery in number of loans originated should follow suit.

SA Taxi's strategy to drive the sale and finance of its fully refurbished pre-owned minibus taxis continues to enjoy strong momentum. In the challenging economic environment, operators are opting for this affordable yet reliable alternative to buying a new vehicle. SA Taxi is committed to keeping the prices of its pre-owned minibus taxis as affordable as possible, now more than 10% lower than a new vehicle. SA Taxi Auto Repairs' increased refurbishment capacity will support higher pre-owned vehicle supply to our dealerships and, in turn, loan originations.

The growth in loans and advances translated into net interest income growth of 12% to R1.4 billion. The negative endowment effect from lower interest rates partially offset the benefit of settling R1.0 billion of interest-bearing debt (from the proceeds of SANTACO's acquisition of 25% in SA Taxi in February 2019). This resulted in a marginal decrease in the net interest margin to 11.8% (FY19: 12.2%), despite the average cost of borrowing reducing to 9.8% (FY19: 11.1%). SA Taxi targets a net interest margin of 11% to 12%.

In April 2020 SA Taxi's monthly collections reduced to 23% of pre COVID-19 levels but recovered consistently month-on-month to more than 90% by September 2020. We now expect collections to normalise early in calendar 2021, later than anticipated at the half-year. SA Taxi has adequately provided for this impact, increasing provision coverage to 6.7% for FY20 (FY19: 4.8%). Provision coverage should return to historic levels of between 4.5 % to 5.5% over the medium term.

It is important to note that the absolute value of cash collected over the full term of the loans is not expected to decrease but will be collected over an extended period. Cash flows will be protected as the useful life of a minibus taxi significantly exceeds SA Taxi's average loan term of 71 months.

Lower origination of new loans and the disruption to collections resulted in a higher NPL ratio of 32.3% (FY19: 17.9%). A high proportion of NPLs may well convert to performing loans, as these customers' propensity to pay is higher than typically observed. The NPL ratio is thus expected to improve to around 25% in FY21, returning to normal levels of approximately 20% over the medium term.

Besides the loan repayment and insurance premium relief provided in April 2020, and specific payment relief in May and June 2020, SA Taxi continued to age and provide for the loan book as usual – and in line with our conservative approach. This resulted in a credit loss ratio of 7.3%, above the target range of 3% to 4% (FY19: 3.2%). We expect the credit loss ratio to normalise around or slightly above the upper limit of the target range by FY22.

SA Taxi's integrated business model effectively mitigates credit risk. Its ability to refurbish repossessed vehicles to provide high-quality income generating minibus taxis, enables it to recover more than 75% of the loan value on the sale of these pre-owned vehicles. This limits SA Taxi's loss in the event of default. Improved recoveries on repossessed vehicles, attributable to a lower average cost to refurbish them, are due to efficiencies in SA Taxi Auto Repairs and SA Taxi Auto Parts' cost-efficient procurement of parts. This will continue to support the recovery of the credit loss ratio. Higher new vehicle prices will also support higher prices for pre-owned vehicles, further improving credit recoveries.

SA TAXI DIRECT

SA Taxi's retail dealerships generated gross revenue of about R600 million in the period, down on the prior year due to the disruption in new and pre-owned vehicle supply and the closure of SA Taxi's dealerships in April and May 2020. Higher vehicle prices partly offset the decline.

SA TAXI PROTECT

SA Taxi's insurance business is the main contributor to non-interest revenue, with gross written premiums up 10% to R907 million. This was a good result given the deferred repayment of insurance premiums in April 2020 under SA Taxi's COVID-19 relief programme and other disruption. As expected, higher lapse rates were experienced as COVID-19 affected the affordability of insurance cover. Despite the extraordinary conditions, SA Taxi Protect's broader product offering supported high single-digit growth in the number of policies on book. The development of other bespoke products for the industry remains a strategic imperative.

Clients financed by SA Taxi are required to have fully comprehensive insurance, and most of SA Taxi Finance's clients continued to insure through SA Taxi Protect. Premiums in the insured and financed portfolio remained stable, reduced in the open market (insurance clients not financed by SA Taxi Finance) portfolio and increased marginally in other insurance products. The division's strategy to specifically target open market clients continued to yield positive results. Claim and cost ratios remained stable.

SA Taxi Protect's competitive advantage is its ability to reduce its cost of claim through efficiencies in SA Taxi Auto Repairs and SA Taxi Auto Parts, which supports competitively priced insurance premiums.

CONCLUSION

Despite the COVID-19 related disruptions in the second half, SA Taxi posted a resilient performance, growing its core pre-provision profit 11% for the year. Positive operational leverage supported a core cost-to-income ratio of 43.2% (FY19: 44.2%) as our investment in technology drove operational efficiencies. This was achieved despite once-off COVID-19 related expenditure of R9 million. Although the division did not grow its core headline earnings for the year, SA Taxi remained profitable even after the effect of the conservatively modelled credit provision. SA Taxi posted core headline earnings of R221 million for FY20, of which R181 million was attributable to the group.

Transaction Capital Risk Services

		For the year ended 30 September		
		2020	2019	Movement
Financial performance				
Core pre-provision profit	Rm	**649**	578	12%
Core headline earnings from continuing operations attributable to the group	Rm	**55**	298	(82%)
Non-interest revenue	Rm	**2 385**	2 018	18%
Purchased book debts				
Cost price of purchased book debts acquired	Rm	**733**	1 186	(38%)
Carrying value of purchased book debts	Rm	**2 520**	2 382	6%
Estimated remaining collections	Rm	**5 181**	4 480	16%

NOTE: Comparative information has been restated for the application of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations and IFRS 8 – Operating Segments.

OPERATING CONTEXT AND MARKET POSITIONING

TCRS supports its clients' ability to extend credit to their customers by freeing up their operational and balance sheet capacity, and rehabilitating indebted consumers. This facilitates the effective functioning of consumer credit markets, which will be critical to South Africa's and Australia's economic recovery.

TCRS's business model will gain relevance as the economic impact of COVID-19 drives up indebtedness and impairs consumers' ability to service their debt. This will leave consumer-facing entities with significantly larger NPL Portfolios to manage. To illustrate the pressure on these entities, the September 2020 BA 900 regulatory returns submitted by South African banks show that provisions were 36.5% higher year to date, while total credit extension grew an average of only about 2%. Furthermore, the disruption to their collection infrastructure and capabilities have made it more difficult for consumer-facing entities to collect on their NPL Portfolios.

As their balance sheets and operations come under pressure, we believe their appetite to sell NPL Portfolios will increase significantly. Also, they are likely to reduce fixed costs and shift to variable cost structures, via outsourced collection services. With its sophisticated ability to price NPL Portfolios appropriately for prevailing conditions and extensive collections infrastructure, TCRS is strongly positioned to accelerate the acquisition of NPL Portfolios to be collected as principal and to win agency collection mandates over the medium term.

SOUTH AFRICA

Of the 27.0 million credit-active South African consumers at June 2020, almost 40% (10.0 million) had impaired credit records. Transaction Capital's Consumer Credit Rehabilitation Index (CCRI), which measures South African consumers' propensity to repay debt, had deteriorated 3.4% at September 2020 compared to the prior year. This was the largest annual decline since the CCRI's inception in June 2017.

The 2.2 million jobs lost in the second quarter of 2020 alone, will escalate economic strain in the consumer sector with concomitant reductions in credit extension and retail sales. Weak consumer sentiment, lower income levels and the expiry of support measures (such as the temporary employee relief schemes and debt repayment holidays) will adversely affect consumers' ability to take on and service debt.

It is interesting to note that around one third of consumers making monthly repayments on their debt via TCRS are not formally employed, reflecting the resilience of South Africa's informal sector.

AUSTRALIA

The Australian consumer is likely to face greater economic stress due to higher unemployment and indebtedness. Significant government stimulus measures, which include income support for unemployed citizens, job creation initiatives and income tax cuts, as well as credit extension growth, are likely to lift the demand for collection services and consumer rehabilitation.

COLLECTION SERVICES

In its most significant business activity, TCRS acts either as a principal in acquiring and then collecting on NPL Portfolios, or as a service provider on an outsourced contingency or fee-for-service (FFS) basis. These business activities are diversified across sectors, clients and geographies, which lowers concentration risk and supports good performance and returns in different market conditions.

TCRS's collection revenue grew 14%. From April 2020, collection revenues on its owned NPL Portfolios in South Africa and Australia outpaced the 70% of pre COVID-19 levels we anticipated at half-year. Collections in the second half were only about 15% (rather than 30%) lower than the pre COVID-19 benchmark.

Despite COVID-19, TCRS's omni-channel and data analytics capability enabled it to continue contacting and transacting with consumers. The positive response of consumers to non-voice and digital channels, specifically in Australia, supported higher levels of right party contact and online payments. A significant proportion of the division's collections is annuity based, collected via recurring payment arrangements, which supported the better than expected collection rates.

The remaining portion is collected via approximately 1 700 call centre and legal collection agents in South Africa, of whom more than 1 300 have been enabled to work from home without compromising data security or access to technology. This shift is yielding higher productivity per agent due to more flexible working hours, which will enable the division to reach even higher levels of efficiency.

The Australian collections business performed well despite COVID-19, with revenue growing more than 20% and earnings in line with pre COVID-19 expectations. Its Australian collection agents were fully enabled to work from home and its Fiji based call centre operated efficiently with flexible working hours, supporting this strong result.

ACQUISITION OF NPL PORTFOLIOS AS PRINCIPAL

TCRS invested R653 million in South Africa and R80 million in Australia in acquiring NPL Portfolios. This was lower than we intended pre COVID-19 and well below FY19 levels. The division spent R177 million in the second half of FY20, down 76% from R749 million the year before, and far lower than the R556 million spent in the first half of FY20. A number of factors made for this muted performance. Fewer NPL Portfolios came to market as potential sellers focused on adjusting to COVID-19 restrictions and providing debt relief to their clients. Uncertainty in market conditions led to buyers and sellers being unable to meet on pricing NPL Portfolios. More specifically, TCRS adopted a cautious approach and curbed its risk appetite given the volatile conditions.

At 30 September 2020, TCRS's NPL Portfolios were valued at R2 520 million, up only 6% compared to a year ago. This was due to lower NPL Portfolio acquisitions in the second half and the adjustment to the carrying value of this asset. We expect annuity revenue from this asset of R5 181 million over the medium term, up 16% from R4 480 million a year ago. As noted, the accelerated acquisition of NPL Portfolios in South Africa remains a meaningful medium-term strategic growth initiative. As the impact of COVID-19 plays out, we expect growth in this underdeveloped market to accelerate.

While collections on NPL Portfolios have performed better than initially expected, we see future collections recovering more slowly and over a longer period than we did at half-year. Estimated remaining collections (ERCs) are expected to be about 4% lower over the medium term. As such, we adjusted the carrying value of purchased book debts down by R588 million (FY19: R159 million) to ensure future yields remain aligned with those achieved in the past.

TCRS has almost 20 years of experience in acquiring NPL Portfolios at attractive risk-adjusted returns. To this end, TCRS has the ability to adjust its pricing methodology to the prevailing environment to ensure NPL Portfolios are priced accurately, to achieve targeted returns and collection multiples. In FY21, TCRS plans to invest less than the R1.2 billion reported for FY19. However, as market dynamics become clearer, there may be an opportunity to accelerate investment beyond FY19 levels. Similarly, we expect to invest in excess of R1 billion in FY22 in acquiring NPL Portfolios.

The Australian collections market is significantly larger than the South African market and mainly comprises unsecured consumer loan and credit portfolios. However, the appetite of banks to sell their NPL Portfolios has declined in recent months, as they implement the recommendations of the Royal Commission into the banking industry and deal with the effects of COVID-19. As clients more actively favour FFS and contingency collection mandates over the sale of their NPL Portfolios, TCRS's diversified business model positions it to respond effectively to this shift. The division will continue to follow a cautious and selective approach in acquiring NPL Portfolios in Australia in line with its medium-term strategy to establish a more meaningful position in this larger market.

CONTINGENCY AND FEE-FOR-SERVICE REVENUE

Recoveries Corporation in Australia posted a robust performance and adapted well to the COVID-19 environment despite the initial disruption. The business gained new mandates from new and existing clients to grow organic revenue by double-digit percentages. Operating costs were well managed given the shift in revenue mix to FFS mandates. Greater management depth, investment in data and analytics, the deployment of technologies proven in South Africa, and the implementation of business information, payment automation and collection technologies supported this strong result.

The South African contingency and FFS division performed in line with expectation in the difficult consumer environment. Muted retail sales and credit extension from March 2020 translated into lower volumes of matters handed over for collection by clients. Going forward, recoveries and contingency collection revenues will be lower as consumers struggle to repay their debt. However, as noted, we expect to see higher volumes of outsourced collections mandates on larger NPL Portfolios in this environment.

TRANSACTIONAL SERVICES

The integration of Transaction Capital Payment Solutions, Accsys and Fihrst by applying best-in-class technology from each to create a more resilient and efficient payment and transactional services platform, progressed well. Transaction Capital Transactional Services (TCTS) was established in July 2020. Growing this more focused and substantial payment and transactional services business, diversified by payment activity, client and sector, remains a key strategic focus.

Although it operated during lockdown, as a relatively small services-orientated business it is difficult for TCTS to make operational adjustments to counter market conditions. Lower transactional activity due to lower payments and payroll related transactions, and lower yields earned on overnight bank balances held due to interest rate cuts, impacted its performance for the year. As TCTS grows its business to scale, it will be better placed to withstand prevailing market conditions and lift performance. The opportunity to cross-sell a more comprehensive and competitive offering to clients will also lower concentration risk and drive organic revenue growth.

TRANSACTION CAPITAL BUSINESS SOLUTIONS (TCBS)

TCBS has collected most of its outstanding portfolio, with only R218 million of net loans and advances remaining on book at 30 September 2020. TCBS has been accounted for as a discontinued operation since the first half of FY20, with its business and assets available for sale pending appropriate disposal strategies.

CONCLUSION

With the impact of extreme conditions in the second half, and the accounting effect of our conservative valuation of NPL Portfolios owned by TCRS, the division was unable to grow headline earnings for the year. However, resilient collection revenues in South Africa and Australia allowed the division to remain profitable, with core headline earnings of R55 million from continuing operations. Strong growth in revenue from the collection of NPL Portfolios acquired as a principal and a solid performance from its Australian collections business supported this resilient performance.

TCRS's costs grew 13% (excluding adjustments to the carrying value of purchased book debts of R588 million and once-off COVID-19 related expenditure of R57 million) as the division implemented a highly effective work-from-home capability and proactively restructured its staff complement and infrastructure in South Africa. As noted, these initiatives will benefit the business into FY21, achieving cost savings in excess of R90 million. The division is well positioned to manage difficult conditions and capture emerging opportunities, braced by its proven operational agility and enduring cashflows.

WeBuyCars

		For the year ended 30 September		
		2020	2019	Movement
Financial performance				
Core headline earnings	Rm	**306**	311	(2%)
Core headline earnings attributable to the group[1]	Rm	**19**	–	
Operational income attributable to the group[1]	Rm	**10**	–	
Operational performance				
Number of vehicles sold	Number	**59 177**	58 343	1%
Advertising expense per vehicle sold	R	**1 545**	1 549	–
Days to sale per vehicle	Number	**27.4**	24.9	10%

1. *Effective from 11 September 2020.*

NOTE: Transaction Capital's investment in WeBuyCars is accounted for as an associate of the group in accordance with IAS 28 – Investments in Associates and Joint Ventures applying the equity method. The investment is not consolidated under IFRS 10 – Consolidated Financial Statements.

OPERATING CONTEXT AND MARKET POSITIONING

Personal vehicles remain a necessity and an aspiration for many South Africans, given long travel distances and limited public transport options. In South Africa, there are a total of 10.8 million passenger vehicles in circulation. This vehicle 'car parc' has grown steadily, increasing the overall market by 5% to 6% a year over the last decade, despite the contraction in new vehicle sales over this period. As disposable income has come under strain, and a weakening rand has pushed up new vehicle prices, more consumers are opting to trade down from new to used vehicles. COVID-19 has amplified this trend, with shifts in what consumers can afford and changes in their buying patterns likely to accelerate growth in the used vehicle segment.

Conservatively, more than one million used vehicles are traded a year, reflecting a compound annual growth rate of 1.7% over the last five years. The steady growth of this large market has been achieved despite it being fragmented and inefficient and typified by low levels of consumer trust.

Although the adoption of e-commerce in the vehicles market has been slower than in other categories (such as electronics), experts estimate that e-commerce adoption in South Africa has leap-frogged some five years into the future as the desire for contactless services has escalated. Industry players that offer the most trustworthy, secure and credible e-commerce platforms will gain significant competitive edge in the market in the coming years.

As a buyer, distributor and retailer of used vehicles with a portfolio of financial and other allied products, WeBuyCars has a uniquely composed offering. Along with high levels of trust, optionality, convenience and competitive pricing, it is well positioned to benefit from these market trends. WeBuyCars currently buys more than 6 000 vehicles a month from private consumers, allowing it to offer a large variety of vehicles for sale. More than 35% of these are sold directly to dealerships via online auction on its e-commerce platform, with the majority sold to private consumers. Buyers are not restricted to any one brand of vehicle or limited in their choice of affordable options.

WeBuyCars earns an acceptable risk-adjusted gross margin on vehicle sales (vehicle margin), with additional gross margin earned on add-on products (product margin). The latter includes agency fees and commissions earned from finance, insurance related and allied products (F&I products). These are sold on behalf of major banks providing asset-backed and unsecured vehicle finance, leading insurance providers and vehicle tracking businesses. WeBuyCars' credible e-commerce platform underpins its growth potential.

Active in both the purchase and sale of used vehicles, WeBuyCars is able to apply 20 years of proprietary vehicle, price, consumer and other data to generate granular insights to adjust its pricing to the value and demand for a particular vehicle. This preserves its margins and ensures a high stock turn, indexed to customer affordability.

FINANCIAL AND OPERATIONAL PERFORMANCE

WeBuyCars' revenue and profit have shown strong compound annual growth rates of 62% and 58% respectively in the last three years. In FY20, WeBuyCars generated headline earnings of R306 million, 2% down on the prior year. This was due to lower sales volumes in March, April and May 2020 as a result of lockdown. From 11 September 2020, WeBuyCars contributed earnings of R19 million to the group for the period. Despite its operations being closed during lockdown levels four and five (27 March 2020 to 1 June 2020), WeBuyCars recovered strongly, with sales exceeding pre COVID-19 levels in July, August and September 2020.

WeBuyCars is set to reach new heights in several categories in the final quarter of calendar 2020 (and into 2021), including total revenue and units bought and sold. The used vehicle market is expected to grow as COVID-19 related instalment relief expires and banks repossess more vehicles, and car rental companies de-fleet due to the impact of travel restrictions on demand in their markets. This presents the opportunity to increase vehicle acquisition.

WeBuyCars' medium-term target is to increase the volume of vehicles traded to 10 000 vehicles per month, by expanding its nationwide footprint and enhancing brand awareness. To capture growing demand, it plans to develop additional vehicle supermarkets and buying pods in selected high-demand locations across South Africa. Driving online penetration, and optimising its vehicle acquisition and stock turn efficiency, will be a key focus. Higher take-up of F&I products (currently at 15%) will enhance WeBuyCars' unit economics and margins per vehicle sold. It also plans to enhance existing arrangements with providers of F&I products and to add relevant new products. In the longer term, WeBuyCars will seek to offer F&I products to underserved segments as a principal.

Group executive office and TC Global Finance

The executive office added R21 million (FY19: R45 million) to the group's core headline earnings. The reduced contribution was due to interest earned on a lower balance of undeployed capital held over the period, and once-off COVID-19 related costs of R8 million.

As communicated at the time of our half-year results, the group executive office now manages TC Global Finance. The group has to date invested €8.7 million in the higher-yielding niche of the European specialised credit market. We invested €7.4 million in the first half of FY20 with no further investment in the second half. Our strategy to invest in Europe remains valid and will be pursued. However, we will maintain our cautious and selective approach to opportunities in this market over the medium term.

NOTE: Transaction Capital's investment in TC Global Finance is accounted for as an associate of the group in accordance with IAS 28 – Investments in Associates and Joint Ventures applying the equity method.

Board changes

Our businesses are financially technical, highly specialised, vertically integrated and unique both locally and internationally. As such, assembling a diverse board with relevant skills and experience remains a strategic imperative. Over the past two years, the group has actively sought to appoint independent non-executive directors with strong credit, financial, insurance, capital management and legal skills, to augment the collective skillset of our board.

The group is pleased with the appointments of Ms Sharon Wapnick, Mr Ian Kirk and Dr Suresh Kana as independent non-executive directors during the year. As highly seasoned directors, they add considerable skills and experience to the board (see our SENS announcement of 9 October 2020 for changes to the composition of our board and committees). The board now comprises nine non-executive directors, eight of whom are independent, and five executive directors.

Dividend declaration

Transaction Capital's ordinary dividend policy is 2.0 to 2.5 times cover. After extensive deliberation and in view of the impact of COVID-19, the board has opted to retain capital and not to pay a dividend for FY20. This cautious and conservative approach to preserve capital will help to ensure adequate financial capacity and flexibility.

Basis for preparation

The consolidated financial statements and summarised consolidated financial statements have been prepared under the supervision of Sean Doherty (CA)SA. These results represent a summary of the complete set of audited consolidated financial statements of Transaction Capital approved on 24 November 2020. The directors take full responsibility and confirm that this information has been correctly extracted from the consolidated financial statements. The complete set of consolidated financial statements is available for inspection on the group's website www.transactioncapital.co.za and at Transaction Capital's registered office.

The summarised consolidated financial statements have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements on the Companies Act of South Africa, 71 of 2008, applicable to summary financial statements. The JSE Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS, the SAICA Financial Reporting Guides (as issued by the Accounting Practices Committee), Financial Pronouncements (as issued by the Financial Reporting Standards Council) and to also as a minimum contain the information required by IAS 34: Interim Financial Reporting.

The accounting policies applied in the preparation of the consolidated financial statements, from which the summarised consolidated financial statements for the year ended 30 September 2020 were derived, are in terms of IFRS and are consistent, with the accounting policies applied in the preparation of the previous consolidated financial statements except for the adoption of IFRS 16 – *Leases*.

The group's auditors, Deloitte & Touche, have issued unmodified audit opinion on the consolidated financial statements for the year ended 30 September 2020. The audit was conducted in accordance with International Standards on Auditing.

The auditor's report does not report on all the information contained in this announcement. Shareholders are therefore advised that to obtain a full understanding of the nature of the auditor's engagement, they should read the unmodified International Standards on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements audit report, included in these summarised consolidated financial statements.

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

Approval by the board of directors

Signed on behalf of the board of directors:

David Hurwitz
Chief executive officer

Sean Doherty
Chief financial officer

Hyde Park
24 November 2020

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

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

Independent auditor's report on summarised financial statements

TO THE SHAREHOLDERS OF TRANSACTION CAPITAL LIMITED

OPINION

The summarised consolidated financial statements of Transaction Capital Limited, which comprise the summarised consolidated statement of financial position as at 30 September 2020, the summarised consolidated income statement, the summarised consolidated statement of comprehensive income, the summarised consolidated statement of changes in equity and the summarised consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Transaction Capital Limited for the year ended 30 September 2020.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Transaction Capital Limited, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the Basis for Preparation to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

OTHER MATTER

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Transaction Capital Limited and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 24 November 2020. That report also included the communication of key audit matters as reported in the auditor's report of the audited consolidated financial statements.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the Basis for Preparation to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summarised Financial Statements.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Stephen Munro
Partner

24 November 2020

5 Magwa Crescent, Waterfall City, Waterfall

Summarised consolidated statement of financial position

AT 30 SEPTEMBER

	Notes	2020 Audited Rm	2019 Audited Rm
Assets			
Cash and cash equivalents		**1 794**	919
Tax receivables		**32**	26
Trade and other receivables		**1 522**	1 287
Inventories		**1 032**	832
Loans and advances		**11 545**	10 991
Purchased book debts		**2 520**	2 382
Other loans receivable		**55**	45
Equity accounted investments	1	**2 153**	92
Intangible assets		**505**	294
Property and equipment		**439**	172
Goodwill		**1 354**	1 152
Deferred tax assets		**344**	271
Assets classified as held for sale	2	**262**	–
Total assets		**23 557**	18 463
Liabilities			
Bank overdrafts		**387**	381
Other short-term borrowings		**102**	76
Tax payables		**46**	16
Trade and other payables		**686**	709
Provisions		**66**	53
Insurance contract liabilities		**374**	537
Benefits ceded on insurance contracts relating to inventories		**45**	54
Benefits ceded on insurance contracts relating to loans and advances		**124**	174
Benefits accruing to insurance contract holders		**205**	309
Interest-bearing liabilities		**14 639**	10 804
Senior debt		**13 894**	10 287
Subordinated debt		**745**	517
Lease liabilities		**417**	2
Deferred tax liabilities		**455**	413
Liabilities directly associated with assets held for sale	2	**12**	–
Total liabilities		**17 184**	12 991
Equity			
Ordinary share capital	3	**2 015**	1 103
Other reserves		**322**	179
Retained earnings		**3 481**	3 614
Equity attributable to ordinary equity holders of the parent		**5 818**	4 896
Non-controlling interests		**555**	576
Total equity		**6 373**	5 472
Total equity and liabilities		**23 557**	18 463

Summarised consolidated income statement

FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	2020 Audited Rm	2019 Audited Restated* Rm
Interest income		**2 555**	2 353
Interest expense		**(1 291)**	(1 158)
Net interest income		**1 264**	1 195
Impairment of loans and advances		**(836)**	(322)
Risk-adjusted net interest income		**428**	873
Non-interest revenue	4	**2 987**	2 602
Net insurance result		**440**	364
Insurance revenue		**907**	823
Insurance service expense		**(468)**	(455)
Insurance finance income/(expense)		**1**	(4)
Other non-interest revenue		**2 547**	2 238
Operating costs		**(3 083)**	(2 425)
Non-operating profit		**5**	7
Equity accounted income		**32**	4
Profit before tax		**369**	1 061
Income tax expense		**(79)**	(288)
Profit for the year from continuing operations		**290**	773
Discontinued operations			
(Loss)/profit for the year from discontinued operations	2	**(87)**	14
Profit for the year		**203**	787
Profit for the year from continuing operations attributable to:			
Ordinary equity holders of the parent		**245**	713
Non-controlling interests		**45**	60
(Loss)/profit for the year from discontinued operations attributable to:			
Ordinary equity holders of the parent		**(87)**	14
Non-controlling interests		**–**	–
Earnings per share (cents)			
From continuing operations			
Basic earnings per share	5	**39.3**	116.5
Diluted basic earnings per share	5	**39.2**	115.1
From continuing and discontinued operations			
Basic earnings per share	5	**25.3**	118.8
Diluted basic earnings per share	5	**25.3**	117.4

* *Restated for the recognition of discontinued operations in the current year per IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.*

Summarised consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 SEPTEMBER

	2020 Audited Rm	2019 Audited Restated* Rm
Profit for the year	**203**	787
Other comprehensive income		
Movement in cash flow hedging reserve	**(22)**	1
Fair value (loss)/gain arising during the year	**(31)**	1
Deferred tax	**9**	–
Exchange gain on translation of foreign operations	**145**	5
Total comprehensive income for the year	**326**	793
Total comprehensive income attributable to:		
Ordinary equity holders of the parent	**281**	733
Non-controlling interests	**45**	60

* *Restated for the recognition of discontinued operations in the current year per IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.*

Summarised consolidated statement of changes in equity

FOR THE YEAR ENDED 30 SEPTEMBER

	Number of ordinary shares Audited million	Ordinary share capital Audited Rm	Reserves Audited Rm	Retained earnings Audited Rm	Equity attributable to ordinary equity holders of the parent Audited Rm	Non-controlling interests Audited Rm	Total equity Audited Rm
Balance at 30 September 2018	610.2	1 056	52	2 647	3 755	59	3 814
Total comprehensive income	–	–	6	727	733	60	793
Profit for the year	–	–	–	727	727	60	787
Other comprehensive income	–	–	6	–	6	–	6
Disposal of subsidiary	–	–	–	–	–	(3)	(3)
Transactions with non-controlling interests	–	–	100	610	710	497	1 207
Grant of share appreciation rights and conditional share plans	–	–	45	–	45	–	45
Settlement of share appreciation rights and conditional share plans	–	–	(24)	(27)	(51)	–	(51)
Dividends paid	–	–	–	(343)	(343)	(37)	(380)
Issue of shares	3.1	58	–	–	58	–	58
Repurchase of shares	(0.6)	(11)	–	–	(11)	–	(11)
Balance at 30 September 2019	612.7	1 103	179	3 614	4 896	576	5 472
Adjustment on initial adoption of IFRS 16*	–	–	–	(51)	(51)	–	(51)
Restated balance at 1 October 2019	**612.7**	**1 103**	**179**	**3 563**	**4 845**	**576**	**5 421**
Total comprehensive income	**–**	**–**	**123**	**158**	**281**	**45**	**326**
Profit for the year	**–**	**–**	**–**	**158**	**158**	**45**	**203**
Other comprehensive income	**–**	**–**	**123**	**–**	**123**	**–**	**123**
Grant of share appreciation rights and conditional share plans	**–**	**–**	**61**	**–**	**61**	**–**	**61**
Settlement of share appreciation rights and conditional share plans	**–**	**–**	**(41)**	**(31)**	**(72)**	**–**	**(72)**
Dividends paid	**–**	**–**	**–**	**(209)**	**(209)**	**(66)**	**(275)**
Issue of shares	**50.8**	**954**	**–**	**–**	**954**	**–**	**954**
Repurchase of shares	**(2.0)**	**(42)**	**–**	**–**	**(42)**	**–**	**(42)**
Balance at 30 September 2020	**661.5**	**2 015**	**322**	**3 481**	**5 818**	**555**	**6 373**

* *The group adopted IFRS 16 – Leases during the year.*

Summarised consolidated statement of cash flows

FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	2020 Audited Rm	2019 Restated* Audited Rm
Cash flow from operating activities			
Cash generated by operations		**610**	452
Interest received		**2 039**	2 153
Interest paid		**(1 194)**	(1 190)
Income taxes paid		**(115)**	(108)
Dividends paid		**(275)**	(380)
Cash flow from operating activities before changes in operating assets and working capital		**1 065**	927
Increase in operating assets		**(1 838)**	(2 592)
Loans and advances		**(1 118)**	(1 425)
Purchased book debts		**(720)**	(1 167)
Changes in working capital		**(462)**	(553)
Increase in inventories		**(200)**	(354)
Increase in trade and other receivables		**(76)**	(167)
Increase in other loans receivable		**(25)**	(6)
Decrease in trade and other payables		**(161)**	(26)
Net cash utilised by operating activities		**(1 235)**	(2 218)
Cash flow from investing activities			
Acquisition of property and equipment		**(57)**	(48)
Proceeds on disposal of property and equipment		**4**	3
Acquisition of intangible assets		**(214)**	(57)
Investment into equity accounted investment	1	**(1 604)**	(87)
Acquisition of subsidiary	7	**(175)**	(7)
Proceeds on disposal of subsidiary	8	**30**	8
Net cash utilised by investing activities		**(2 016)**	(188)
Cash flow from financing activities			
Proceeds from interest-bearing liabilities		**10 797**	9 088
Settlement of interest-bearing liabilities		**(7 163)**	(8 101)
Proceeds in other short-term borrowings		**26**	76
Repayment of lease liabilities		**(52)**	–
Additional interest acquired in subsidiary		**–**	(28)
Net proceeds on issue of shares by subsidiary to non-controlling interests		**–**	1 135
Repurchase of shares		**(42)**	(11)
Issue of shares		**550**	–
Net cash generated by financing activities		**4 116**	2 159
Net decrease in cash and cash equivalents		**865**	(247)
Cash and cash equivalents at the beginning of the year		**538**	784
Effects of exchange rate changes on the balance of cash held in foreign currencies		**19**	1
Cash and cash equivalents at the end of year**		**1 422**	538

* *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 paragraph 31.*
** *Cash and cash equivalents are presented net of bank overdrafts and includes R15 million of cash transferred as part of assets held for sale. Refer to note 2.*

Notes to the audited summarised consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER

1 EQUITY ACCOUNTED INVESTMENTS

1.1 DETAILS OF THE GROUP'S SIGNIFICANT INVESTMENTS AT SEPTEMBER 2020 ARE AS FOLLOWS:

	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest held by the group %
We Buy Cars Pty Ltd (WeBuyCars) (refer to note 1.2)*	Buying and selling of second-hand motor vehicles	South Africa	49.9%
TC Global Finance Limited (TC Global Finance)**	Distressed debt and Specialised Credit	Europe	50%
Lanyana Financial Group Pty Ltd (Lanyana)	Debt advisory	Australia	25%

* *The investment is accounted for as an associate as the group does not have substantive rights sufficient to give it the ability to control the investment. Refer to note 1.2.4.*

** *The investment is accounted for as an associate as the group does not have the unilateral ability to control, direct or govern how the independent directors may vote on decisions that impact the variable returns of the investment, therefore significant influence exists as opposed to unanimous consent.*

1.2 On 11 September 2020, Transaction Capital Motor HoldCo (Pty) Ltd (TCMH) acquired a 49.9% non-controlling interest in the ordinary share capital of WeBuyCars for a purchase consideration of R1.86 billion. The purchase consideration was comprised of various components, summarised as follows:

	2020 Rm
Consideration paid in cash	**1 122**
Ordinary shares in Transaction Capital Limited (refer to note 1.2.1)	**329**
Vendor finance (refer to note 1.2.2)	**350**
Deferred consideration (refer to note 1.2.3)	**37**
Derivative liability (refer to note 1.2.4)	**22**
Total	**1 860**

1.2.1 16 467 000 ordinary shares in Transaction Capital Limited valued at R20.00 per share.

1.2.2 1 000 preference shares issued by TCMH to WeBuyCars. The preference shares bear interest which is payable semi-annually (on 31 May and 30 November). The preference shares have a mandatory redemption date of 12 September 2030, although TCMH may voluntarily redeem the preference shares before this time. WeBuyCars may, however, put the preference shares to Transaction Capital Limited from 11 September 2022.

1.2.3 This represents the present value of the deferred consideration of R40 million to be paid by TCMH to WeBuyCars on 11 September 2021. R20 million of the deferred consideration will be settled in cash, with the balance of R20 million to be settled in ordinary shares in Transaction Capital Limited.

1.2.4 TCMH has provided an equity underpin to WeBuyCars whereby, with respect to the 16 467 000 ordinary shares in Transaction Capital Limited (point 1.2.1 above), should the share price of Transaction Capital Limited decrease below R18.00, TCMH will be obliged to pay WeBuyCars an amount equal to the difference between the TC share price and R18.00. The equity underpin expires on the earlier of 11 September 2022 or Transaction Capital Limited procuring an offer for the 16 467 000 ordinary shares that exceeds a price of R20.00 per share.

In addition to the above, there is a put option agreement between TCMH and WBC Holdings (Pty) Ltd (WBC Holdings), in terms of which TCMH will, upon exercise of the put option by WBC Holdings (Pty) Ltd, be obliged to subscribe for, subject to the fulfilment of certain conditions including obtaining necessary regulatory approvals, 10% of the shares in WBC Holdings. The put option must be exercised within 5 business days of 11 September 2021. Upon the put option being exercised and implemented (after obtaining regulatory approvals), TCMH's shares in WeBuyCars will be exchanged for shares in WBC Holdings, resulting in TCMH owning 59.9% of the shares in WBC Holdings (equating to an effective 59.9% investment in WeBuyCars.

There is also a call option agreement between TCMH and WBC Holdings, in terms of which, TCMH will be entitled, subject to the fulfilment of certain conditions including the necessary regulatory approvals, to subscribe for a further 15% of the ordinary shares of WBC Holdings on 31 October 2023 if the put option (previous point) is exercised and implemented. If the put option (previous point) is not exercised or implemented by WBC Holdings, then TCMH will be entitled to subscribe for 25% of the shares in WBC Holdings.

1 EQUITY ACCOUNTED INVESTMENTS continued

1.2.4 The financial year end of WeBuyCars is 31 March. A change of reporting date will be made in the 2021 financial year to align with the group reporting date of 30 September.

Dividends received from associates below represent the actual amounts attributable and hence received by the group. The other summary information that precedes the reconciliation to the group's carrying amount represents amounts included in the IFRS financial statements of the associate, not the share of these amounts. Furthermore the periods reflected are the 12 months ended 30 September.

Summarised financial information in respect of each of the group's material associates is set out below. The summarised financial information below represents amounts in associates' financial statements prepared in accordance with IFRS Standards.

	WeBuyCars
	2020 Rm
Current assets	**611**
Non-current assets	**836**
Current liabilities	**(367)**
Non-current liabilities	**(459)**
Equity attributable to owners of the company	**621**
Non-controlling interest	**–**
Non-interest revenue	**923**
Profit for the year	**306**
Other comprehensive income attributable to the owners of the company	**–**
Total comprehensive income	**306**
Dividends received from the associate during the year	**–**

1.3 CARRYING AMOUNT OF EQUITY ACCOUNTED INVESTMENTS

	WeBuyCars*		TC Global Finance		Lanyana		Total	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm
Net assets of investment	**621**	–	**368**	44	**26**	16	**1 015**	60
Proportion of the group's ownership interest in the investment (refer to note 1.3.1)	**310**	–	**184**	22	**7**	4	**501**	26
Goodwill	**1 565**	–	**–**	–	**76**	66	**1 641**	66
Shareholder loan	**–**	–	**–**	–	**5**	–	**5**	–
Other adjustments**	**–**	–	**–**	–	**6**	–	**6**	–
Carrying amount of the group's interest in investment	**1 875**	–	**184**	22	**94**	70	**2 153**	92

* *The allocation of the purchase consideration has been determined on a preliminary basis.*
** *Other adjustments include intangible assets and payables raised in terms of IAS 28 – Investment in Associates and Joint Ventures.*

Notes to the audited summarised consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER

1 EQUITY ACCOUNTED INVESTMENTS continued

1.3 CARRYING AMOUNT OF EQUITY ACCOUNTED INVESTMENTS continued

1.3.1 THE CARRYING AMOUNT OF THE GROUP'S INTEREST IN THE INVESTMENT COMPRISES:

	WeBuyCars		TC Global Finance		Lanyana		Total	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm
Carrying amount at the beginning of the year	**–**	–	**22**	–	**70**	–	**92**	–
Investment into equity accounted investment	**1 860**	–	**131**	21	**4**	66	**1 995**	87
Share of profit after tax	**15**	–	**8**	1	**9**	3	**32**	4
Dividend received	**–**	–	**–**	–	**(3)**	–	**(3)**	–
Effect of foreign currency exchange difference	**–**	–	**23**	–	**14**	1	**37**	1
Balance at the end of the year	**1 875**	–	**184**	22	**94**	70	**2 153**	92

1.3.2 CASH FLOW FROM INVESTMENT INTO EQUITY ACCOUNTED INVESTMENTS:

The cash flow movement in investment into equity accounted investments is calculated as follows:

	2020 Rm	2019 Rm
Increase in equity accounted investment	**(2 061)**	(92)
Share of profit after tax	**32**	4
Ordinary shares in Transaction Capital Limited (refer to note 1.2)	**329**	–
Deferred consideration (refer to note 1.2)	**37**	–
Derivative liability (refer to note 1.2)	**22**	–
Effect of foreign currency exchange difference	**37**	1
Net cash investment into equity accounted investments	**(1 604)**	(87)

2 DISCONTINUED OPERATIONS

Cognisant of the higher risk in the small- and medium-sized enterprises (SME) sector, TCBS has proactively curbed gross loans and advances growth to this sector since the second half of 2018. During the financial year, the group took the decision to significantly reduce this exposure. The group is of the view that the capital currently allocated towards TCBS can be applied to achieve better risk-adjusted returns. TCBS is accounted for as a discontinued operation effective 19 March 2020, as its business and assets are available for sale as the group drives various disposal strategies.

The group also entered into a sale agreement to dispose of Principa Decisions (Pty) Ltd (Principa) with an effective date of 17 April 2020. A sale agreement to sell Company Unique Finance (Pty) Ltd (CUF) was signed on 24 March 2020, subject to standard conditions precedents that were met on 1 July 2020. The disposals were effected in order to generate cash flow for the expansion of the group's other businesses.

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	2020 Audited Rm	2019 Audited Rm
Risk-adjusted net interest income	**12**	70
Non-interest revenue	**43**	86
Operating costs	**(141)**	(137)
Loss on disposal of discontinued operations	**(25)**	–
(Loss)/profit before tax	**(111)**	19
Income tax benefit/(expense)	**24**	(5)
(Loss)/profit for the period from discontinued operations	**(87)**	14

The gain or loss on the measurement to fair value less costs to sell is immaterial as the majority of the assets are carried at amortised cost as per IFRS 9, which falls outside the scope of the IFRS 5 measurement provisions.

During the year, TCBS, Principa and CUF contributed R301 million (September 2019: paid R3 million) to the group's net operating cash flows, paid R7 million (September 2019: R15 million) in respect of investing activities and paid R2 million (September 2019 received: R10 million) in respect of financing activities. The group disposed of Principa on 17 April 2020 and CUF on 1 July 2020.

A loss of R9 million arose on the disposal of Principa and a loss R16 million arose on the disposal of CUF, being the difference between the proceeds of disposal and the carrying amount of the subsidiaries' net assets.

The major classes of assets and liabilities comprising the discontinued operations classified as held for sale are as follows:

	2020 Audited Rm
Cash and cash equivalents	**15**
Trade and other receivables	**1**
Loans and advances	**218**
Intangible assets	**1**
Property and equipment	**2**
Deferred tax assets	**25**
Total assets classified as held for sale	**262**
Trade and other payables	**5**
Provisions	**1**
Lease liabilities	**6**
Total liabilities associated with assets classified as held for sale	**12**
Net assets of disposal group	**250**

Notes to the audited summarised consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER

	2020 Audited Rm	2019 Audited Rm
3 ORDINARY SHARE CAPITAL		
Authorised		
1 000 000 000 ordinary shares		
Issued		
661 496 331 (2019: 612 654 644) ordinary shares		
Ordinary share capital	**2 015**	1 103
Ordinary share capital	**2 015**	1 103

	2020		2019	
	Number of shares Audited million	Share capital Audited Rm*	Number of shares Audited million	Share capital Audited Rm*
3.1 RECONCILIATION OF ORDINARY SHARE CAPITAL				
BALANCE AT THE BEGINNING OF THE YEAR	**612.7**	**1 103**	610.2	1 056
Shares issued in settlement of the Share Appreciations Rights Plan obligation and Conditional Share Plan (Note 3.1.1)	**3.6**	**75**	3.1	58
Shares issued to subsidiaries (Note 3.1.2)	**16.5**	**329**	–	–
Equity raised through accelerated bookbuild (Note 3.1.3)	**30.7**	**550**	–	–
Shares repurchased in the open market and cancelled (Note 3.1.4)	**(2.0)**	**(42)**	(0.6)	(11)
Balance at the end of the year	**661.5**	**2 015**	612.7	1 103

* *Net of share issue costs*

3.1.1 In terms of specific authority received from shareholders on the adoption of the Transaction Capital Share Appreciation Rights Plan and Transaction Capital Conditional Share Plan, a total of 3 596 599 shares were issued to participants/employees as part of respective vestings at an average price of R20.51 per share.

3.1.2 On 11 September 2020 Transaction Capital issued 16 467 000 shares to Transaction Capital Motor Holdco Proprietary Limited at a price of R20.00 per share (before share issue costs) in respect of the WeBuyCars acquisition. The 16 467 000 shares were in turn transferred to WeBuyCars as part of the total purchase consideration of R1.86 billion. Refer to note 1 for further details.

3.1.3 On 19 June 2020 Transaction Capital raised equity in the form of 30 754 064 shares through the issue of new ordinary shares to qualifying investors through an accelerated bookbuild. The ordinary shares were priced at R18.20 per share (before share issue costs), a 2.2% premium to the pre-launch 30 business day volume weighted average price of R17.80 as at market close on 17 June 2020. The equity raise was completed under the company's general authority to issue shares for cash approved by Transaction Capital shareholders at the annual general meeting of the company held on 11 March 2020.

3.1.4 All shares repurchased and cancelled reverted to authorised unissued shares. The average purchase price of the 1 975 976 shares repurchased on the open market was R21.36 per share.

Preference share capital

Authorised

10 000 000 cumulative, non-participating, non-convertible preference shares of no par value

Issued

Nil (2019: nil) preference shares

4 NON-INTEREST REVENUE

Revenue earned from the group's vehicle insurance offering (Net insurance result) mainly includes insurance premiums and commission income earned from insurance contracts, all of which are accounted for in accordance with IFRS 17 – Insurance Contracts, and therefore fall outside the scope of IFRS 15 – Revenue from Contracts with Customers.

The recognition of revenue earned from collecting on purchased credit-impaired loan portfolios as principal (Revenue from purchased book debts) is in accordance with the amortised cost model under IFRS 9 – Financial Instruments, and therefore fall outside the scope of IFRS 15.

Other non-interest revenue streams are disaggregated into the following major revenue streams in accordance with IFRS 15:

	2020 Audited Rm	2019 Audited Restated* Rm
Non-interest revenue comprises:		
Net insurance result	**440**	364
Revenue from purchased book debts	**1 111**	902
Other non-interest revenue	**1 436**	1 336
Fee-for-service revenue	**960**	912
Commission income	**72**	75
Fee income	**234**	214
Revenue from sale of goods	**60**	74
Other insurance service related income**	**7**	10
Other income	**103**	51
Total non-interest revenue	**2 987**	2 602

* *Restated for the recognition of discontinued operations in the current year per IFRS – 5 Non-current Assets Held for Sale and Discontinued Operations. Refer to note 2.*

** *Other insurance service related income includes roadside assist and roadcover which is excluded from the net insurance result as they are not considered insurance contracts per IFRS 17.*

Notes to the audited summarised consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER

	Units	2020 Audited	2019 Audited Restated*
5 EARNINGS PER SHARE			
5.1 FROM CONTINUING AND DISCONTINUED OPERATIONS			
Basic earnings per share	cents	**25.3**	118.8
Diluted basic earnings per share	cents	**25.3**	117.4
Headline earnings per share	cents	**33.1**	117.5
Diluted headline earnings per share	cents	**33.0**	116.1
The calculation of earnings per share is based on the following data:			
Earnings			
Earnings for the purposes of basic and diluted basic earnings per share	Rm	**158**	727
Being profit for the year attributable to ordinary equity holders of the parent			
Headline earnings adjustments:		**48**	(8)
Impairment of goodwill	Rm	**2**	–
Impairment of property, and equipment	Rm	**4**	–
Impairment of intangibles	Rm	**1**	–
Impairment of right of use of assets	Rm	**16**	–
Loss/(profit) on disposal of subsidiary	Rm	**25**	(8)
Earnings for the purposes of headline and diluted headline earnings per share	Rm	**206**	719
Number of shares			
Weighted average number of ordinary shares for the purposes of basic and headline earnings per share			
Number of ordinary shares in issue at the beginning of the year	million	**612.7**	610.2
Effect of shares issued during the year	million	**12.1**	2.0
Effect of shares repurchased during the year	million	**(1.4)**	(0.4)
Weighted average number of ordinary shares for the purposes of basic and headline earnings per share	million	**623.4**	611.8
Effect of dilutive potential ordinary shares:			
Shares deemed to be issued for no consideration in respect of Share Appreciation Rights Plan and Conditional Share Plan	million	**0.9**	7.6
Portion of WeBuyCars deferred consideration to be settled in Transaction Capital Limited ordinary shares	million	**1.0**	–
Weighted average number of ordinary shares for the purposes of diluted basic and headline earnings per share	million	**625.3**	619.4

5 EARNINGS PER SHARE continued

5.2 FROM CONTINUING OPERATIONS

	Units	2020 Audited	2019 Audited Restated*
Basic earnings per share	cents	**39.3**	116.5
Diluted basic earnings per share	cents	**39.2**	115.1
Headline earnings per share	cents	**42.0**	115.2
Diluted headline earnings per share	cents	**41.9**	113.8

The calculation earnings per share is based on the following data:

	Units	2020 Audited	2019 Audited Restated*
Earnings			
Profit for the year attributable to ordinary equity holders of the parent	Rm	**158**	727
Adjustments to exclude the loss/(profit) for the period from discontinued operations	Rm	**87**	(14)
Earnings from continuing operations for the purposes of basic and diluted basic earnings per share excluding discontinued operations	Rm	**245**	713
Headline earnings adjustments:			
Impairment of goodwill	Rm	**2**	–
Impairment of property, and equipment	Rm	**4**	–
Impairment of right of use of assets	Rm	**11**	–
Loss/(profit) on disposal of subsidiary	Rm	**–**	(8)
Earnings from continuing operations for the purposes of headline and diluted headline earnings per share excluding discontinued operations	Rm	**262**	705

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

* *Restated for the recognition of discontinued operations in the current year per IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.*

Notes to the audited summarised consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER

6 FAIR VALUE DISCLOSURE

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

	2020					2019				
	Carrying value Audited Rm	Total fair value Audited Rm	Level 1 Audited Rm	Level 2 Audited Rm	Level 3 Audited Rm	Carrying value Audited Rm	Fair value Audited Rm	Level 1 Audited Rm	Level 2 Audited Rm	Level 3 Audited Rm
Assets										
Loans and advances*	11 445	11 436	–	–	11 436	10 926	10 917	–	–	10 917
Purchased book debts	2 520	2 520	–	–	2 520	2 382	2 382	–	–	2 382
Other loans receivable	55	55	–	–	55	45	45	–	–	45
Trade and other receivables**	1 137	1 137	–	–	1 137	1 030	1 030	–	–	1 030
Cash and cash equivalents	1 794	1 794	1 794	–	–	919	919	919	–	–
Total	16 951	16 942	1 794	–	15 148	15 302	15 293	919	–	14 374
Liabilities										
Interest-bearing liabilities***	14 639	14 858	–	350	14 508	10 804	11 195	–	–	11 195
Fixed rate liabilities	441	351	–	–	351	266	279	–	–	279
Floating rate liabilities	14 198	14 507	–	350	14 157	10 538	10 916	–	–	10 916
Trade and other payables****	553	556	–	56	500	473	473	–	–	473
Other short-term borrowings	102	102	–	–	102	76	76	–	–	76
Bank overdrafts	387	387	387	–	–	381	381	381	–	–
Total	15 681	15 903	387	406	15 110	11 734	12 125	381	–	11 744
Net exposure	1 270	1 039	1 407	(406)	38	3 568	3 168	538	–	2 630

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Comparative information has been restated accordingly.*
** *Dealer incentive commission, prepayments and VAT receivables are not financial assets and therefore have been excluded from trade and other receivables.*
*** *Lease liabilities are excluded from the scope of IFRS 13 – Fair value measurement.*
**** *Revenue received in advance, deferred lease liabilities (prior year), VAT payables and bonus accruals are not financial liabilities and therefore have been excluded from trade and other payables.*

VALUATION METHODS AND ASSUMPTIONS

Loans and advances for premium vehicles entered into at variable interest rates approximate fair value as the estimated future cash flows are already considered in the expected loss model. The fair value of loans and advances for premium vehicles at fixed interest rates, which is a small component of the loan book, is determined by adjusting the discount rate from the effective interest rate of the contract to a current effective lending rate.

Purchased book debt is held at amortised cost. The balance at year end is calculated based on the expected future cash flows which are adjusted for risk as it takes historical cash flows into account to predict forecasted cash flows. The fair value of purchased book debt is determined by adjusting the discount rate from the credit-adjusted effective interest rate to a current market related discount rate and adjusting the expected cash flows for risk, therefore the carrying value approximates the fair value.

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

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

Notes to the audited summarised consolidated financial statements

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6 FAIR VALUE DISCLOSURE continued

6.1 LEVEL DISCLOSURE

	2020			
	Level 1 Audited Rm	**Level 2 Audited Rm**	**Level 3 Audited Rm**	**Total Audited Rm**
Financial assets at fair value through profit and loss				
Loans and advances: entry-level vehicles	**–**	**–**	**17**	**17**
Other financial assets	**–**	**–**	**170**	**170**
Derivatives**	**–**	**24**	**–**	**24**
Financial assets at fair value through other comprehensive income				
Derivatives	**–**	**348**	**–**	**348**
Total financial assets	**–**	**372**	**187**	**559**
Financial liabilities at fair value through profit and loss				
Derivatives***	**–**	**16**	**–**	**16**
Interest bearing liabilities (vendor finance)*	**–**	**350**	**–**	**350**
Deferred consideration*	**–**	**40**	**–**	**40**
Financial liabilities at fair value through other comprehensive income				
Derivatives**	**–**	**19**	**–**	**19**
Total financial liabilities	**–**	**425**	**–**	**425**

	2019			
	Level 1 Audited Rm	Level 2 Audited Rm	Level 3 Audited Rm	Total Audited Rm
Financial assets at fair value through profit and loss				
Loans and advances: entry-level vehicles	–	–	19	19
Other financial assets	–	–	99	99
Derivatives	–	4	–	4
Financial assets at fair value through other comprehensive income				
Derivatives	–	190	–	190
Total financial assets	–	194	118	312
Financial liabilities at fair value through profit and loss				
Derivatives	–	1	–	1
Total financial liabilities	–	1	–	1

* *The deferred consideration and vendor finance relate to the investment into WeBuyCars. Refer to note 1 for further detail.*

VALUATION METHODS AND ASSUMPTIONS

Loans and advances for entry-level vehicles: The fair value was calculated using an income approach (estimating and discounting future cashflow) as well as the average collateral value. These represent the significant unobservable parameters applied in the fair value model. The expected cash flows were estimated using a lifetime expected loss model which is consistent with the IFRS 9 provision methodology. The expected cashflows were then discounted at the market related discount rate of 25% to yield a fair value of the total loans and advances for entry level-vehicles. The outbreak of COVID-19 has had no impact on the average collateral values applied.

Other Financial Assets: The valuation of Other Financial Assets is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. These represent the significant unobservable parameters applied in the fair value model. The group estimates the expected cash flows by considering all the contractual terms of the financial instrument. The discount rate applied to the expected future cash flows reflects specific risk premiums relating to the asset. This includes government risk, single project customer, no previous experience with client and small stock premium for valuations less than R250 million. The discount rate applied to the additional purchase price is based on the current South African prime interest rate.

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

*** *The group provided an equity underpin to WeBuyCars which has been valued using the Black-Scholes method. Refer to note 1.*

6 FAIR VALUE DISCLOSURE continued

6.1 LEVEL DISCLOSURE continued

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS

	2020		
	Fair value through profit or loss Audited Rm	Fair value through other comprehensive income Audited Rm	Total Audited Rm
Opening balance	118	–	118
Total gains or losses			
In profit or loss	(18)	–	(18)
Other movements*	87	–	87
Closing balance of fair value measurement	187	–	187

	2019		
	Fair value through profit or loss Audited Rm	Fair value through other comprehensive income Audited Rm	Total Audited Rm
Opening balance	72	–	72
Total gains or losses			
In profit or loss	(39)	–	(39)
Other movements*	85	–	85
Closing balance of fair value measurement	118	–	118

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

SENSITIVITY ANALYSIS OF VALUATIONS USING UNOBSERVABLE INPUTS

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

MOVEMENT IN FAIR VALUE GIVEN THE 10% CHANGE IN SIGNIFICANT ASSUMPTIONS

	2020		2019	
Loans and advances: entry-level vehicles	10% Favourable Audited Rm	10% Unfavourable Audited Rm	10% Favourable Audited Rm	10% Unfavourable Audited Rm
Significant unobservable input and description of assumption				
Average collateral value	1	(1)	1	(1)
Discount rate: the rate used to discount projected future cash flows to present value	<1	<(1)	1	(1)
Total	1	(1)	2	(2)

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6 FAIR VALUE DISCLOSURE continued

6.1 LEVEL DISCLOSURE continued

MOVEMENT IN FAIR VALUE GIVEN THE 10% CHANGE IN SIGNIFICANT ASSUMPTIONS continued

	2020		2019	
Other financial assets	10% Favourable Unaudited Rm	10% Unfavourable Unaudited Rm	10% Favourable Unaudited Rm	10% Unfavourable Unaudited Rm
Significant unobservable input and description of assumption				
Cash flows: change in the expected revenue	**9**	**(9)**	4	(4)
Cash flows: change in expected costs	**1**	**(1)**	<1	(<1)
Discount rate: the rate used to discount projected future cash flows to present value	**4**	**(4)**	2	(2)
Total	**14**	**(14)**	6	(6)

Amounts less than R500 000 are reflected as "<1".

7 BUSINESS COMBINATIONS

SUBSIDIARY ACQUIRED

Subsidiary	Acquirer	Principal activity	Date of acquisition	Proportion of voting equity interests acquired %	Consideration transferred Rm
Net1 Fihrst Holdings (Pty) Ltd (Fihrst)	Transaction Capital Payment Solutions (Pty) Ltd (TCPS)	Third Party Payment Provider (TPPP)	01/12/2019	**100**	**175**

TCPS acquired 100% of the voting equity in Fihrst during the current year. Fihrst is a South African payments solutions company specialising in third party payments. Fihrst has the potential to unlock value through synergies with TCPS to be realised from cost efficiencies and revenue uplift from interest income, gaining access to a client base of approximately 480 clients which are new to the group. Fihrst is a well recognised brand and can be leveraged to win additional clients as well as penetrate the existing client base with TCPS product offerings.

CONSIDERATION FOR IFRS 3 PURPOSES

	Rm
Cash	**187**
Total consideration	**187**

7 BUSINESS COMBINATIONS continued

ASSETS ACQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF ACQUISITION

	Rm
Current assets	
Cash and cash equivalents	12
Trade and other receivables	5
Prepayments	1
Non-current assets	
Property, plant and equipment	<1
Intangible assets	<1
Deferred taxation	<1
Current liabilities	
Trade and other payables	(4)
Provisions	(2)
Net assets acquired and liabilities recognised	**13**

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

The receivables acquired in this transaction have a fair value of R5 million. The receivables acquired compromise principally of trade receivables with a gross contractual amount of R5 million with no contractual cash flows not expected to be collected.

GOODWILL ARISING ON ACQUISITION

	Rm
Consideration for IFRS 3 purposes	187
Less: intangible assets identified from business combinations	(78)
Plus: deferred tax on intangible assets identified from business combinations	20
Plus: contingent liabilities raised in terms of IFRS 3 (included as part of trade and other payables)	23
Plus: other payables raised in terms of IFRS 3	6
Less: fair value of identifiable assets recognised	(13)
Goodwill arising on acquisition	**145**

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

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

NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARY

	Rm
Consideration paid in cash	187
Less: cash and cash equivalents balance acquired	(12)
Net cash outflow	**175**

IMPACT OF ACQUISITION ON THE RESULTS OF THE GROUP

Included in profit attributable to ordinary shareholders of the group for the year ended 30 September 2020 is R10 million attributable to Fihrst. Revenue for the period includes R45 million in respect of Fihrst.

Had the business combination been effected at 1 October 2019, revenue for the group would have been R5 551 million, and the profit for the year from continuing operations attributable to ordinary equity holders of the group would have been R247 million. The directors consider these pro forma numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

Amounts less than R500 000 are reflected as "<1".

Notes to the audited summarised consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER

8 DISPOSAL OF SUBSIDIARIES

The group disposed of Principa Decisions (Pty) Ltd (Principa) on 17 April 2020. Principa was sold to a related party (Apex Partners). Company Unique Finance (Pty) Ltd (CUF) was disposed of on 1 July 2020 and TC Property Mezz Partners on 30 September 2020. The group disposed of The Beancounter on 1 November 2018 in the previous financial year.

The net assets of these subsidiaries at the date of disposal were as follows: ***

	2020			2019
	Principa Audited Rm	CUF Audited Rm	Total Rm	The Beancounter Audited Rm
Net assets derecognised:				
Cash and cash equivalents	(3)	–	(3)	(2)
Trade and other receivables	(28)	(3)	(31)	(1)
Goodwill	(5)	–	(5)	–
Loans and advances	–	(10)	(10)	–
Purchased book debts	–	(16)	(16)	
Intangible assets	(33)	–	(33)	(1)
Deferred tax assets	–	(1)	(1)	–
Property and equipment	(5)	–	(5)	(1)
Interest-bearing liabilities	2	–	2	–
Trade and other payables	23	–	23	–
Provisions	2	–	2	–
Deferred tax liabilities	2	–	2	–
Total	(45)	(30)	(75)	(5)
(Loss)/profit on disposal of subsidiary*				
Consideration received	36	14	50	10
Net assets disposed of	(45)	(30)	(75)	(5)
Non-controlling interest	–	–	–	3
Total	(9)	(16)	(25)	8
Total consideration was satisfied by:				
Cash and cash equivalents	19	14	33	10
Deferred consideration**	17	–	17	–
Net cash inflow arising on disposal				
Consideration received in cash and cash equivalents	19	14	33	10
Less: cash and cash equivalents disposed of	(3)	–	(3)	(2)
Total	16	14	30	8

* The (loss)/profit on the disposal is included in "(loss)/ profit from discontinued operations" in the consolidated income statement. Also refer to note 2.
** The deferred consideration will be settled in cash by the purchaser on or before 31 October 2021.
*** Amounts relating to the disposal of TC Property Mezz Partners are all less than R500 000 and are therefore not separately disclosed.

9 SEGMENT REPORT

The group is organised on the basis of products and services and the segments have been identified on this basis as reported to the chief executive officer (considered the chief operating decision maker). The principal business units in the group are as follows:

SA TAXI

- A vertically integrated taxi platform incorporating a unique blend of vehicle procurement, retail, repossession and refurbishment capabilities with asset-backed developmental finance and insurance competencies for focused vehicle types.
- Revenue is mainly derived from interest earned on financing of vehicles and non-interest revenue streams, including revenue from the sale of vehicles, telematics services and insurance products.

TRANSACTION CAPITAL RISK SERVICES

- Transaction Capital Risk Services acts both as an agent on an outsourced contingency or fee-for-service (FFS) basis, and as a principal in acquiring and then collecting on credit-impaired loan portfolios.
- Revenue from credit-impaired loans comprises payments received from debtors including amounts in respect of interest and cost recoveries.
- To support the broader working capital life cycle of Small and Medium-Sized Enterprises (SMEs), Transaction Capital Risk Services (TCRS) also provides payment solutions, payroll-related services and financing solutions.
- Value-added services generate a stable source of subscription income, whilst providing access to greater market depth.

Transaction Capital Business Solutions (TCBS), Principa Decisions (Principa) and Company Unique Finance (CUF) were classified as discontinued operations during the current year. Refer to note 2 for further detail on discontinued operations.

WEBUYCARS

- Transaction Capital Motor HoldCo (Pty) Ltd holds a 49.9% non-controlling interest in WeBuyCars.
- Buyer, distributor and retailer of vehicles, which also offers financial and other allied products.
- Revenue comprises mainly of risk adjusted gross margin on vehicle sales (vehicle margin), with additional gross margin earned on add-on products (product margin). The latter includes agency fees earned from finance, insurance related and allied products (F&I products) sold on behalf of major banks providing asset-backed and unsecured vehicle finance, leading insurance providers as well as vehicle tracking businesses.

GROUP EXECUTIVE OFFICE

- The group executive office provides an efficient capital management and treasury function for entities within the group, in addition to administrative and management services.
- Revenue comprises mainly of interest income and management fees from subsidiaries, the major of which is eliminated on group consolidation.

The composition of reportable segments changed during the current financial year. TC Global Finance and TC Property Mezz Partners, previously reported as part of Transaction Capital Risk Services, are now reported as part of the Group Executive Office (GEO) segment. Comparative data has been restated accordingly. TC Property Mezz Partners was disposed of on 30 September 2020. Refer to note 8 for further detail.

Specialised credit, and the related allocation of capital, is considered to be a key long-term strategic initiative of the group. As TC Global Finance continue to gain traction in the market, the decision has therefore been taken to further nurture this business within GEO, where capital deployment remains a vital initiative.

Notes to the audited summarised consolidated financial statements
FOR THE YEAR ENDED 30 SEPTEMBER

9 SEGMENT REPORT continued

	SA Taxi		Transaction Capital Risk Services		WeBuyCars*****		Group executive office***		Intergroup eliminations		Group	
	2020 Audited Rm	2019 Audited Rm	2020 Audited Rm	2019 Audited Restated* Rm	2020 Audited Rm	2019 Audited Rm	2020 Audited Rm	2019 Audited Restated* Rm	2020 Audited Rm	2019 Audited Rm	2020 Audited Rm	2019 Audited Restated** Rm
Summarised income statement for the year ended 30 September												
Net interest income/(expense)	**1 358**	1 217	**(158)**	(97)	**(1)**	–	**65**	75	**–**	–	**1 264**	1 195
Impairment of loans and advances	**(836)**	(322)	**–**	–	**–**	–	**–**	–	**–**	–	**(836)**	(322)
Non-interest revenue	**609**	584	**2 385**	2 018	**–**	–	**4**	–	**(11)**	–	**2 987**	2 602
Operating costs****	**(850)**	(896)	**(2 180)**	(1 512)	**–**	–	**(64)**	(17)	**11**	–	**(3 083)**	(2 425)
Non-operating profit	**–**	–	**–**	7	**5**	–	**–**	–	**–**	–	**5**	7
Equity accounted income	**–**	–	**9**	3	**15**	–	**8**	1	**–**	–	**32**	4
Profit before tax	**281**	583	**56**	419	**19**	–	**13**	59	**–**	–	**369**	1 061
Profit for the year from continuing operations	**219**	419	**40**	312	**19**	–	**12**	42	**–**	–	**290**	773
Discontinued operations												
(Loss)/profit for the period from discontinued operations	**–**	–	**(87)**	14	**–**	–	**–**	–	**–**	–	**(87)**	14
Profit/(loss) for the year	**219**	419	**(47)**	326	**19**	–	**12**	42	**–**	–	**203**	787

* Restated for the recognition of discontinued operations in the current year per IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations and a change in the composition of reportable segments per IFRS 8 – Segment Reporting.
** Restated for the recognition of discontinued operations in the current year per IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.
*** Group executive office numbers are presented net of group consolidation entries.
**** Impairment on goodwill of R3 million was recognised as part of operating costs in the SA Taxi income statement.
***** Profit before tax from WeBuyCars comprises:

	2020 Rm
Share of operating profit after tax (11 September 2020 to 30 September 2020)	**10**
*Share of mark-to-market of 16 467 000 Transaction Capital ordinary shares*******	**5**
*Mark-to-market of derivative liability*******	**5**
*Interest expense on preference share liability (vendor finance) and deferred consideration*******	**(1)**
Profit before tax	**19**

****** Refer to note 1.

Notes to the audited summarised consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER

9 SEGMENT REPORT continued

	SA Taxi		Transaction Capital Risk Services		WeBuyCars		Group executive office**		Intergroup eliminations		Group	
	2020 Audited Rm	2019 Audited Rm	**2020 Audited Rm**	2019 Audited Restated* Rm	**2020 Audited Rm**	2019 Audited Rm	**2020 Audited Rm**	2019 Audited Restated* Rm	**2020 Audited Rm**	2019 Audited Rm	**2020 Audited Rm**	2019 Audited Restated* Rm
Summarised statement of financial position at 30 September												
Assets												
Cash and cash equivalents	**1 425**	693	**332**	194	**–**	–	**37**	32	**–**	–	**1 794**	919
Trade and other receivables	**1 185**	965	**335**	317	**–**	–	**17**	19	**(15)**	(14)	**1 522**	1 287
Inventories	**1 030**	831	**2**	1	**–**	–	**–**	–	**–**	–	**1 032**	832
Loans and advances	**11 545**	10 412	**–**	579	**–**	–	**–**	–	**–**	–	**11 545**	10 991
Purchased book debts	**–**	–	**2 520**	2 382	**–**	–	**–**	–	**–**	–	**2 520**	2 382
Equity accounted investments	**–**	–	**94**	70	**1 875**	–	**184**	22	**–**	–	**2 153**	92
Other assets	**1 112**	885	**1 833**	1 036	**–**	–	**3 751**	2 727	**(3 705)**	(2 688)	**2 991**	1 960
Total assets	**16 297**	13 786	**5 116**	4 579	**1 875**	–	**3 989**	2 800	**(3 720)**	(2 702)	**23 557**	18 463
Liabilities												
Bank overdrafts	**186**	99	**201**	282	**–**	–	**–**	–	**–**	–	**387**	381
Trade and other payables	**304**	275	**266**	396	**54**	–	**75**	49	**(13)**	(11)	**686**	709
Insurance contract liabilities	**374**	537	**–**	–	**–**	–	**–**	–	**–**	–	**374**	537
Interest-bearing liabilities	**12 334**	9 929	**2 208**	1 799	**350**	–	**216**	–	**(469)**	(924)	**14 639**	10 804
Senior debt	**11 435**	9 249	**1 893**	1 038	**350**	–	**216**	–	**–**	–	**13 894**	10 287
Subordinated debt	**745**	517	**–**	–	**–**	–	**–**	–	**–**	–	**745**	517
Group loans	**154**	163	**315**	761	**–**	–	**–**	–	**(469)**	(924)	**–**	–
Lease liabilities	**162**	–	**255**	2	**–**	–	**–**	–	**–**	–	**417**	2
Other liabilities	**210**	192	**470**	361	**–**	–	**2**	4	**(1)**	1	**681**	558
Total liabilities	**13 570**	11 032	**3 400**	2 840	**404**	–	**293**	53	**(483)**	(934)	**17 184**	12 991
Total equity	**2 727**	2 754	**1 716**	1 739	**1 471**	–	**3 696**	2 747	**(3 237)**	(1 768)	**6 373**	5 472

* *Restated for a change in the composition of reportable segments per IFRS 8 – Segment Reporting.*
** *Group executive office numbers are presented net of group consolidation entries.*

GEOGRAPHICAL INFORMATION

The group operated in three principal geographical areas, South Africa, Australia and Europe. The group's total revenue by location and non-current assets by location are detailed below:

	Total revenue		Non-current assets	
	2020 Audited Rm	2019 Audited Restated* Rm	**2020 Audited Rm**	2019 Audited Rm
South Africa	**4 744**	4 384	**18 062**	14 648
Australia	**798**	571	**931**	730
Europe	**–**	–	**184**	21
Total	**5 542**	4 955	**19 177**	15 399

* *Restated for the recognition of discontinued operations in the current year per IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.*

Notes to the audited summarised consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER

10 GOING CONCERN

The annual financial statements were prepared on a going concern basis. Based on their assessment, the directors have no reason to believe that the company will not continue as a going concern in the foreseeable future. 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 the increased flexibility provided by additional liquidity measures implemented in response to COVID-19.

BUSINESS MODEL RELEVANCE

Most South Africans rely on public transport, with the minibus taxi industry being the largest and most vital service in the integrated public transport network. More commuters choose minibus taxis over bus or rail services due to competitive pricing, convenience and accessibility, with the industry providing more than 15 million trips a day. Over the past few months, COVID-19 has highlighted the indispensable nature of the minibus taxi industry as the dominant form of public transport. Spending on minibus taxi transport is non-discretionary for most South Africans, making this a defensive industry with minibus taxi operators remaining resilient in challenging economic conditions.

TCRS supports the effective functioning of consumer credit markets, the rehabilitation of indebted consumers and the freeing up of operational capacity and capital within its client-base to enable the ongoing advancement of consumer-credit. The TCRS business model, which operationalises this social contract, is highly relevant in the post-COVID-19 environment. With disposable income coming under pressure and escalated consumer debt levels becoming more prevalent, more consumers in South Africa and Australia will experience acute hardship. TCRS's clients will consequentially experience larger NPL flows combined with operational challenges arising from COVID-related restrictions and practicalities. TCRS's extensive collections infrastructure, including its comprehensive remote-working capability and scalable data and analytics platforms, positions it well to secure and grow agency collections and to acquire NPL Portfolios as the economic impact of COVID-19 unfolds and matures into the NPL space.

NATURE OF PRIMARY ASSETS

The absolute value of the primary balance sheet asset, gross loans and advances and the amount of cash to be collected will be preserved even if there is a need to collect on these assets over an extended period. This is evidenced by (i) the useful life of a minibus taxi which is in excess of nine years (108 months) versus an average loan term at origination of six years (72 months), and (ii) the fact that the company has an operational ability to further extend this life through its refurbishment capabilities.

Similarly, the absolute amount of cash emanating from our purchased book debts (PBDs) will not diminish but rather be collected over an extended period as short term collections are anticipated to reduce.

BALANCE SHEET AND LIQUIDITY

Along with the additional measures implemented to preserve liquidity in response to COVID-19, the group has sufficient liquidity and financial flexibility to support underlying business operations as at 30 September 2020.

11 SUBSEQUENT EVENTS

11.1 We are pleased to announce Royal Bafokeng Holdings' (RBH) acquisition of 1.8% (representing 12 million ordinary shares) in Transaction Capital via a secondary purchase of shares in the market. This transaction became effective on 20 November 2020.

11.2 No other events which would have a material impact on either the financial position or operating results of the company have taken place between 30 September 2020 and the date of release of this report. The group is continuing to monitor the impact of COVID-19 on demand for its services, and has not been significantly impacted after year-end by the evolving situation surrounding COVID-19. Refer to note 10 for the business model relevance.

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