Transaction Capital

AUDITED RESULTS AND DIVIDEND DECLARATION

2021

For the year ended
30 September

CONTENTS

COMMENTARY

HIGHLIGHTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

Core headline earnings from continuing operations attributable to the group[1,2,3]

R1 005 million

FY2021 vs FY2020

264%

FY2020: R276 million

FY2021 vs FY2019

27%

FY2019: R789 million

Core headline earnings per share from continuing operations attributable to the group[1,2]

147.9 cents

FY2021 vs FY2020

234%

FY2020: 44.3 cents

FY2021 vs FY2019

15%

FY2019: 129.0 cents

Strong recovery in earnings, with the group returning to its long-term track record of growth in the 2021 financial year (FY2021), applying FY2019 as the pre COVID-19 base.

TRANSACTION CAPITAL INCREASES ITS EFFECTIVE SHAREHOLDING IN WEBUYCARS TO

74.2%

Options in place to acquire remaining 25.1% by FY2026

Refer to announcement released on SENS on 4 August 2021 and 21 September 2021 for more detail.

Total dividend per share

52 cents

FY2020

Nil

FY2019

61 cents

Resumed dividend payments

Final dividend of 33 cents per share at 2.5 times cover, bringing the total dividend per share for FY2021 to 52 cents per share.

Core headline return on average equity[4]

15.1%

FY2020	FY2019
5.4%	18.2%

Core headline return on average assets[4]

4.4%

FY2020	FY2019
1.6%	5.1%

Strong recovery in returns, nearing pre COVID-19 levels.

ECONOMIC, SOCIAL AND ENVIRONMENTAL HIGHLIGHTS IN FY2021

8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 13 CLIMATE ACTION | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS

SA Taxi's Vaccination Centre

SA Taxi's Vaccination Centre, which opened its doors in July 2021, stands out as a highlight and a distinguished example of a successful public-private sector partnership. For further detail, refer to SA Taxi's 'operating context and market positioning' on page 7.

Sustainable Bond Framework

SA Taxi issued its first bond backed by a Sustainable Bond Framework through its Transsec 5 initial issuance. This issuance achieved many milestones; it was SA Taxi's largest single issuance to date (R900 million issued), with the lowest initial issuance weighted average cost of 173 basis points above three-month JIBAR.

World Finance Sustainability Awards 2021 winner

SA Taxi was announced as the winner in the 'Most Sustainable Company in the Mobility Industry' category, in recognition of its social purpose of enabling mobility access for millions of commuters through tailored developmental financing and support services to SMEs, its alignment to the SDGs and the resilience of its operations during the COVID-19 pandemic.

TCFD Adoption

Transaction Capital recognises the rapidly changing global context and the risks associated with environmental and social factors, particularly climate change. As part of the operationalisation of its environmental policy, adopted in March 2021, the group has completed a base carbon footprint assessment, assigned appropriate emission reduction targets and analysed climate-related risks and opportunities that the group faces. A roadmap for the adoption of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) is in place.

1. *Earnings from continuing operations excludes results from discontinued operations as reported on SENS on 13 May 2020.*
2. *Core financial numbers and ratios exclude once-off transaction costs and are used by management as key metrics in the business. Refer to the 'Basis of preparation' section of this announcement for further detail.*
3. *Transaction Capital's core headline earnings from continuing operations attributable to the group includes R270 million from WeBuyCars, R413 million from SA Taxi, R320 million from TCRS, and R2 million from the group executive office.*
4. *Core headline return on average assets and core headline return on average equity are based on earnings from continuing operations.*

COMMENTARY continued

DIVISIONAL HIGHLIGHTS

Performance demonstrates resilience and relevance of our business models

We Buy Cars[1]

A strong recovery in vehicles bought and sold underpinned an excellent performance in FY2021. WeBuyCars' strategy to grow its e-commerce offering, expand geographically and enhance unit economics by higher penetration of finance, insurance and allied products (F&I products) continues to yield results.

SA Taxi – driving our nation forward

Despite COVID-19 related disruptions, as well as a spate of civil unrest in certain parts of South Africa and minibus taxi industry conflict in the Western Cape, SA Taxi posted a solid recovery, nearing FY2019 pre COVID-19 levels of returns. This was evident both in gross written premium and gross loans and advances growth, achieved while preserving credit quality.

Transaction Capital Risk Services

TCRS posted a resilient performance, with strong acquisition of NPL portfolios and robust collection revenues in South Africa allowing it to recover to its historic growth trajectory. Effective work-from-home capability, combined with the proactive recalibration of its staff complement and associated infrastructure, maintained high levels of ongoing efficiency.

CORE HEADLINE EARNINGS FROM CONTINUING OPERATIONS

	WeBuyCars	SA Taxi	TCRS
Core headline earnings	R541 million	R499 million	R320 million
FY2021 vs FY2020	↑ 79%	↑ 109%	↑ 662%
	FY2020: R302 million	FY2020: R239 million	FY2020: R42 million
FY2021 vs FY2019	↑ 74%	↓ 8%	↑ 15%
	FY2019: R311 million	FY2019: R545 million	FY2019: R278 million

CORE HEADLINE EARNINGS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE GROUP

	WeBuyCars	SA Taxi	TCRS
Core headline earnings attributable	R270 million	R413 million	R320 million
FY2021 vs FY2020	↑ 1 321%	↑ 113%	↑ 662%
	FY2020: R19 million	FY2020: R194 million	FY2020: R42 million
FY2021 vs FY2019	Not applicable	↓ 11%[2]	↑ 15%
		FY2019: R466 million	FY2019: R278 million

1. *Transaction Capital Motor Holdco (Pty) Ltd (TCMH) acquired a 49.9% non-controlling interest in We Buy Cars (Pty) Ltd and accounted for the investment as an associate with effect from 11 September 2020. On 3 August 2021, TCMH increased its shareholding in the WBC group (WeBuyCars) through the implementation of various transaction agreements following which TCMH holds a controlling shareholding of 74.9% in the issued shares in the WBC Holdings (Pty) Ltd (WBC Holdings). Transaction Capital holds an effective 74.2% shareholding in the WBC group which is consolidated as an effective 74.2% subsidiary with effect from 3 August 2021. Core headline earnings prior to the initial investment are reported for illustrative purposes only, and do not form part of Transaction Capital's consolidated financial results.*
2. *SA Taxi's core headline earnings declined 8% applying FY2019 as a base, with Transaction Capital's attributable portion declining 11% over the corresponding period. The greater decline in the group's attributable earnings is the result of a lower proportion of SA Taxi's earnings being consolidated in FY2021 compared to FY2019. From 6 February 2019 (the effective date of the ownership transaction with SANTACO), Transaction Capital consolidated 81.4% of SA Taxi's headline earnings (98.5% were consolidated prior to this effective date). From 7 December 2020, Transaction Capital consolidates 82.13% of SA Taxi's earnings.*

GROUP PROSPECTS, PERFORMANCE AND LIQUIDITY

Prospects

A robust earnings performance in FY2021 supports our view that the group can maintain a sustainable trajectory of superior high-quality earnings growth in FY2022, and beyond. Based on our current assessment of operating conditions and growth prospects, we expect organic earnings and dividend growth over the medium term to be at least in line with pre COVID-19 growth rates. We believe the exceptional growth prospects of WeBuyCars, in which the group now owns a controlling 74.2% stake, will further accelerate and support a sustainably higher growth trajectory for the group.

Our divisions, WeBuyCars, SA Taxi and Transaction Capital Risk Services (TCRS) continue to demonstrate resilience, relevance and responsiveness to their stakeholders, despite the ongoing effects of COVID-19. Notwithstanding uneven rates of recovery in their respective markets, they are well positioned to drive organic growth. Their highly relevant business models and leading positions in defensive market sectors, alongside the diversification across and within each of them, underpin our expectations for growth and returns.

The group's agile responses to the strategic, financial and operational implications of the pandemic have shown the calibre of our management teams and their ability to navigate volatile dynamics. Underpinned by our prudent capital management approach, which has been validated in the COVID-19 period, and deeply embedded culture of entrepreneurship, innovation and integrity, the group is well placed to weather the difficult conditions ahead, and to grow.

Our divisions have quickly aligned their operating models, financial structures and growth plans to prevailing market realities and emerging opportunities. No further operational adjustments have been required in FY2021 to accommodate pandemic-related restrictions. The group executive office supports the divisions in refining their competitive value propositions, diversifying their revenues, expanding their total addressable markets and securing the capital required to implement their medium-term growth strategies.

Transaction Capital continues to actively identify investment opportunities in adjacent markets and related asset classes, in which its best-in-class technology, proprietary data and analytics capabilities enable it to generate attractive returns. TC Ventures and TC Global Finance (TCGF) have been established to support the group executive office in fulfilling and accelerating this strategy. TC Ventures actively seeks out investments in innovative, high growth and entrepreneurial South African businesses, with a focus on fintech disruptors. TCGF leverages the group's unique relationship with its founders to identify and grow value accretive investments outside of South Africa, with the ultimate objective to create an international platform of scale that mirrors the growth strategy in South Africa. Co-investment alongside our founders in these international opportunities aligns the interests of Transaction Capital and the founders, and reduces investment risk.

Gathering momentum in vaccine rollouts should reduce the risk of further global economic shocks. However, the slower than anticipated rollout of South Africa's vaccination programme, and further sharp downturns in socioeconomic conditions in South Africa, remain the primary downside risks to our medium-term expectations for growth and returns.

Performance overview and trading environment

Transaction Capital has performed largely in line with expectations in FY2021, supported by organic growth from SA Taxi and TCRS, and high-growth earnings from our newly acquired division, WeBuyCars. Core headline earnings from continuing operations attributable to the group were up 264% to R1 005 million, and core headline earnings per share from continuing operations attributable to the group also grew 234% to 147.9 cents.

Basic earnings per share from continuing operations attributable to the group increased 762% to 338.7 cents (FY2020: 39.3 cents) and headline earnings per share from continuing operations attributable to the group increased 250% to 147.0 cents (FY2020: 42.0 cents). Net asset value per share increased 56% to 1 375.4 cents (FY2020: 879.5 cents) and total income increased 13% to R4 796 million (FY2020: R4 251 million).

The trading environment in the second half of FY2021 has been challenging, given a prolonged and severe third wave of COVID-19 infections, and the resultant tightening of lockdown restrictions imposed in June 2021 which curbed business activity in South Africa. The height of the third wave in mid-July coincided with 10 days of civil unrest in the South African provinces of KwaZulu-Natal and Gauteng, further straining an already fragile economy.

In SA Taxi, the disruption of public transport services related to these events, as well as taxi conflict in the Western Cape, hampered minibus taxi activity. Despite these challenges, SA Taxi posted an operational, credit and financial recovery, with earnings nearing FY2019 levels. On the other hand, WeBuyCars and TCRS continue to perform in line with or above expectations.

As announced on SENS on 4 August 2021, our additional investment of 24.3% in WeBuyCars obtained the approval of the competition authorities, enabling the group to consolidate 74.2% of WeBuyCars' earnings for two months of FY2021. We expect future earnings from this division to exceed our expectations at the time of making our initial investment, given favourable market trends.

Applying FY2019 as a base, the group's core headline earnings and core headline earnings per share from continuing operations attributable to the group were 27% and 15% higher respectively, in line with pre COVID-19 growth rates.

Balance sheet and liquidity

Transaction Capital remains well capitalised, with adequate access to liquidity. On 8 July 2021, we successfully completed an accelerated bookbuild, raising R1.17 billion of equity capital. The majority of the capital raised through the bookbuild was used to finance the acquisition of a controlling stake in WeBuyCars.

Undrawn debt facilities of R870 million at holding company level provide ample liquidity to execute on opportunities resulting from market dynamics pursuant to the COVID-19 pandemic. This includes investment opportunities identified through the divisions of the group as well as our TC Ventures and TCGF strategies.

SA Taxi has adequate liquidity available in undrawn debt facilities to fund expected loan origination throughout FY2022, while TCRS's funding requirements for the acquisition of NPL portfolios in South Africa and Australia in FY2022 are already secured. WeBuyCars has a strong balance sheet with low levels of debt, supported by the capital-light nature of its operations, and high cash conversion rates.

In light of the group's strong financial performance, robust balance sheet and medium-term prospects, the board resolved to declare a final gross cash dividend to shareholders of 33 cents per share, at a rate of 2.5 times cover based on the second half's earnings. This brings the total dividend per share for FY2021 to 52 cents per share following the interim dividend of 19 cents per share (2020: nil) at a rate of 3.4 times cover.

COMMENTARY continued

DIVISIONAL PERFORMANCE

WeBuyCars

For the year ended 30 September		2021	2020	2019	Movement 2021 vs 2020	Movement 2021 vs 2019
Financial performance						
Core headline earnings[1]	Rm	**541**	302	311	**79%**	74%
Core headline earnings attributable to the group[1]	Rm	**270**	19	n/a	**1 321%**	n/a
Operational performance						
Vehicles purchased	Number	**91 528**	60 764	59 719	**51%**	53%
Vehicles sold	Number	**88 271**	59 177	58 343	**49%**	51%
Total e-commerce sales	%	**30.3**	14.5	n/a		
Total e-commerce sales	Number	**26 810**	8 572	n/a	**213%**	n/a
Business-to-business	%	**91.6**	100	n/a		
Business-to-consumer	%	**8.4**	n/a	n/a		
Vehicle parking bays	Number	**5 747**	3 944	3 700	**46%**	55%

1. *WeBuyCars is consolidated as an effective 74.2% subsidiary of the group with effect from 3 August 2021 in terms of IAS 27 – Separate Financial Statements and IFRS 10 – Consolidated Financial Statements. The initial 49.9% investment in WeBuyCars, effective 11 September 2020, was accounted for as an associate of the group in accordance with IAS 28 – Investments in Associates and Joint Ventures, applying the equity method. Core headline earnings prior to the initial investment are reported for illustrative purposes only, and do not form part of Transaction Capital's consolidated financial results.*

OPERATING CONTEXT AND MARKET POSITIONING

WeBuyCars leverages its proprietary data sets and artificial intelligence (AI) to dynamically adjust pricing in response to vehicle value and market demand, allowing it to maintain targeted margins. Digital lead generation and AI-led pricing, alongside human touch points, create a unique, trustworthy and satisfying customer experience, driving WeBuyCars' brand value. WeBuyCars has applied its digital capabilities to respond to shifting buying patterns, accelerated by COVID-19, with significantly higher e-commerce adoption and online trading. In the medium term, WeBuyCars' digital capabilities and credible e-commerce platform will support more efficient stock turn and even higher growth.

WeBuyCars is a trusted principal trader of used vehicles through its vertically integrated e-commerce and physical infrastructure, offering finance, insurance and other allied products. This uniquely composed offering, which combines customer convenience and competitive pricing, positions it well to benefit from current market conditions.

Private vehicles remain a necessity and an aspiration for many South Africans, given long travel distances and limited public transport options. In South Africa, a total of around 11 million passenger vehicles are in circulation. This vehicle 'car parc' has grown steadily, increasing the overall market by 3% to 5% per year over the last decade. These structural elements in the South African environment make WeBuyCars' business model resilient and ensure its sustainability over the long term.

As disposable income comes under pressure and new vehicle prices rise, more consumers are buying used rather than new vehicles, thus driving growth in the used vehicle market segment. Sales of new passenger and light commercial vehicles in South Africa were 40 481 in September 2021, showing a 13.1% decrease when compared to September 2019, before COVID-19. In contrast, the used vehicle market has experienced growth of approximately 13.3% in the same period. Besides the constraints to affordability, the disruption of global vehicle production during the pandemic has led to stock shortages in certain new vehicles, driving demand for used vehicles up even further. In addition, WeBuyCars sources stock directly from private consumers, placing it in a favourable position.

Trading mostly in older used vehicles with an average age of nine years, WeBuyCars is differentiated from other used vehicle dealers who focus on newer vehicles. Operating in this segment of the market makes it best positioned to benefit from the South African population's shift from public transport into private vehicle ownership, as these first-time buyers are more likely to opt for older, less expensive used vehicles. WeBuyCars buys more than 7 500 vehicles a month from private consumers, allowing it to offer a large variety of vehicles for sale. Buyers are not restricted to any brand or limited in their choice of vehicle.

FINANCIAL AND OPERATIONAL PERFORMANCE

WeBuyCars has a leading position in a defensive market segment and has continued to trade throughout the COVID-19 pandemic reaching record monthly volumes, with overall volumes of vehicles traded in FY2021 exceeding expectations.

Revenue and profit showed strong compound annual growth rates of 38% and 40% respectively in the last three years. With the accelerated acquisition of an additional 24.3% shareholding in WeBuyCars now concluded, the group has been able to consolidate a greater proportion of WeBuyCars' high-growth earnings for two months of FY2021. Headline earnings grew 79% to R541 million in FY2021, with the group's attributable portion at R270 million.

WeBuyCars reached new heights in several categories during FY2021, including total revenue and units bought and sold. It bought a total of 91 528 vehicles, up 51% from the prior year, and sold 88 271 vehicles, up 49%. The average selling price per vehicle also increased by approximately 11% from the prior year. As vehicle prices climb, further Rand value upside for WeBuyCars will be realized as we maintain margins.

The increase in the number of vehicles bought and sold has been driven in part by the expansion of WeBuyCars' physical footprint, with two additional vehicle supermarkets secured in the second half of FY2021. The Germiston branch, which opened on 1 June 2021, created additional capacity of 850 parking bays, bringing the total national capacity to above 5 700 bays. Agreements to purchase The TicketPro Dome in Johannesburg have been concluded. This supermarket will initially add approximately 1 100 parking bays to the footprint and has a total capacity of 1 400 bays. As a result, the division's target to increase the volume of vehicles traded to 10 000 per month is on track to be realised sooner than initially anticipated, with our revised target for the medium-term increased to 15 000 vehicle sales per month.

WeBuyCars continues to invest in its e-commerce platform, which is yielding positive results. E-commerce sales account for approximately 30% of total monthly sales (FY2020: 15%), with the majority being concluded through its business-to-business (B2B) platform, creating efficiencies in the dealer sales channel. Business-to-consumer (B2C) e-commerce capabilities were introduced earlier in the year and now constitute approximately 8% of total e-commerce sales. WeBuyCars' e-commerce capabilities will enable the optimisation of vehicle sales, improve stock turn efficiency and support its growth in the years ahead, as the demand for contactless services on credible digital platforms escalates.

WeBuyCars earns a gross margin on vehicle sales (vehicle margin), with additional gross margin earned on F&I products (product margin). The latter includes agency fees and commissions earned from 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. Higher take-up of F&I products will enhance unit economics and margins per vehicle sold. WeBuyCars also plans to enhance existing arrangements with providers of F&I products and to add relevant new products, and in the longer term, will seek to offer F&I products as a principal.

CONCLUSION

We expect future earnings from WeBuyCars to exceed our expectations at the time of making our initial investment, given favourable market trends. Its strategy to expand geographically, grow its e-commerce offering, optimise stock efficiencies and drive higher penetration of F&I products continues to yield results. We are confident this business will accelerate and support a sustainably higher growth trajectory for the group.

As announced on SENS on 21 September 2021, put and call option arrangements are in place to acquire the remaining 25.1% shares in WeBuyCars in various tranches at specific intervals during FY2023, FY2024 and FY2026.

As majority owners, working alongside the founders and management of WeBuyCars, we will seek to maximise its growth potential, specifically through:

- Enhancing unit economics and margins per vehicle sold by improving existing commercial arrangements with providers of F&I products and by adding relevant new products.
- Leveraging SA Taxi's expertise and capabilities to enable WeBuyCars to extend its services to include a credit offering (as principal as opposed to an intermediary).
- Harnessing data and technology advantages to drive its e-commerce offering, with a specific focus on enhancing customer experience on its B2C e-commerce activities.

COMMENTARY continued

SA Taxi

For the year ended 30 September		2021	2020	2019	Movement 2021 vs 2020	Movement 2021 vs 2019
Financial performance						
Core headline earnings	Rm	**499**	239	545	**109%**	(8%)
Core headline earnings attributable to the group	Rm	**413**	194	466	**113%**	(11%)
Core pre-provision profit	Rm	**1 123**	1 143	1 040	**(2%)**	8%
Non-interest revenue	Rm	**668**	686	667	**(3%)**	0%
Net interest income	Rm	**1 580**	1 358	1 217	**16%**	30%
Net interest margin	%	**12.0**	11.8	12.2		
Core cost-to-income ratio	%	**50.0**	44.1	44.8		
Credit performance						
Gross loans and advances	Rm	**14 044**	12 243	10 753	**15%**	31%
Stage 1	%	**44.5**	33.7	62.0		
Stage 2	%	**36.0**	40.2	21.8		
Stage 3	%	**19.5**	26.1	16.2		
Credit loss ratio	%	**4.3**	7.3	3.2		
Provision coverage	%	**5.6**	6.7	4.8		
Insurance performance						
Gross written premium	Rm	**1 015**	907	823	**12%**	23%
Claims ratio						
Comprehensive vehicle cover	%	**67.2**	58.3	58.2		
Credit life cover	%	**83.3**	49.5	45.5		

Note: Comparative information has been restated for a change in the composition of reportable segments per IFRS 8 – Operating Segments. Road Cover which was previously reported as part of the TCRS segment is now reported as part of the SA Taxi segment.

OPERATING CONTEXT AND MARKET POSITIONING

SA Taxi's business model enables safer and more reliable mobility access for millions of commuters through tailored developmental finance, insurance and allied services to minibus taxi operators. Foundational to its business model are proprietary data sets and analytics capabilities that allow SA Taxi to predict risk and manage it in real time. This, in turn, promotes the sustainability of the minibus taxi industry.

The industry is indispensable to South Africa's economic productivity, with most South Africans relying on public transport. The minibus taxi industry is the largest and most vital service in the integrated public transport network and more commuters are choosing minibus taxis over bus and rail services due to convenience and accessibility. Spending on minibus taxi transport is largely non-discretionary, making the industry defensive in tough economic conditions. This is evidenced by the industry's ability to operate throughout the COVID-19 pandemic, albeit at reduced capacity in response to lockdown restrictions, whilst government operated modes of transport (bus and rail) have faltered.

Retail prices for minibus taxis have risen 4% since October 2020. The recommended retail price of a Toyota HiAce diesel vehicle is now R496 000, compared to R360 000 six years ago. At 30 September 2021, the 12-month average for petrol and diesel prices were, respectively, 8% and 3% higher than a year ago. The fuel price hike in November 2021, however, resulted in the highest fuel price in recent years. With passenger loads per trip down due to the impact of COVID-19, the industry's profitability will remain under strain. Due to the profitability impact of the above environmental factors, the industry may need to increase fares in the coming months. In this context, SA Taxi's fully refurbished Quality Renewed Taxis (QRTs) provide an affordable yet reliable alternative to buying a new vehicle.

SA Taxi applies leading-edge analytics to its real-time vehicle mobility datasets to manage credit and insurance risk. These datasets show the impact of the various levels of lockdown on the average activity of our minibus taxi fleet, and associated collections, benchmarked against pre COVID-19 levels. Refer to slide 27 of the FY2021 results presentation for detail regarding the impact on our clients' mobility, and related profitability, during the various levels of lockdown.

All of our clients have been able to operate since June 2020, albeit with travel distances slightly below pre COVID-19 averages. There have been three distinct periods during South Africa's lockdown in which the minibus taxi industry has experienced higher levels of disruption; during the initial lockdown of April and May 2020, for one week during January 2021 at the outset of the second wave of COVID-19 and for two weeks during July 2021 when the third wave of COVID-19 coincided with civil unrest in KwaZulu-Natal and Gauteng, and taxi conflict in parts of the Western Cape. In March to May 2021, vehicles financed by SA Taxi travelled 92% of pre COVID-19 distances on average. However, this declined to a low of 83% in July 2021 given the disruptions which impacted the industry's ability to operate. Average distances travelled improved from June to September 2021 to between 83% and 96%. However, the disruption had a knock-on impact on SA Taxi's clients' ability to afford finance instalments and insurance premiums. Although SA Taxi's telematics systems are not able to measure passenger load, these are also likely to have declined.

Despite these environmental pressures, SA Taxi's strong market position, its track record as a pioneer in the industry and its vertically integrated business model, position it well to serve clients along the full minibus taxi value chain.

With the support of the Department of Health, and in partnership with the minibus taxi industry, international development finance institutions and local healthcare providers, SA Taxi opened a COVID-19 vaccination site in Midrand, Gauteng in July 2021. This vaccination service, aimed primarily at servicing the minibus taxi industry is our contribution to South Africa's goal of achieving herd immunity and preventing ongoing transmission, and in doing so, rebuilding our economy. To date, approximately 16 000 Pfizer vaccines have been administered.

SA TAXI FINANCE, SA TAXI AUTO REPAIRS AND SA TAXI AUTO PARTS

SA Taxi Finance grew gross loans and advances 15% to R14.0 billion. Demand for new and pre-owned vehicles is exceeding pre COVID-19 levels and remains far higher than supply. Loan originations showed a strong recovery, growing 37% despite constrained originations in the second half of the financial year due to the events which adversely impacted the taxi industry's ability to operate. New vehicle loan originations for the year increased by 24% (5 055 loans) compared to a 62% increase (3 536 loans) in QRT loan originations. This indicates continued strong momentum in the sale and finance of SA Taxi's fully refurbished QRT vehicles.

SA Taxi continues to grow its loan book and preserve credit quality in the current environment. To this end, it is targeting better quality and experienced minibus taxi operators, resulting in lower loan approvals.

SA Taxi Auto Repairs' increased refurbishment capacity supported a higher supply of QRT vehicles to our dealerships, and in turn, loan originations. The division also successfully piloted an initiative to sell its QRTs through one of WeBuyCars' vehicle supermarkets during the year, with expansion to other WeBuyCars dealerships planned.

The growth in gross loans and advances translated into net interest income growth of 16% to R1 580 million. Historically low interest rates contributed to a lower average cost of borrowing. Net interest margin remained stable at 12.0%, being at the upper end of our target range of 11% to 12%.

Collections on SA Taxi's gross loans and advances portfolio showed a steady month-on-month recovery from April 2020, until the risk-adjusted level 3 restrictions came into effect from December 2020. Collection levels again trended towards pre COVID-19 levels from March 2021, but the risk-adjusted level 4 restrictions from June 2021, coupled with the civil unrest and taxi conflict, subdued this recovery trend. We expect collections to recover over a longer period than we initially envisaged.

The credit loss ratio has remained above the upper end of our 3% to 4% target range at 4.3%. SA Taxi has maintained provisions for the impact on collections, with provision coverage of 5.6% protecting the balance sheet, however credit quality has improved with stage 3 gross loans and advances improving to 20% as at 30 September 2021 compared to 26% in FY2020.

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 QRTs. This limits SA Taxi's loss in the event of default. Improved recoveries on repossessed vehicles 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 enable some increase in the prices of QRTs, further improving credit recoveries.

SA TAXI PROTECT

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. Premiums in the comprehensive vehicle insurance product remained stable and increased across special risk products in the year.

With most of SA Taxi Finance's clients choosing to insure their vehicles through SA Taxi Protect, gross written premiums showed strong growth of 12% to R1 015 million. SA Taxi's strategy to broaden its client base via direct marketing and its broker network, targeting open market clients (insurance clients not financed by SA Taxi Finance), continued to yield positive results.

Comprehensive vehicle insurance claims remained stable and in line with past performance and as expected, COVID-19 resulted in higher credit life claims and lapse rates. We fulfilled our commitment to our clients in their time of need and paid out a total of R170 million in credit life claims for the year compared to the pre-pandemic pay out of R47 million in FY2019. This increased our credit life claims ratio to 83.3% from 45.5% in FY2019 and necessitated adjustments to the product and pricing to reduce the high claims ratio.

CONCLUSION

Business activity in the minibus taxi industry was disrupted by the height of the third wave in mid-July coinciding with 10 days of civil unrest in the South African provinces of KwaZulu-Natal and Gauteng, as well as taxi conflict in the Western Cape. Despite these challenges, SA Taxi posted an operational, credit and financial recovery, with earnings nearing FY2019 levels. This was evident in gross loans and advances growth of 15%, with improving credit quality. Ongoing investment in the business, specifically the expansion of SA Taxi's refurbishment capacity in support of its QRT loan growth and the higher number of credit life claims in FY2021, resulted in a cost-to-income ratio of 50.0% for the year. Although the increase in costs relating to repossessions and refurbishment of QRTs has had a negative impact on the cost-to-income ratio, it has positively impacted the credit loss ratio.

SA Taxi's recovery and organic growth lifted core headline earnings 109% to R499 million, nearing the pre COVID-19 levels of FY2019. The group's attributable portion grew 113% to R413 million.

SA Taxi will continue to assess opportunities for further vertical integration to broaden its addressable market and to enter new adjacent sectors in support of future organic growth. Our strategic focus over the short and medium term is on extracting full value in the minibus taxi vertical (our core business lines), the development of bespoke products for the minibus taxi industry and expansion into new or adjacent verticals.

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 industry.

COMMENTARY continued

Transaction Capital Risk Services

For the year ended 30 September		2021	2020	2019	Movement 2021 vs 2020	Movement 2021 vs 2019
Financial performance						
Core headline earnings from continuing operations	Rm	**320**	42	278	**662%**	15%
Core pre-provision profit	Rm	**729**	623	543	**17%**	34%
Non-interest revenue	Rm	**2 391**	2 308	1 935	**4%**	24%
Core cost-to-income ratio	%	**80.6**	98.8	79.7		
Purchased book debts						
Cost price of purchased book debts acquired	Rm	**1 240**	733	1 186	**69%**	5%
Carrying value of purchased book debts	Rm	**3 441**	2 520	2 382	**37%**	44%
Estimated remaining collections	Rm	**6 370**	5 181	4 480	**23%**	42%

Note: Comparative information has been restated for a change in the composition of reportable segments per IFRS 8 – Operating Segments. Road Cover which was previously reported as part of the TCRS segment is now reported as part of the SA Taxi segment.

OPERATING CONTEXT AND MARKET POSITIONING

TCRS combines its unique technology, data and analytics competencies to provide a range of digitally driven business services as a trusted partner to a global client base. This contributes to the financial sustainability of the communities it serves. TCRS helps facilitate the effective functioning of consumer credit markets, supporting its clients' ability to extend credit to their customers by freeing up their operational and balance sheet capacity and rehabilitating indebted consumers.
In addition, it enables efficient customer management, payment and transaction processing platforms.

In anticipation of the medium-term effects of COVID-19, TCRS implemented world-class work-from-home capabilities and proactively recalibrated its staff complement, which largely comprises call centre agents. The work-from-home operating model and technology is yielding higher productivity per agent due to more flexible working hours. Importantly, this has been achieved without compromising data security or staff access to its technology suite and databases.

Furthermore, TCRS's omni-channel capability and leading-edge technology, data and analytics enabled it to continue contacting and transacting with consumers in an effective and optimised manner.

The positive response of consumers to non-voice and digital channels, specifically in Australia, is supporting high levels of right party contact and online transacting. Ongoing digital optimisation will enable the division to reach even higher levels of efficiency, deepening TCRS's resilience further as it seeks to drive earnings growth in tough market conditions.

TCRS's business model continues to gain relevance as the protracted effects of COVID-19 drive up indebtedness and impair 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 July 2021 BA900 Regulatory Returns submitted by South African banks show that provisions were 7.2% higher year on year, while total credit extension grew an average of only 2.0%. Furthermore, the disruption to the collection infrastructures and capabilities of consumer-facing entities has made it more difficult for them to collect on their NPL portfolios.

As their balance sheets come under pressure, we believe their appetite to sell NPL portfolios will increase significantly. TCRS's sophisticated and proven ability to price NPL portfolios for prevailing market conditions, together with its extensive collections infrastructure, position it strongly to accelerate the acquisition of NPL portfolios to be collected as principal and to win agency collection mandates over the medium term.

In addition, as the operations of consumer-facing businesses are stressed by COVID-19 related disruption, and they need to reduce fixed cost infrastructure, they are likely to shift to variable cost structures enabled by outsourcing collection, transaction processing and other non-core business support processes.

SOUTH AFRICA

Of the 26.2 million credit-active South African consumers at June 2021, almost 38% (10.1 million) had impaired credit records. Transaction Capital's Consumer Credit Rehabilitation Index, which measures consumers' propensity to repay debt, shows a continuous deterioration since the first quarter of 2020,with a further decline of 1.1% in the third quarter of 2021.

Despite the lowest interest rate in five decades, erosion of household income and increasing over-indebtedness will persist. South Africa's unemployment remains critically high placing immense economic strain on the consumer sector, especially as payment relief and government support measures come to an end. It is interesting to note, however, that around one third of consumers making monthly repayments on their debt via TCRS are not formally employed, reflecting some resilience in South Africa's informal sector.

AUSTRALIA

Historically low interest rates and higher job creation, with unemployment recovering to pre-pandemic levels at 4.6%, supports gross domestic product growth of 4.5% forecast for 2021. Notwithstanding these facts, trading conditions for the business remain challenging. The Australian consumer is still likely to face increased economic pressure as government support programmes, debt moratoria and insolvency suspensions are lifted. This is further exacerbated by the Australian government's aggressive COVID-19 elimination strategy, with severe lockdown restrictions implemented in response to small outbreaks of COVID-19 cases in various regions.

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. This lowers concentration risk and underpins positive performance and returns in different market conditions.

TCRS's collection revenue grew 8% for the year, with collection rates recovering in line with levels anticipated and provided for in our FY2020 financial results. The division will continue to amortise the carrying value of its purchased book debts at a more conservative rate than before COVID-19, further strengthening its balance sheet and improving its quality of earnings.

ACQUISITION OF NPL PORTFOLIOS AS PRINCIPAL

In FY2019, TCRS invested R1 064 million in South Africa and R122 million in Australia in acquiring NPL portfolios, indicating pre COVID-19 levels of book buying activity. With fewer NPL portfolios coming to market, and in line with our lower risk appetite in volatile conditions, this fell to R653 million in South Africa and R80 million in Australia in FY2020.

In South Africa, TCRS has successfully navigated the impact of the third wave of COVID-19 infections to deliver a strong performance. The acquisition of NPL portfolios is nearing pre-pandemic levels, with the annual investment of R1 052 million in FY2021 slightly behind the investment level in FY2019. We still expect growth in the market for NPL portfolios to accelerate as the impact of COVID-19 plays out over the medium term. The pressure on consumer facing entities will escalate as their credit experience deteriorates. These adverse conditions augur well for TCRS, as its clients deal with larger NPL portfolios and increased strain on their collection capabilities.

In Australia, the sporadic lockdowns have made the business impact of COVID-19 experienced during FY2020 continue unabated into FY2021. Trading conditions were again subdued, with few NPL portfolios being offered for sale, banks still showing greater leniency on outstanding credit, and debt moratoriums continuing. Those NPL portfolios that did come to market attracted strong pricing as demand outweighed supply with the result that Australian NPL acquisitions have remained subdued over the last two years. Furthermore, the appetite of banks to sell their NPL portfolios continued to decline in favour of contingency and FFS collection mandates. TCRS's diversified business model positions it well to respond to this shift. TCRS invested R135 million in acquiring NPL portfolios in Australia in FY2021, which is higher than the investment in FY2020 due to a purchase made just before year end that will support the recovery into FY2022 as we start to collect on this book.

The group's strategy of investing in the global NPL markets has been refined, and where this was previously within the remit of TCGF, it will be managed within TCRS from FY2021 onwards. Business partners have been identified and initial investments made.

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.

At 30 September 2021, TCRS's NPL portfolios were valued at R3 441 million. We expect annuity revenue of R6 370 million from this asset over the medium term, up 23% from R5 181 million a year ago.

Collections on NPL portfolios owned as a principal in South Africa exceeded our initial expectations, with lower costs yielding improved margins, while collections on NPL portfolios owned as a principal in Australia performed satisfactorily. Australian collection agents were fully enabled to work from home, while the Fiji based call centre operated efficiently with flexible working hours, supporting this result.

CONTINGENCY AND FEE-FOR-SERVICE REVENUE

Our business model which comprises both principal and agency collections allows us to derive returns in different market conditions. Currently more opportunities exist for the purchase of NPL portfolios and as a result revenues from contingency and FFS have been declining relative to principal revenues. At 30 September 2021 the contingency and FFS business made up 38% of total revenue, down from 46% in FY2020 and 50% in FY2019.

Recoveries Corporation in Australia continued to see lower volumes of matters handed over for collection on a contingency basis as credit providers implemented debt moratoria and more conservative collection strategies.

In contrast, clients in South Africa are opting for variable cost structures via outsourced collection services. While retail sales and credit extension remain muted, we are seeing higher volumes of matters handed over for collection on larger NPL portfolios. Cost efficiencies from TCRS's work-from-home capabilities lent further support to a good performance from the South African business.

CONCLUSION

TCRS posted a resilient performance in a challenging operating environment, with robust collection revenues allowing the division to recover to its historic growth trajectory. TCRS grew core headline earnings from continuing operations 662% to R320 million for the year. The division's core headline earnings grew 15% when applying FY2019 as a base, indicating a return to pre COVID-19 growth rates. The implementation of effective work-from-home capabilities and technologies, together with the proactive recalibration of its staff complement and infrastructure in South Africa resulted in efficient cost structures, with its core cost-to-income ratio improving to 80.6%.

Following the strategic realignment of TCRS earlier this year, the business is now structured to deliver in the three key areas of collections, transactional and business process outsource services. Notable progress has been made in the second half of FY2021 on resourcing to enable the delivery of this strategy. TCRS intends to leverage its scale, its South African Rand denominated resources and technology, data and analytical capabilities to drive both local and global growth of these businesses.

TCRS is well positioned to manage difficult conditions and capture emerging opportunities in the medium term, braced by its proven operational agility and enduring cashflows.

Economic, social and environmental impact

Transaction Capital's business model operationalises our commitment to sustainable and inclusive growth of the industries we

COMMENTARY continued

serve through positive social impact. Our shared-value approach enables us to achieve our commercial objectives, driven by highly competitive value propositions that support our customers' profitability, while creating broader stakeholder value by focusing on under-served market segments and contributing to the effective functioning and sustainability of our divisions' respective industries.

An important step in Transaction Capital's sustainability journey was the formalisation and implementation of our economic, social and environmental (ESE) framework in FY2020. The ESE framework clearly defines each division's societal purpose, which cascades into defined impact areas and supporting metrics. These were developed bottom-up through engagement with multiple stakeholders (internally and externally) to define their key concerns and expectations, and then matching appropriate metrics or developing new metrics where required to articulate ambition and track progress.

The ESE framework now informs our strategic and operational initiatives to ensure that the group's impacts are appropriately managed to enhance value creation for Transaction Capital and its stakeholders, while minimising value eroding activities. Progress in operationalising and improving against these ESE indicators forms part of the scorecards of group and divisional executives, supporting alignment to sustainability objectives across the group.

In FY2021 Transaction Capital adopted a proactive approach to economic, social, environmental and governance (ESEG) engagement with stakeholders and conducted the group's first ESEG roadshow with shareholders and proxy representatives in June and July 2021. This engagement resulted in a thorough understanding of current ESEG focus areas and shareholders' concerns and expectations in this regard, allowing the group to implement the appropriate measures and roadmaps where gaps were identified.

Dividend declaration

Transaction Capital's ordinary dividend policy remains 2 to 2.5 times cover. In light of the group's strong financial performance, robust balance sheet and medium-term prospects, the board resolved to resume dividend payments to shareholders this year.

Following the interim dividend of 19 cents per share (2020: nil) at rate of 3.4 times cover, the board has declared a final gross cash dividend of 33 cents per share (FY2020: nil), at a rate of 2.5 times cover for the six months ended 30 September 2021. The dividend has been declared out of income reserves.
A dividend withholding tax of 20% will be applicable to the dividend for all shareholders that are not exempt from the dividend withholding tax, resulting in a net dividend of 26.4 cents per share.

The salient features applicable to the dividend are as follows:

Issued shares as at declaration date	718 958 290
Declaration date	Tuesday 16 November 2021
Last day to trade cum dividend	Tuesday 30 November 2021
Ex-dividend	Wednesday 1 December 2021
Record date	Friday 3 December 2021
Payment date	Monday 6 December 2021

Tax reference number: 9466/298/15/6

Share certificates may not be dematerialised or rematerialised between Wednesday 1 December 2021 and Friday 3 December 2021, both dates inclusive.

The cash dividend will be electronically transferred to the bank accounts of all certificated shareholders, where this facility is available, on Monday 6 December 2021. Where electronic fund transfer is not available or desired, cheques dated 6 December 2021 will be posted on that date. Shareholders who have dematerialised their share certificates will have their accounts at their CSDP or broker credited on Monday 6 December 2021.

Board changes

Phumzile Langeni resigned as an independent non-executive director with effect from 30 September 2021. The board wishes to thank Ms Langeni for her invaluable contribution to the company during her time on the board and wishes her well with her future endeavours. Roberto Rossi, previously a non-executive director, was appointed as an executive director, also with effect from 30 September 2021. The board now comprises eight independent non-executive directors and six executive directors.

About Transaction Capital

Transaction Capital identifies, invests in and operates a diversified portfolio of high-potential businesses, in markets where historically low levels of client service and stakeholder trust provide compelling opportunities for disruption. Our businesses apply their specialised expertise and technology and data advantages to provide competitive and innovative solutions that deliver outstanding commercial benefits to clients and drive the development of our industries. This, in turn, enables the group to consistently generate strong financial returns for our stakeholders.

We partner with expert, entrepreneurial and significantly co-invested management teams to scale and grow unique, vertically integrated businesses. Deliberately positioned in relation to socioeconomic dynamics in defensive market segments, our businesses are strategically and operationally relevant, resilient and agile. Over many years they have proven their ability to align their operating models, financial structures and growth plans to prevailing socioeconomic realities and emerging opportunities.

Our businesses are robustly governed and aligned to the group's culture of entrepreneurship and integrity, which underpin their ability to respond effectively and ethically to complex market dynamics. As trusted partners, they collaborate with their stakeholders to create net positive socioeconomic returns with enduring benefits. This enhances their growth, risk and sustainability profiles and secures the group's ability to sustainably deliver shared value outcomes.

Basis of preparation

The summarised consolidated financial statements have been prepared under the supervision of Sean Doherty CA(SA), chief financial officer. These results represent a summary of the complete set of audited consolidated financial statements of Transaction Capital, approved on 16 November 2021. The directors take full responsibility and confirm that this information has been correctly extracted from the audited consolidated financial statements, which are available online at 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 of 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 2021 were derived, are in terms of IFRS and are consistent, in all material respects, with those detailed in Transaction Capital's prior year consolidated financial statements.

The group's auditors, Deloitte & Touche, have issued unmodified audit opinions on both the consolidated and summarised financial statements for the year ended 30 September 2021. The audit was conducted in accordance with International Standards on Auditing (ISA).

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 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.

CORE RESULTS

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 by excluding once-off transaction costs which, in terms of the JSE Listings Requirements, constitute pro forma financial information.

This pro forma financial information, which is the responsibility of the group's directors, has been prepared for illustrative purposes to reflect operational performance more accurately. Due to its nature, it may not fairly present, in terms of IFRS, the group's financial position, changes in equity, and results of operations or cash flows. Details of the nature of these adjustments can be found in the reconciliation of headline earnings to core headline earnings that follows. The pro forma financial information should be read in conjunction with the unmodified Deloitte & Touche independent accountants' report, in terms of International Standard on Assurance Engagements (ISAE 3420) on page 12.

RECONCILIATION FROM HEADLINE EARNINGS TO CORE HEADLINE EARNINGS

		For the year ended 30 September		
	Effective transaction date	**2021 Audited Rm**	**2020 Audited Rm**	**2019 Audited Rm**
Headline earnings from continuing operations attributable to the group		**999**	262	705
Adjusted for once-off transaction costs relating to the following:				
Acquisition of additional 24.3% interest in WeBuyCars	3 Aug 2021	**4**	–	–
Investment in non-controlling 49.9% interest in WeBuyCars	11 Sep 2020	**2**	9	–
Acquisition of Fihrst	1 Dec 2019	**–**	5	–
SA Taxi's ownership transaction with SANTACO	6 Feb 2019			
– Non-cash, IFRS 2 – Share-based Payment adjustment		**–**	–	100
– Non-controlling interest portion on above		**–**	–	(19)
– Early debt settlement costs at holding company level (net of tax)		**–**	–	3
CORE HEADLINE EARNINGS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE GROUP		**1 005**	276	789
CORE HEADLINE EARNINGS PER SHARE FROM CONTINUING OPERATIONS (CENTS)		**147.9**	44.3	129.0

Approval by the board of directors

The information in this announcement has been reviewed and approved by the board of directors, and is signed on its behalf by:

DAVID HURWITZ
Chief executive officer

SEAN DOHERTY
Chief financial officer

Hyde Park
16 November 2021

Enquiries: Nomonde Xulu – Investor Relations
Email: nomondex@transactioncapital.co.za

JSE Sponsor and Equity Markets Broker: Investec Bank Limited
Debt Sponsor: Rand Merchant Bank (A division of FirstRand Bank Limited)

Independent Reporting Accountant's Assurance Report on the Compilation of Pro Forma Financial Information Included in the Results Presentation

FOR THE YEAR ENDED 30 SEPTEMBER 2021

To the Directors of Transaction Capital Limited
342 Jan Smuts Avenue
Hyde Park
Johannesburg

REPORT ON THE ASSURANCE ENGAGEMENT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN RESULTS PRESENTATION

We have completed our assurance engagement to report on the compilation of pro forma financial information of Transaction Capital Limited (the Group) by the directors. The pro forma financial information, as set out on page 11 of the results commentary consists of the reconciliation from headline earnings to core headline earnings, being non-IFRS information. The pro forma financial information has been compiled on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the basis of preparation section of the Results Presentation.

The pro forma financial information has been compiled by the directors to illustrate the impact of once-off transaction costs on the Group's performance for the year ended 30 September 2021. As part of this process, information about the Group's financial performance has been extracted by the directors from the Group's financial statements for the year ended 30 September 2021, on which our unmodified auditor's report was issued on 16 November 2021.

DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

The directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the basis of preparation section of the Results Presentation.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

The firm applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements and described in the basis of preparation section of the Results Presentation and based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements and described in the basis of preparation section of the Results Presentation.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information is solely to provide users with relevant information and measures used by the Group to assess performance and to illustrate the impact of the once-off transaction costs on the Group's financial performance. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the pro forma financial information provides a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the transactions or events in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in the basis of preparation section of the Results Presentation.

Deloitte & Touche

DELOITTE & TOUCHE
Registered Auditor
Per: Stephen Munro
Partner

16 November 2021

5 Magwa Crescent, Waterfall City, Waterfall, South Africa

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, set out on pages 14 to 44 of the accompanying summarised consolidated financial statements, which comprise the summarised consolidated statement of financial position as at 30 September 2021, 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 2021.

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 16 November 2021. 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

16 November 2021

5 Magwa Crescent, Waterfall City, Waterfall, South Africa

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2021

	Notes	2021 Audited Rm	2020 Audited Restated* Rm
Assets			
Cash and cash equivalents		**2 236**	1 794
Tax receivables		**30**	32
Trade and other receivables		**1 477**	1 522
Inventories		**2 477**	1 032
Assets classified as held for sale		**98**	262
Loans and advances		**13 305**	11 545
Leased assets		**17**	–
Purchased book debts		**3 441**	2 520
Other loans receivable		**65**	55
Equity accounted investments	1	**301**	2 153
Intangible assets		**3 237**	491
Property and equipment		**1 075**	439
Goodwill	7	**4 353**	1 365
Deferred tax assets		**319**	344
TOTAL ASSETS		**32 431**	23 554
Liabilities			
Bank overdrafts		**364**	387
Other short-term borrowings		**81**	102
Tax payables		**41**	46
Trade and other payables		**2 459**	686
Provisions		**92**	66
Liabilities directly associated with assets held for sale		**14**	12
Insurance contract liabilities		**271**	374
Benefits ceded on insurance contracts relating to inventories		**46**	45
Benefits ceded on insurance contracts relating to loans and advances		**52**	124
Benefits accruing to insurance contract holders		**173**	205
Interest-bearing liabilities		**16 139**	14 639
Senior debt		**15 349**	13 894
Subordinated debt		**790**	745
Lease liabilities		**420**	417
Deferred tax liabilities		**1 405**	452
TOTAL LIABILITIES		**21 286**	17 181
Equity			
Ordinary share capital	2	**3 464**	2 015
Other reserves		**688**	322
Retained earnings		**5 591**	3 481
Equity attributable to ordinary equity holders of the parent		**9 743**	5 818
Non-controlling interests	3	**1 402**	555
TOTAL EQUITY		**11 145**	6 373
TOTAL EQUITY AND LIABILITIES		**32 431**	23 554

* *In terms of IFRS 3: Business Combinations, the provisional accounting applied to the acquisition of Net1 Fihrst Holdings (Pty) Ltd was finalised during the current financial year. As a result, the intangible assets identified from the business combination were reduced by R14 million, the related deferred tax liability was reduced by R3 million and goodwill increased by R11 million. The impact on the statement of comprehensive income is negligible. Comparative information has been restated accordingly.*

SUMMARISED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 Audited Rm	2020 Audited Rm
Interest income		**2 663**	2 555
Interest expense		**(1 232)**	(1 291)
NET INTEREST INCOME		**1 431**	1 264
Impairment of loans and advances		**(563)**	(836)
RISK-ADJUSTED NET INTEREST INCOME		**868**	428
Non-interest revenue	4	**3 365**	2 987
Net insurance result	4	**392**	440
Insurance revenue		**1 015**	907
Insurance service expense		**(620)**	(468)
Insurance finance (expense)/income		**(3)**	1
Other non-interest revenue	4	**2 973**	2 547
Operating costs		**(3 122)**	(3 083)
Non-operating profit		**1 419**	5
Equity accounted income	1	**213**	32
PROFIT BEFORE TAX		**2 743**	369
Income tax expense		**(325)**	(79)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**2 418**	290
Discontinued operations			
Loss for the year from discontinued operations		**(12)**	(87)
PROFIT FOR THE YEAR		**2 406**	203
Profit for the year from continuing operations attributable to:			
Ordinary equity holders of the parent		**2 302**	245
Non-controlling interests		**116**	45
Loss for the year from discontinued operations attributable to:			
Ordinary equity holders of the parent		**(12)**	(87)
Non-controlling interests		**–**	–
Earnings per share (cents)			
From continuing operations			
Basic earnings per share	5	**338.7**	39.3
Diluted basic earnings per share	5	**336.7**	39.2
From continuing and discontinued operations			
Basic earnings per share	5	**336.9**	25.3
Diluted basic earnings per share	5	**334.9**	25.3

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 Audited Rm	2020 Audited Rm
PROFIT FOR THE YEAR	**2 406**	203
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Movement in cash flow hedging reserve	**22**	(22)
Fair value gain/(loss) arising during the year	**31**	(31)
Deferred tax	**(9)**	9
Exchange (loss)/gain on translation of foreign operations	**(89)**	145
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2 339**	326
Total comprehensive income attributable to:		
Ordinary equity holders of the parent	**2 223**	281
Non-controlling interests	**116**	45

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Number of ordinary shares Audited million	Ordinary share capital Audited Rm	Other 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 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 conditional share plans	–	–	61	–	61	–	61
Settlement of 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**
Total comprehensive income	**–**	**–**	**(67)**	**2 290**	**2 223**	**116**	**2 339**
Profit for the year	**–**	**–**	**–**	**2 290**	**2 290**	**116**	**2 406**
Other comprehensive income	**–**	**–**	**(67)**	**–**	**(67)**	**–**	**(67)**
Transactions with non-controlling interests**	**–**	**–**	**–**	**(46)**	**(46)**	**765**	**719**
Grant of conditional share plans	**–**	**–**	**62**	**–**	**62**	**–**	**62**
Settlement of conditional share plans	**–**	**–**	**(15)**	**(6)**	**(21)**	**–**	**(21)**
Recognition of reserve relating to forward contract to issue shares***	**–**	**–**	**386**	**–**	**386**	**–**	**386**
Dividends paid	**–**	**–**	**–**	**(128)**	**(128)**	**(34)**	**(162)**
Issue of shares	**46.9**	**1 449**	**–**	**–**	**1 449**	**–**	**1 449**
BALANCE AT 30 SEPTEMBER 2021	**708.4**	**3 464**	**688**	**5 591**	**9 743**	**1 402**	**11 145**

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

** *Refer to note 3 for details relating to the transactions with non-controlling interests.*

*** *This reserve has been recognised in relation to the forward contract to issue Transaction Capital Limited shares in settlement of a portion of the purchase price for the acquisition of a controlling interest in the WBC group. Refer to note 7.1 for further information.*

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 Audited Rm	2020 Audited Rm
Cash flow from operating activities			
Cash generated by operations		**892**	610
Interest received		**2 064**	2 039
Interest paid		**(1 148)**	(1 194)
Income taxes paid		**(201)**	(115)
Dividends paid		**(162)**	(275)
Cash flow from operating activities before changes in operating assets and working capital		**1 445**	1 065
Increase in operating assets		**(2 740)**	(1 838)
Loans and advances		**(1 586)**	(1 118)
Leased assets		**5**	–
Purchased book debts		**(1 159)**	(720)
Changes in working capital		**(691)**	(462)
Increase in inventories		**(721)**	(200)
Increase in trade and other receivables		**(41)**	(76)
Increase in other loans receivable		**(37)**	(25)
Increase/(decrease) in trade and other payables		**108**	(161)
NET CASH UTILISED BY OPERATING ACTIVITIES		**(1 986)**	(1 235)
Cash flow from investing activities			
Acquisition of property and equipment		**(83)**	(57)
Proceeds on disposal of property and equipment		**1**	4
Acquisition of intangible assets		**(108)**	(214)
Investment into equity accounted investment	1	**(39)**	(1 604)
Acquisition of subsidiary	7	**(23)**	(175)
Proceeds on disposal of subsidiary		**–**	30
NET CASH UTILISED BY INVESTING ACTIVITIES		**(252)**	(2 016)
Cash flow from financing activities			
Proceeds from interest-bearing liabilities		**8 648**	10 797
Settlement of interest-bearing liabilities		**(7 185)**	(7 163)
(Settlement)/proceeds in other short-term borrowings		**(21)**	26
Repayment of lease liabilities		**(61)**	(52)
Additional interest acquired in subsidiary		**(82)**	–
Repurchase of shares		**–**	(42)
Issue of shares		**1 407**	550
NET CASH GENERATED BY FINANCING ACTIVITIES		**2 706**	4 116
Net increase in cash and cash equivalents		**468**	865
Cash and cash equivalents at the beginning of the year		**1 422**	538
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(16)**	19
CASH AND CASH EQUIVALENTS AT THE END OF YEAR*		**1 874**	1 422

* *Cash and cash equivalents are presented net of bank overdrafts and includes R2 million (2020: R15 million) of cash transferred as part of assets held for sale.*

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

1 Equity accounted investments

1.1 DETAILS OF THE GROUP'S SIGNIFICANT INVESTMENTS AT 30 SEPTEMBER 2021 ARE AS FOLLOWS:

	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest held by the group % 2021	2020
We Buy Cars Pty Ltd (WeBuyCars)*	**Buying and selling of second-hand motor vehicles**	**South Africa**	*	49.9%
TC Global Finance Limited (TC Global Finance)**	**TC Globalisation**	**Europe**	**50%**	50%
Lanyana Financial Group Pty Ltd (Lanyana)	**Debt advisory**	**Australia**	**25%**	25%

* *TCMH acquired an additional 25% interest in the WBC group on 3 August 2021, resulting in the group owning an effective controlling 74.2% shareholding in WBC Holdings (Pty) Ltd, and therefore derecognising the investment in associate. Prior to the acquisition of the controlling interest, the investment was accounted for as an associate as the group did not have substantive rights sufficient to give it the ability to control the investment. Refer to note 1.2 for details relating to the change in the group's ownership interest in the associate.*

** *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 opposed to unanimous consent.*

1.2 CHANGE IN THE GROUP'S OWNERSHIP INTEREST IN AN ASSOCIATE

In the prior year, Transaction Capital Motor Holdco (Pty) Ltd (TCMH) acquired a 49.9% non-controlling interest in We Buy Cars (Pty) Ltd and accounted for the investment as an associate. On 3 August 2021, TCMH increased its shareholding in the WBC group (WeBuyCars) through the implementation of various transaction agreements following which TCMH holds a controlling shareholding of 74.9% in the issued shares of WBC Holdings (Pty) Ltd (WBC Holdings). Transaction Capital holds an effective 74.2% shareholding in the WBC group due to minority shareholdings in TCMH. TCMH exchanged the existing shares it held in We Buy Cars (Pty) Ltd for newly issued shares in WBC Holdings which is the parent entity of We Buy Cars (Pty) Ltd.

The fair value of Transaction Capital's interest in WeBuyCars (Pty) Ltd held prior to 3 August 2021 amounted to R3 482 million. Transaction Capital recognised a gain of R1 417 million as a result of measuring at fair value its 49.9% interest in WeBuyCars prior to TCMH acquiring the 74.9% controlling interest. The gain is included in non-operating profit in the group consolidated statement of comprehensive income. Subsequent to the acquisition of the controlling stake in WeBuyCars, Transaction Capital consolidates the WBC group into its results. Refer to note 7.1 for details on the acquisition of the subsidiary.

	2021 Audited Rm
Fair value of investment in associate on date of acquisition of controlling interest	**3 482**
Less: carrying value of investment in associate on the date of acquisition of controlling interest	**(2 065)**
FAIR VALUE GAIN RECOGNISED	**1 417**

1.3 DETAILS OF MATERIAL ASSOCIATE

Prior to the acquisition of the controlling interest in the WBC group, Transaction Capital considered the associate investment into We Buy Cars (Pty) Ltd to be material. Summarised financial information relating to the material associate is set out below for the period from 1 October 2020 to 2 August 2021. The summarised financial information below represents amounts in associates' financial statements prepared in accordance with IFRS Standards.

	We Buy Cars (Pty) Ltd 2021 Audited Rm	2020 Audited Rm
Current assets	**1 031**	611
Non-current assets	**1 060**	836
Current liabilities	**(454)**	(367)
Non-current liabilities	**(639)**	(459)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**998**	621
Non-interest revenue	**1 185**	923
PROFIT FOR THE YEAR*	**432**	302
Other comprehensive income attributable to the owners of the company	**–**	–
TOTAL COMPREHENSIVE INCOME*	**432**	302

* *Comparative information has been restated to correctly account for a consolidation entry relating to straight lining of leases. The adjustment resulted in a R4 million reduction in the comparative profit for the year.*

Dividends received from We Buy Cars (Pty) Ltd in the current year were R25 million (2020: Rnil).

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

1 Equity accounted investments continued

1.4 CARRYING AMOUNT OF EQUITY ACCOUNTED INVESTMENTS

	WeBuyCars*		TC Global Finance	
	2021 Audited Rm	**2020 Audited Rm**	**2021 Audited Rm**	**2020 Audited Rm**
Net assets of investment**	**–**	621	**440**	368
Proportion of the group's ownership interest in the investment	**–**	310	**220**	184
Goodwill	**–**	1 565	**–**	–
Shareholder loan	**–**	–	**–**	–
Other adjustments***	**–**	–	**–**	–
CARRYING AMOUNT OF THE GROUP'S INTEREST IN INVESTMENT	**–**	1 875	**220**	184

* *TCMH acquired an additional 25% interest in the WBC group on 3 August 2021, resulting in the group owning an effective controlling 74.2% shareholding in WBC Holdings (Pty) Ltd, and therefore derecognising the investment in associate and the subsequent consolidation of the WBC group into Transaction Capital's results. Refer to note 1.2 for the derecognition of the investment in the associate.*

** *This represents amounts included in the IFRS financial statements of the associate, not the group's share of these amounts.*

*** *Other adjustments include intangible assets and payables raised in terms of IAS 28 – Investment in associates and Joint Ventures.*

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

	WeBuyCars		TC Global Finance	
	2021 Audited Rm	**2020 Audited Rm**	**2021 Audited Rm**	**2020 Audited Rm**
Carrying amount at the beginning of the year	**1 875**	–	**184**	22
Investment into equity accounted investment	**–**	1 860	**53**	131
Share of profit after tax	**215**	15	**(7)**	8
Dividend received***	**(25)**	–	**–**	–
Effect of foreign currency exchange difference	**–**	–	**(10)**	23
Fair value gain on date of acquisition of controlling interest	**1 417**			
Derecognition of investment in associate	**(3 482)**	–	**–**	–
BALANCE AT THE END OF THE YEAR	**–**	1 875	**220**	184

*** *Dividends received from associates represent the actual amounts attributable and hence received by the group.*

	Lanyana		Total	
	2021 Audited Rm	2020 Audited Rm	2021 Audited Rm	2020 Audited Rm
	17	26	**457**	1 015
	4	7	**224**	501
	68	76	**68**	1 641
	4	5	**4**	5
	5	6	**5**	6
	81	94	**301**	2 153

	Lanyana		Total	
	2021 Audited Rm	2020 Audited Rm	2021 Audited Rm	2020 Audited Rm
	94	70	**2 153**	92
	–	4	**53**	1 995
	5	9	**213**	32
	(9)	(3)	**(34)**	(3)
	(9)	14	**(19)**	37
			1 417	–
	–	–	**(3 482)**	–
	81	94	**301**	2 153

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

1 Equity accounted investments continued

1.5 CASH FLOW FROM INVESTMENT INTO EQUITY INVESTMENTS:

	2021 Audited Rm	2020 Audited Rm
The cash flow movement in investment into equity accounted investments is calculated as follows:		
Decrease/(increase) in equity accounted investment	**1 852**	(2 061)
Share of profit after tax	**213**	32
Ordinary shares in Transaction Capital Limited	**–**	329
Deferred consideration	**(20)**	37
Derivative liability	**–**	22
Fair value gain on date of acquisition of controlling interest	**1 417**	–
Derecognition of investment in associate on date of acquisition of controlling interest	**(3 482)**	–
Effect of foreign currency exchange difference	**(19)**	37
NET INVESTMENT INTO EQUITY ACCOUNTED INVESTMENTS	**(39)**	(1 604)

	2021 Audited Rm	2020 Audited Rm
2 Ordinary share capital		
Authorised		
1 000 000 000 ordinary shares		
Issued		
708 431 319 (2020: 661 496 331) ordinary shares		
Ordinary share capital	**3 464**	2 015
ORDINARY SHARE CAPITAL	**3 464**	2 015

2 Ordinary share capital continued

	2021 Audited		2020 Audited	
	Number of shares million	Share capital Rm*	Number of shares million	Share capital Rm*
2.1 RECONCILIATION OF ORDINARY SHARE CAPITAL				
Balance at the beginning of the year	**661.5**	**2 015**	612.7	1 103
Shares issued in settlement of the Conditional Share Plan (Note 2.1.1)	**0.9**	**22**	3.6	75
Equity raised through the open market (Note 2.1.2)	**12.4**	**248**	–	–
Equity raised through accelerated bookbuild (Note 2.1.3)	**33.1**	**1 159**	30.7	550
Shares issued to subsidiaries (Note 2.1.4)	**0.5**	**20**	16.5	329
Shares repurchased in the open market and cancelled	**–**	**–**	(2.0)	(42)
BALANCE AT THE END OF THE YEAR	**708.4**	**3 464**	661.5	2 015

* *Net of share issue costs*

2.1.1 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 905 693 shares were issued to participants/employees as part of respective vestings at an average price of R24.63 per share.

2.1.2 On 14 January 2021, shareholders approved the issue of 12 400 000 shares to Royal Bafokeng Holdings at a price of R20 per share.

2.1.3 On 9 July 2021 Transaction Capital limited raised equity in the form of 33 093 389 shares through the issue of new ordinary shares to qualifying investors through an accelerated bookbuild. The ordinary shares were priced at R35.50 per share (before share issue costs), a 4.7% and 4.4% discount to the pre-launch 30 business day volume weighted average price of R37.25 and the close price of R37.15 respectively, as at the market close on 8 July 2021. 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 5 March 2021.

2.1.4 On 14 September 2021 Transaction Capital issued 535 906 shares to Transaction Capital Motor Holdco Proprietary Limited at a price of R37.32 per share (before share issue costs) in respect of the We Buy Cars (Pty) Ltd acquisition. The 535 906 shares were in turn transferred to We Buy Cars (Pty) Ltd as part of the settlement of the deferred consideration relating to the 11 September 2020 purchase of the 49.9% non-controlling interest in We Buy Cars (Pty) Ltd. We Buy Cars (Pty) Ltd distributed the shares to previous shareholders through a dividend which was declared prior to acquisition of the investment.

PREFERENCE SHARE CAPITAL

Authorised

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

Issued

Nil (2020: nil) preference shares

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

	2021 Audited Rm	2020 Audited Rm
3 Non-controlling interests		
Balance at the beginning of the year	**555**	576
Dividends paid	**(34)**	(66)
Share of profit for the year	**116**	45
Purchase of shares in subsidiaries from non-controlling interests (refer to note 3.1)	**(27)**	–
Issue of shares by subsidiary to non-controlling interests (refer to note 3.2)	**31**	–
Business combination (refer to note 3.3)	**761**	–
BALANCE AT THE END OF THE YEAR	**1 402**	555

3.1 The following purchases of shares in subsidiaries from non-controlling interests took place during the financial year:

- On 1 October 2020, the group, through its subsidiary Transaction Capital Risk Services (Pty) Ltd (TCRS), acquired an additional 25% of RC VAS Holdings (Pty) Ltd (Road Cover) for a purchase consideration of R40 million. Following the transaction, the group owns 100% of Road Cover.
- On 7 December 2020, the group acquired an additional 1 990 343 ordinary shares in its subsidiary SA Taxi Holdings (Pty) Ltd (SA Taxi) from the Empire Family Trust, representing 0.67% of SA Taxi's ordinary shares, for a purchase consideration of R54 million. Following the transaction, the group owns 82.13% of the ordinary shares of SA Taxi.

3.2 The following issues of shares by subsidiaries to non-controlling interests took place during the year:

- On 1 December 2020, the group, through its subsidiary Transaction Capital Motor Holdco (TCMH), issued shares to the Empire Family Trust, representing 1% ownership equity in TCMH for a consideration of R28 million. Following the transaction, the group owns 99% of TCMH.
- On 23 September 2021, the group, through its subsidiary Transaction Capital Transactional Services (TCTS), issued shares to the CEO of TCTS, representing 5% ownership equity in TCTS for a consideration of R20 million. Following the transaction, the group owns 95% of TCTS.

3.3 On 3 August 2021, the group, through its subsidiary TCMH, acquired an additional 25% interest in the WBC group, following which TCMH owns 74.9% of the WBC group. Refer to note 7.1 for further information on the business combination.

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:

	2021 Audited Rm	2020 Audited Rm
Non-interest revenue comprises:		
Net insurance result	**392**	440
Revenue from purchased book debts	**1 383**	1 111
Other non-interest revenue	**1 590**	1 436
Fee-for-service revenue	**855**	960
Commission income	**101**	72
Fee income	**244**	234
Revenue from sale of goods**	**338**	60
Other insurance service related income*	**1**	7
Other income	**51**	103
TOTAL NON-INTEREST REVENUE	**3 365**	2 987

* *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.*

** *Includes gross revenue of R3 192 million.*

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

	Units	2021 Audited	2020 Audited
5 Earnings per share			
5.1 FROM CONTINUING AND DISCONTINUED OPERATIONS			
Basic earnings per share	cents	**336.9**	25.3
Diluted basic earnings per share	cents	**334.9**	25.3
Headline earnings per share	cents	**145.5**	33.1
Diluted headline earnings per share	cents	**144.7**	33.0
The calculation of earnings per share is based on the following data:			
Earnings			
Earnings for the purposes of basic and diluted earnings per share	Rm	**2 290**	158
Being profit for the year attributable to ordinary equity holders of the parent			
Headline earnings adjustments:	Rm	**(1 301)**	48
Impairment of goodwill	Rm	**4**	2
Fair value gain on previously held interest	Rm	**(1 403)**	–
Impairment of property, and equipment	Rm	**7**	4
Impairment of intangibles	Rm	**67**	1
Impairment of right of use assets	Rm	**12**	16
Impairment of investment	Rm	**10**	–
Loss from changes in foreign exchange rates from equity accounted investments	Rm	**2**	–
Loss on disposal of subsidiary	Rm	**–**	25
EARNINGS FOR THE PURPOSES OF HEADLINE AND DILUTED HEADLINE EARNINGS PER SHARE	Rm	**989**	206
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	**661.5**	612.7
Effect of shares issued during the year	million	**18.2**	12.1
Effect of shares repurchased during the year	million	**–**	(1.4)
Weighted average number of ordinary shares for the purposes of basic and headline earnings per share	million	**679.7**	623.4
Effect of dilutive potential ordinary shares:			
Shares deemed to be issued for no consideration in respect of the Conditional Share Plan	million	**4.0**	0.9
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	**683.7**	625.3

	Units	2021 Audited	2020 Audited
5 Earnings per share continued			
5.2 FROM CONTINUING OPERATIONS			
Basic earnings per share	cents	**338.7**	39.3
Diluted basic earnings per share	cents	**336.7**	39.2
Headline earnings per share	cents	**147.0**	42.0
Diluted headline earnings per share	cents	**146.1**	41.9
The calculation earnings per share is based on the following data:			
Earnings			
Profit for the year attributable to ordinary equity holders of the parent	Rm	**2 290**	158
Adjustments to exclude the loss for the year from discontinued operations	Rm	**12**	87
Earnings from continuing operations for the purposes of basic and diluted earnings per share excluding discontinued operations	Rm	**2 302**	245
Headline earnings adjustments:	Rm	**(1 303)**	17
Impairment of goodwill	Rm	**4**	2
Fair value gain on previously held interest	Rm	**(1 403)**	–
Impairment of property, and equipment	Rm	**7**	4
Impairment of intangibles	Rm	**67**	–
Impairment of right of use of assets	Rm	**10**	11
Impairment of investment	Rm	**10**	–
Loss from changes in foreign exchange rates from equity accounted investments	Rm	**2**	–
Earnings from continuing operations for the purposes of headline and diluted headline earnings per share excluding discontinued operations	Rm	**999**	262

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

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

6 Financial risk management

6.1 FAIR VALUE DISCLOSURE

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or a reasonable approximation of the fair value.

	2021				
	Carrying value Rm	Total fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Assets					
Loans and advances*	13 244	13 244	–	–	13 244
Purchased book debts	3 441	3 441	–	–	3 441
FINANCIAL ASSETS AT AMORTISED COST	16 685	16 685	–	–	16 685
Liabilities					
Interest-bearing liabilities	16 139	16 220	–	–	16 220
Fixed rate liabilities	904	933	–	–	933
Floating rate liabilities	15 235	15 287	–	–	15 287
FINANCIAL LIABILITIES AT AMORTISED COST	16 139	16 220	–	–	16 220

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities.*

** *Comparatives have been restated to exclude financial assets and liabilities for which fair value disclosures are not required as their carrying value is a reasonable approximation of fair value, and to ensure consistent presentation of fair value categories with the current year.*

2020**				
Carrying value Rm	Total fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
11 445	11 436	–	–	11 436
2 520	2 520	–	–	2 520
13 965	13 956	–	–	13 956
14 639	14 858	–	–	14 858
441	351	–	–	351
14 198	14 507	–	–	14 507
14 639	14 858	–	–	14 858

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

6 Financial risk management continued

6.1 FAIR VALUE DISCLOSURE CONTINUED

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. Loans and advances for entry-level vehicles and shortfalls are carried at fair value.

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, bank overdrafts and other short term borrowings approximates fair value as they are short-term in nature and not subject to material changes in credit risk and fair value.

6.2 LEVEL DISCLOSURE

2021	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
Loans and advances: shortfall book	–	–	25	25
Other Financial Assets	–	–	296	296
Derivatives*	–	13	–	13
Financial assets at fair value through other comprehensive income				
Derivatives*	–	88	–	88
TOTAL FINANCIAL ASSETS	–	101	338	439
Financial liabilities at fair value through profit and loss				
Derivatives*	–	4	–	4
Contingent consideration**	–	–	142	142
Financial liabilities at fair value through other comprehensive income				
Derivatives*	–	53	–	53
TOTAL FINANCIAL LIABILITIES	–	57	142	199

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
Financial liabilities at fair value through other comprehensive income				
Derivatives*	–	19	–	19
TOTAL FINANCIAL LIABILITIES	–	35	–	35

* *The group enters into derivative financial instruments with respective 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 contingent consideration relates to the investments into the WBC group and the Prushka group of entities. Refer to notes 7.1 and 7.2.*

*** *Comparative information has been restated to exclude liabilities at amortised cost inadvertently shown as liabilities at fair value through profit and loss in the prior year.*

6 Financial risk management continued

6.2 LEVEL DISCLOSURE continued

VALUATION METHODS AND ASSUMPTIONS:

Loans and advances for entry-level vehicles: The fair value was calculated using an expected 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.

Loans and advances for the shortfall book: the fair value is based on the valuation reports received from potential debt collection agents as the value will only be recovered through a sales transaction.

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 respective 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.

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS AND LIABILITIES

2021	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
Financial assets			
Opening balance	187	–	187
Total gains or losses			
In profit or loss	46	–	46
Other movements*	105	–	105
CLOSING BALANCE OF FAIR VALUE MEASUREMENT FOR FINANCIAL ASSETS	338	–	338
Financial liabilities			
Total gains or losses			
Other movements*	142	–	142
CLOSING BALANCE OF FAIR VALUE MEASUREMENT FOR FINANCIAL LIABILITIES	142	–	142

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

* *Other movements include the following:*
- *charges on accounts less collections received and write-off's on loans for entry-level vehicles as well as movements in other financial assets;*
- *the recognition of contingent liabilities resulting from business combinations in terms of IFRS 3: Business Combinations*

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

6 Financial risk management continued

6.2 LEVEL DISCLOSURE continued

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.

	2021		2020	
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	(1)

	2021		2020	
Loans and advances: shortfall book*	**10% Favourable Audited Rm**	**10% Unfavourable Audited Rm**	**10% Favourable Audited Rm**	**10% Unfavourable Audited Rm**
Significant unobservable input and description of assumption				
Cent in the Rand	**(3)**	**3**	–	–
TOTAL	**(3)**	**3**	–	–

* *The fair value is based on the valuation reports received from potential debt collection agents as the value will only be recovered through a sales transaction.*

	2021		2020	
Other Financial Assets	**10% Favourable Audited Rm**	**10% Unfavourable Audited Rm**	**10% Favourable Audited Rm**	**10% Unfavourable Audited Rm**
Significant unobservable input and description of assumption				
Cash flows: change in the expected revenue	**8**	**(11)**	9	(9)
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)**	4	(4)
TOTAL	**13**	**(16)**	14	(14)

	2021		2020	
Contingent consideration	**10% Favourable Rm**	**10% Unfavourable Rm**	**10% Favourable Rm**	**10% Unfavourable Rm**
Significant unobservable input and description of assumption				
Cash flows: change in the earnings growth on which the contingent consideration is based	**19**	**(19)**	–	–
TOTAL	**19**	**(19)**	–	–

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

7 Business combinations

SUBSIDIARIES ACQUIRED

Subsidiary	Acquirer	Principal activity	Date of acquisition	Proportion of voting equity interests held %	Consideration transferred Rm
WBC Holdings (Pty) Ltd (WBC Holdings) (Refer to note 7.1)	Transaction Capital Motor Holdco (Pty) Ltd (TCMH)	Buying and selling of second-hand motor vehicles	03/08/2021	**74.9**	**1 751***
Prushka group of entities (Refer to 7.2)	Recoveries Corporation Holdings (Pty) Ltd (Recoveries Corp)	Debt recovery	30/09/2021	**100**	**109**
Botha and Sutherland Inc (Botha & Sutherland) (Refer to 7.3)	Transaction Capital Recoveries (Pty) Ltd (TCR)	Legal firm	31/08/2021	**n/a**	**22**

* *This is the consideration for the purchase of the additional 25% investment in the WBC group in the current year.*

7.1 ACQUISITION OF WBC HOLDINGS (PTY) LTD

TCMH, a wholly-owned subsidiary of Transaction Capital Limited acquired 74.9% of the issued shares of WBC Holdings on 3 August 2021. The Transaction Capital Limited group holds an effective 74.2% shareholding in WBC Holdings due to minority shareholdings in TCMH. The acquisition was concluded through a subscription agreement and a sale agreement which enabled TCMH to:

- subscribe for shares in WBC Holdings and acquire shares from certain of the then existing minority shareholders in WBC Holdings;
- exchange the 49.9% shareholding that TCMH previously held in We Buy Cars (Pty) Ltd for newly issued shares in WBC Holdings. The investment in We Buy Cars (Pty) Ltd was classified as an investment in associate until 2 August 2021 when TCMH acquired the controlling stake in WBC Holdings. Refer to note 1.2 for the derecognition of the previously held investment in We Buy Cars (Pty) Ltd.

The WBC group is a business with exceptional growth prospects and is a leader in the market segment. The acquisition allows the group to consolidate a greater proportion of the WBC group's high growth earnings, enhancing the group's future value and earnings growth trajectory.

7.1.1 CONSIDERATION FOR IFRS 3 PURPOSES

	2021 Audited Rm
Consideration to be paid in cash on 5 October 2021	**870**
Fair value of consideration to be settled in Transaction Capital Limited ordinary shares on 5 October 2021 (Refer to 7.1.1.1)	**386**
Consideration to be settled through vendor finance on 5 October 2021 (Refer to 7.1.1.2)	**363**
Contingent consideration (Refer to 7.1.1.3)	**132**
TOTAL CONSIDERATION	**1 751**

7.1.1.1 10 526 972 ordinary shares in Transaction Capital Limited were issued to WBC Holdings and the previous minority shareholders on 5 October 2021:

- 5 347 933 shares were issued to WBC Holdings valued at the suspensive condition fulfillment date 30 day VWAP of R37.54;
- 5 179 039 shares were issued to the previous minority shareholders of WBC Holdings valued at an agreed share price in terms of the sale agreement of R30.

The amount of the consideration raised at 30 September 2021 represents the fair value of the Transaction Capital Limited consideration shares on the date of the business combination, being 3 August 2021. At 30 September 2021, this amount has been recognised in an equity reserve for the forward contract to issue Transaction Capital Limited shares.

7.1.1.2 8 000 class B preference shares were issued by TCMH to the previous minority shareholders of WBC Holdings on 5 October 2021. The preference shares will bear interest which is payable semi-annually (on 31 May and 30 November). The preference shares have a mandatory redemption date of 5 October 2031, although TCMH may voluntarily redeem the preference shares before this time. The preference shareholders hold a put option to sell all the preference shares which have not been redeemed to Transaction Capital in respect of 50% of shares after the first anniversary of the issue date and the remaining shares after the second anniversary of the issue date.

7.1.1.3 This represents the fair value of the contingent consideration which is determined with reference to the WBC group's expected profit after tax for the 2022 financial year. The fair value of the contingent consideration has been calculated based on expected year-on-year growth of the profit after tax from the 2021 financial year to the 2022 financial year. Management estimates, based on the WBC group profit projections at acquisition date, that the fair value of the contingent consideration is R132 million. Management has stress tested the amount that Transaction Capital could be required to pay under the contingent consideration arrangement based on the latest WBC group profit projections, and estimates the potential undiscounted cash outflow to be between R67 million and R153 million. The contingent consideration will be settled in cash in during the 2023 financial year.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

7 Business combinations continued

7.1 ACQUISITION OF WBC HOLDINGS (PTY) LTD continued

7.1.2 ASSETS ACQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF ACQUISITION

	2021 Audited Rm
Current assets	
Cash and cash equivalents	98
Trade and other receivables	208
Inventories	724
Non-current assets	
Other investments	351
Property, plant and equipment	697
Intangible assets	1 767
Deferred taxation	12
Current liabilities	
Tax payables	(68)
Trade and other payables	(218)
Provisions	(14)
Interest bearing liabilities	(141)
Lease liabilities	(12)
Non-current liabilities	
Interest bearing liabilities	(607)
Lease liabilities	(33)
Deferred taxation	(494)
NET ASSETS ACQUIRED AND LIABILITIES RECOGNISED	**2 270**

The initial accounting for the acquisition of WBC Holdings has been provisionally determined at the end of the financial year.

The receivables acquired in this transaction have a fair value of R208 million. The receivables acquired comprise principally trade receivables, deposits relating to property acquisition transactions. The gross contractual value of trade receivables is R115 million, with R1 million not expected to be collected. The gross remaining receivables of R94 million have no contractual cash flows that are not expected to be collected.

7.1.3 GOODWILL ARISING ON ACQUISITION

	2021 Audited Rm
Consideration for IFRS 3 purposes	1 751
Plus: fair value of previously held investment in associate on date of acquisition of controlling interest	3 482
Less: intangible assets identified from business combinations	(1 058)
Plus: deferred tax on intangible assets identified from business combinations	296
Less: fair value of identifiable net assets recognised	(2 270)
Plus: non-controlling interests in 25.1% of WBC Holdings	761
GOODWILL ARISING ON ACQUISITION	**2 962**

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 the WBC group. 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.

The non-controlling interest (25.1% ownership interest in WBC Holdings) recognised at the acquisition date was measured with reference to the proportionate share of WBC Holdings identifiable net assets of R3 032 million and amounted to R761 million.

7 Business combinations continued

7.1 ACQUISITION OF WBC HOLDINGS (PTY) LTD continued

7.1.4 NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARY

	2021 Audited Rm
Consideration to be paid in cash on 5 October 2021*	870
Less: cash and cash equivalents balance acquired	(98)
NET CASH OUTFLOW FROM THE TRANSACTION	**772**
Less amount payable as at 30 September 2021*	(870)
ACTUAL CASHFLOW FROM THE TRANSACTION AT 30 SEPTEMBER 2021	**(98)**

* *No consideration in cash has been settled in relation to the WBC Holdings acquisition at 30 September 2021. The cash consideration was settled on 5 October 2021.*

Acquisition-related costs included in profit and loss amount to R6 million.

7.1.5 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 2021 is R84 million attributable to the WBC group since acquisition date. Revenue for the period includes R304 million in respect of the WBC group.

Had the business combination been effected at 1 October 2020, the WBC group would have contributed additional revenue to the group of R1 187 million and additional profit attributable to ordinary equity holders of the group of R106 million. As a result, revenue for the group would have been R7 215 million and profit attributable to ordinary equity holders of the group from continuing operations would have been R2 408 million.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

7 Business combinations continued

7.2 ACQUISITION OF PRUSHKA GROUP OF ENTITIES

Recoveries Corporation Holdings (Pty) Ltd (Recoveries Corporation) acquired 100% of the voting equity in the following three Australian entities on 30 September 2021:

- Prushka Fast Debt Recovery (Pty) Ltd – specialises in debt recovery;
- Zurich Capital & Finance – acquisition and administration of purchased debt ledgers; and
- Mendelsons Lawyers (Pty) Ltd – legal practitioners specialising in debt recovery.

Collectively these are referred to as the Prushka Group of entities, a Melbourne based business with more than 30 years track record in its addressable market.

The acquisition offers growth opportunities to the Recoveries Corporation business through:

- The effective utilization of Prushka's established legal recoveries platform;
- Accessing PDL sectors not currently serviced by Recoveries Corporation; and
- Entering adjacent contingent collections verticals including the health care and commercial sectors utilizing Recoveries Corporation's superior scale and collections technology.

7.2.1 CONSIDERATION FOR IFRS 3 PURPOSES

	2021 Audited Rm
Cash	99
Contingent consideration	10
TOTAL CONSIDERATION	**109**

7.2.2 ASSETS ACQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF ACQUISITION

	2021 Audited Rm
Current assets	
Trade and other receivables	10
Non-current assets	
Purchased book debts	71
Property, plant and equipment	2
Deferred tax	7
Current liabilities	
Trade and other payables	(5)
Provisions	(16)
Lease liabilities	(7)
NET ASSETS ACQUIRED AND LIABILITIES RECOGNISED	**62**

The initial accounting for the acquisition of Prushka has been provisionally determined at the end of the financial year.

The receivables acquired in this transaction have a fair value of R10 million. The receivables acquired comprise principally trade receivables with a gross contractual amount of R11 million with R1 million not expected to be collected.

7 Business combinations continued

7.2 ACQUISITION OF PRUSHKA GROUP OF ENTITIES continued

7.2.3 GOODWILL ARISING ON ACQUISITION

	2021 Audited Rm
CONSIDERATION FOR IFRS 3 PURPOSES	**109**
Less: fair value of identifiable net assets recognised	**(62)**
GOODWILL ARISING ON ACQUISITION	**47**

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

The net present value of the contingent purchase consideration recognised on acquisition amounts to R10 million, and relates to the vendor's right to participate in future collections performance of the acquired purchased debt ledger (PDL). In order to earn the contingent consideration, collections from the acquired PDL need to exceed cumulative collection thresholds agreed with the vendor. The first instalment under the contingent purchase consideration agreement would be payable in the 2024 financial year, and thereafter annually contingent on the cumulative excess collection targets being exceeded. The contingent consideration agreement is not limited in time or maximum consideration. This consideration was estimated by reference to the acquired PDL's past collections performance relative to the agreed excess collection thresholds, considering a range of possible outcomes.

7.2.4 NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARY

	2021 Audited Rm
Consideration paid in cash	**99**
Less: cash and cash equivalents balance acquired	**–**
NET CASHFLOW	**99**

7.2.5 IMPACT OF ACQUISITION ON THE RESULTS OF THE GROUP

The Prushka acquisition took place on 30 September 2021, therefore no revenue has been recognised by the group in respect of Prushka.

Had the business combination been effected at 1 October 2020, Prushka would have contributed additional revenue to the group of R107 million and additional profit attributable to ordinary equity holders of the group of R12 million. As a result, revenue for the group would have been R6 135 million and profit attributable to ordinary equity holders of the group from continuing operations would have been R2 314 million.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

7 Business combinations continued

7.3 ACQUISITION OF BOTHA AND SUTHERLAND INC

Transaction Capital Recoveries Pty Ltd entered into an agreement to obtain all the assets and liabilities of Botha and Sutherland Inc (Botha & Sutherland) with an effective date of 1 September 2021. Botha & Sutherland is a legal debt collection firm specialising in insurance law. The acquisition will assist in growing the group's footprint within the Insurance sector.

7.3.1 CONSIDERATION FOR IFRS 3 PURPOSES

	2021 Audited Rm
Cash	22
TOTAL CONSIDERATION	**22**

7.3.2 ASSETS ACQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF ACQUISITION

	2021 Audited Rm
Current assets	
Trade and other receivables	5
Non-current assets	
Intangible assets	1
Current liabilities	
Trade and other payables	(8)
NET LIABILITIES ACQUIRED AND RECOGNISED	**(2)**

The initial accounting for the acquisition of Botha & Sutherland has been provisionally determined at the end of the financial year.

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

7.3.3 GOODWILL ARISING ON ACQUISITION

	2021 Audited Rm
Consideration for IFRS 3 purposes	22
Less: fair value of identifiable net liabilities recognised	2
GOODWILL ARISING ON ACQUISITION	**24**

7.3.4 NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARY

	2021 Audited Rm
Consideration paid in cash	22
Less: cash and cash equivalents balance acquired	–
NET CASHFLOW	**22**

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

7.3.5 IMPACT OF ACQUISITION ON THE RESULTS OF THE GROUP

The Botha & Sutherland acquisition took place just before year end, and the revenue and profit contribution to the group for the year ended 30 September 2021 is negligible.

Had the business combination been effected at 1 October 2020, Botha & Sutherland would have contributed additional revenue to the group of R2 million and additional profit attributable to ordinary equity holders of the group of R1 million. As a result, revenue for the group would have been R6 030 million and profit attributable to ordinary equity holders of the group from continuing operations would have been R2 304 million.

7 Business combinations continued

7.4 GOODWILL

The movement of goodwill during the year is analysed as follows:

	2021 Audited Rm	2020 Restated* Rm
Balance at the beginning of the year	**1 365**	1 152
Impairment expense	**(5)**	(3)
Additions recognised from business combinations:	**3 033**	156
WBC Holdings (Pty) Ltd	**2 962**	–
Prushka group of entities	**47**	–
Botha and Sutherland (Pty) Ltd	**24**	–
Net1 Fihrst Holdings (Pty) Ltd*	**–**	156
Disposal of subsidiary	**–**	(5)
Effect of foreign currency exchange differences	**(40)**	65
CARRYING VALUE AT THE END OF THE YEAR	**4 353**	1 365

* *In terms of IFRS 3: Business Combinations, the provisional accounting applied to the acquisition of Net1 Fihrst Holdings (Pty) Ltd was finalised during the current financial year. As a result, the intangible assets identified from the business combination were reduced by R14 million, the related deferred tax liability was reduced by R3 million and goodwill increased by R11 million. The impact on the statement of comprehensive income is negligible. Comparative information has been restated accordingly.*

8 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.
- The composition of reportable segments changed during the current financial year. Value-Added Services (Road Cover), previously reported as part of the Transaction Capital Risk Services segment, is now reported as part of the SA Taxi segment. Comparative data has been restated accordingly. Value-added services generate a stable source of subscription income, whilst providing access to greater market depth. SA Taxi has the potential to unlock further value through synergies with Road Cover to be realized from cost efficiencies and revenue uplift, gaining access to SA Taxi's client base.

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.

Transaction Capital Risk Services (TCRS), through the Transaction Capital Transactional Services platform (TCTS), also provides payment solutions, collection services and payroll-related services to large corporate clients and SMEs.

Transaction Capital Business Solutions (TCBS), Principa Decisions (Principa) and Company Unique Finance (CUF) were classified as discontinued operations during the previous financial year. Principa and CUF were disposed in the prior year.

WEBUYCARS

- Transaction Capital Motor HoldCo (Pty) Ltd (TCMH) holds a 74.9% non-controlling interest in the WBC group (WeBuyCars). TCMH previously held a 49.9% non-controlling interest in We Buy Cars (Pty) Ltd which was accounted for as an associate for the period from 1 October 2020 to 2 August 2021 prior to acquisition of the controlling interest. Refer to notes 1 and 7.1.
- Buyer, distributor and retailer of vehicles, which also offers financial and other allied products.
- Revenue comprises mainly 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 interest income and management fees from subsidiaries, the majority of which is eliminated on group consolidation.
- The numbers presented in the group executive office segment exclude group consolidation entries.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

8 Segment report continued

	SA Taxi*		Transaction Capital Risk Services*	
	2021 Audited Rm	2020 Audited Restated* Rm	2021 Audited Rm	2020 Audited Restated* Rm
Summarised income statement				
Net interest income/(expense)	**1 580**	1 358	**(172)**	(158)
Impairment of loans and advances	**(563)**	(836)	**–**	–
Non-interest revenue	**668**	686	**2 391**	2 308
Operating costs	**(1 125)**	(901)	**(1 788)**	(2 129)
Non-operating profit	**–**	–	**–**	–
Equity accounted income/(loss)	**–**	–	**5**	9
PROFIT BEFORE TAX	**560**	307	**436**	30
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**413**	237	**303**	22
DISCONTINUED OPERATIONS				
Loss for the period from discontinued operations	**–**	–	**(12)**	(87)
PROFIT FOR THE YEAR	**413**	237	**291**	(65)

* Restated for a change in the composition of reportable segments per IFRS 8 – Segment Reporting.
** Group executive office numbers are presented net of recoveries and inter-group dividends.
*** Profit for the year from WeBuyCars is comprises:

	2021 Audited Rm	2020 Audited Rm
Share of equity accounted earnings after tax****	**215**	10
Consolidated operating profit for the WBC group (3 August 2021 to 30 September 2021)	**112**	–
Share of mark-to-market of 16 467 000 Transaction Capital ordinary shares	**–**	5
Mark-to-market of derivative liability	**(6)**	5
Fair value gain on previously held interest	**1 417**	–
Interest expense on preference share liability (vendor finance) and deferred consideration	**(18)**	(1)
Transaction costs relating to the acquisition of the controlling interest in the WBC group	**(6)**	–
Amortisation of intangible assets acquired in business combination	**(2)**	–
PROFIT BEFORE TAX	**1 712**	19

**** Refer to note 1 for the share of the equity accounted earnings after tax.

WeBuyCars***		Group executive office**		Intergroup eliminations		Group	
2021 Audited Rm	2020 Audited Rm	**2021 Audited Rm**	2020 Audited Rm	**2021 Audited Rm**	2020 Audited Rm	**2021 Audited Rm**	2020 Audited Rm
(24)	(1)	**47**	65	**–**	–	**1 431**	1 264
–	–	**–**	–	**–**	–	**(563)**	(836)
295	–	**22**	4	**(11)**	(11)	**3 365**	2 987
(149)	–	**(71)**	(64)	**11**	11	**(3 122)**	(3 083)
1 417	5	**2**	–	**–**	–	**1 419**	5
215	15	**(7)**	8	**–**	–	**213**	32
1 754	19	**(7)**	13	**–**	–	**2 743**	369
1 712	19	**(10)**	12	**–**	–	**2 418**	290
–	–	**–**	–	**–**	–	**(12)**	(87)
1 712	19	**(10)**	12	**–**	–	**2 406**	203

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

8 Segment report continued

	SA Taxi*		Transaction Capital Risk Services*	
	2021 Audited Rm	2020 Audited Restated* Rm	2021 Audited Rm	2020 Audited Restated** Rm
Summarised statement of financial position				
Assets				
Cash and cash equivalents	**1 054**	1 436	**176**	321
Trade and other receivables	**1 035**	1 203	**249**	317
Inventories	**1 577**	1 030	**2**	2
Loans and advances	**13 305**	11 545	**–**	–
Purchased book debts	**–**	–	**3 441**	2 520
Equity accounted investments	**–**	–	**81**	94
Other assets	**1 122**	1 262	**1 503**	1 694
TOTAL ASSETS	**18 093**	16 476	**5 452**	4 948
Liabilities				
Bank overdrafts	**183**	186	**131**	201
Trade and other payables	**520**	318	**304**	252
Insurance contract liabilities	**271**	374	**–**	–
Interest-bearing liabilities	**13 536**	12 334	**2 506**	2 222
Senior debt	**12 284**	11 435	**2 024**	1 893
Subordinated debt	**790**	745	**–**	–
Group loans	**462**	154	**482**	329
Lease liabilities	**171**	172	**199**	245
Other liabilities	**221**	217	**547**	460
TOTAL LIABILITIES	**14 902**	13 601	**3 687**	3 380
TOTAL EQUITY	**3 191**	2 875	**1 765**	1 568

* Restated for a change in the composition of the SA Taxi and TCRS reportable segments per IFRS 8 – Segment Reporting.
** Restated for a change in the composition of reportable segments per IFRS 8 – Segment Reporting, and for the adjustments resulting from the finalisation of the provisional accounting for the Net1 Fihrst acquisition.
*** Restated for the finalisation of the provisional accounting for the Net1 Fihrst acquisition.

WeBuyCars		Group executive office		Intergroup eliminations*		Group	
2021 Audited Rm	2020 Audited Rm	**2021 Audited Rm**	2020 Audited Rm	**2021 Audited Rm**	2020 Audited Restated* Rm	**2021 Audited Rm**	2020 Audited Restated*** Rm
165	–	**841**	37	**–**	–	**2 236**	1 794
232	–	**11**	17	**(50)**	(15)	**1 477**	1 522
898	–	**–**	–	**–**	–	**2 477**	1 032
–	–	**–**	–	**–**	–	**13 305**	11 545
–	–	**–**	–	**–**	–	**3 441**	2 520
–	1 875	**220**	184	**–**	–	**301**	2 153
6 499	–	**5 505**	3 751	**(5 435)**	(3 719)	**9 194**	2 988
7 794	1 875	**6 577**	3 989	**(5 485)**	(3 734)	**32 431**	23 554
–	–	**50**	–	**–**	–	**364**	387
2 001	54	**912**	75	**(1 278)**	(13)	**2 459**	686
–	–	**–**	–	**–**	–	**271**	374
865	350	**273**	216	**(1 041)**	(483)	**16 139**	14 639
768	350	**273**	216	**–**	–	**15 349**	13 894
–	–	**–**	–	**–**	–	**790**	745
97	–	**–**	–	**(1 041)**	(483)	**–**	–
44	–	**6**	–	**–**	–	**420**	417
864	–	**5**	2	**(4)**	(1)	**1 633**	678
3 774	404	**1 246**	293	**(2 323)**	(497)	**21 286**	17 181
4 020	1 471	**5 331**	3 696	**(3 162)**	(3 237)	**11 145**	6 373

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

8 Segment report continued

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	
	2021 Audited Rm	**2020 Audited Rm**	**2021 Audited Rm**	**2020 Audited Rm**
South Africa	**5 421**	4 744	**24 861**	18 062
Australia	**607**	798	**1 053**	931
Europe	–	–	**220**	184
TOTAL	**6 028**	5 542	**26 134**	19 177

9 Subsequent events

9.1 On 5 October 2021, Transaction Capital settled the consideration which was payable for the acquisition of the additional 25% interest in the WBC group. The consideration was settled through the payment of R870 million in cash, the issue of 10 526 972 ordinary shares in Transaction Capital Limited, and vendor financing provided of R363 million. A contingent consideration fairly valued at R132 million will be settled during the 2023 financial year. Refer to note 7.1.

On the same day a put option in favour of the WBC Holdings minority shareholders and call option in favour of TCMH became unconditional, which if exercised could result in TCMH acquiring, in various increments and at various intervals, additional shares in WBC Holdings up to a maximum of 25.1% (being all of the shares in WBC Holdings currently held by the minority shareholders) and which, if implemented in full, will result in WBC Holdings becoming a wholly owned subsidiary of the group.

9.2 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 2021 and the date of release of this report.

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