TRANSACTION CAPITAL
Interim results and dividend declaration

2021

For the six months ended 31 March

Transaction Capital

Contents

COMMENTARY

HIGHLIGHTS

For the six months ended 31 March

2021

TRANSACTION CAPITAL NEGOTIATING TO INCREASE ITS SHAREHOLDING IN WeBuyCars TO 74.9%.
Refer cautionary announcement released on SENS on 12 May 2021 for more detail.

CORE HEADLINE EARNINGS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE GROUP[1,2,3]

R437 million

2021 vs 2020: 56% (2020: R281 million)

2021 vs 2019: 29% (2019: R338 million)

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

CORE HEADLINE EARNINGS PER SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE GROUP[1,2]

65.5 cents

2021 vs 2020: 43% (2020: 45.8 cents)

2021 vs 2019: 18% (2019: 55.3 cents)

Growth of 18% in core headline earnings per share, applying the six months ended 31 March 2019 (HY2019) as a base, in line with the group's long-term growth rate.

CORE PRE-PROVISION PROFIT

R1 077 million

2021 vs 2020: 17% (2020: R921 million)

2021 vs 2019: 39% (2019: R773 million)

INTERIM DIVIDEND PER SHARE

19 cents

2020: Nil 2019: 27 cents

Resumed dividend payments at 3.4 times dividend cover.

CORE RETURN ON AVERAGE EQUITY FROM CONTINUING OPERATIONS

13.9%

2020: 11.4%
2019: 17.3%

CORE RETURN ON AVERAGE ASSETS FROM CONTINUING OPERATIONS

4.0%

2020: 3.2%
2019: 4.6%

ROBUST BALANCE SHEET WITH AMPLE CAPACITY TO FUND ORGANIC GROWTH

R1.1 billion of **new equity raised** over the past 12 months to part fund the group's **value and earnings accretive investment in WeBuyCars**.

R900 million in undrawn holding company debt facilities to fund strategic growth initiatives.

Undrawn divisional debt facilities available to fund loan originations at SA Taxi, and the acquisition of non-performing consumer loan portfolios as principal (NPL Portfolios) at TCRS, into FY2022.

1. *Earnings from continuing operations excludes results from discontinued operations as reported on SENS on 13 May 2020.*
2. *Core financial ratios exclude once-off transaction costs and are used by management as key metrics in the business. Refer to the Basis of preparation section for further detail.*
3. *Transaction Capital's core headline earnings from continuing operations attributable to the group includes R113 million from WeBuyCars, R188 million from SA Taxi, R131 million from TCRS, and R5 million from the group executive office.*
4. *The investment in WeBuyCars was effective from 11 September 2020 and is 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 this effective date are reported for illustrative purposes only, and do not form part of Transaction Capital's consolidated financial results.*

BUSINESS MODELS MORE RELEVANT IN THE COVID-19 ENVIRONMENT

With disposable income under strain, new vehicle prices increasing and constraints in new vehicle supply, more consumers are opting for used vehicles. This is driving growth in this market segment.

The minibus taxi industry has operated throughout the pandemic, while other modes of public transport faltered. This has consolidated the industry's position as the largest and most vital service in South Africa's public transport network. More commuters are choosing minibus taxis over bus and rail, due to convenience and accessibility, especially as economic strain intensifies. Spending on minibus taxi transport is largely non-discretionary.

As COVID-19 effects drive up indebtedness and impair consumers' ability to service debt, significant opportunity exists to manage and selectively acquire NPL Portfolios.

CORE HEADLINE EARNINGS FROM CONTINUING OPERATIONS[1,2]

WeBuyCars	SA Taxi	Transaction Capital Risk Services
R257 million	R228 million	R131 million
2021 vs 2020: 38% (up); 2020: R186 million	2021 vs 2020: 13% (up); 2020: R202 million	2021 vs 2020: 27% (up); 2020: R103 million
2021 vs 2019: 84% (up); 2019: R140 million	2021 vs 2019: 4% (up); 2019: R220 million	2021 vs 2019: 11% (up); 2019: R118 million

CORE HEADLINE EARNINGS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE GROUP[1,2]

WeBuyCars	SA Taxi	Transaction Capital Risk Services
R113 million[4]	R188 million	R131 million
Not applicable	2021 vs 2020: 15% (up); 2020: R164 million	2021 vs 2020: 27% (up); 2020: R103 million
	2021 vs 2019*: 7% (down); 2019: R202 million	2021 vs 2019: 11% (up); 2019: R118 million

CORE PRE-PROVISION PROFIT

WeBuyCars	SA Taxi	Transaction Capital Risk Services
Not applicable	R603 million	R363 million
	Flat vs 2020; 2020: R601 million	2021 vs 2020: 21% (up); 2020: R300 million
	2021 vs 2019: 22% (up); 2019: R495 million	2021 vs 2019: 44% (up); 2019: R252 million

PERFORMANCE DEMONSTRATES RESILIENCE AND GROWTH POTENTIAL

A strong recovery in vehicles bought and sold underpinned an excellent performance. 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. Should the proposed transaction to acquire control of WeBuyCars be concluded, the group is well placed to drive these and other strategic growth initiatives and synergies.

Despite recent COVID-19 related disruptions, SA Taxi posted a strong and resilient operational, credit and financial performance. This was evident both in gross written premium and gross loans and advances growth, achieved while preserving credit quality.

TCRS posted a resilient performance, with strong acquisition of NPL Portfolios and robust collection revenues in South Africa and Australia allowing it to recover to its historic growth trajectory. Effective work-from-home capability and the proactive restructuring of its staff complement and infrastructure supported high efficiency.

* SA Taxi's core headline earnings for the six months ended 31 March 2021 grew 4% applying 2019 as a base, with Transaction Capital's attributable portion decreasing 7% over the corresponding period. The reduction relates to a lower proportion of SA Taxi's earnings being consolidated in FY2021. From 6 February 2019 (the effective date of the ownership transaction with the South African National Taxi Council (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 headline earnings.

GROUP PROSPECTS, PERFORMANCE AND LIQUIDITY

Prospects

Robust earnings recovery in the period supports our view that the group will return to its strong organic growth trend in FY2021. Based on our current assessment of operating conditions and growth prospects, headline earnings per share for the full year should exceed FY2019 levels in line with pre pandemic growth rates, with the group resuming dividend payments this year.

Our divisions, SA Taxi and Transaction Capital Risk Services (TCRS), and our investment in WeBuyCars continue to demonstrate resilience, relevance and responsiveness to their stakeholders, despite the effects of COVID-19. Notwithstanding uneven rates of recovery in their 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 in FY2021, and beyond.

Over the medium term, we are confident the group will maintain a sustainable trajectory of superior high-quality earnings and dividend growth. 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, and deeply embedded culture of entrepreneurship and integrity, the group is well placed to weather the difficult conditions ahead, and to grow.

We expect our additional investment of 25% in WeBuyCars, which is subject to Competition Commission approval, to be immediately value and earnings accretive. Should the acquisition of a greater shareholding in WeBuyCars be concluded, the group will be able to consolidate a greater proportion of WeBuyCars' high-growth earnings. We believe the exceptional growth prospects of this business will accelerate and support a sustainably higher growth trajectory for the group.

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 to accommodate pandemic-related restrictions. The group executive office continues to support them 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.

Importantly, our divisions are focused on strengthening their stakeholder relationships and delivering measurable economic, social and environmental (ESE) value in their sectors. We have made good progress implementing ESE frameworks in SA Taxi and TCRS. This is providing stakeholders with an objective view of the group's consolidated impacts, and informs our strategies to enhance the longer-term growth, risk and sustainability profiles of our businesses.

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

Performance overview

The group made a strong recovery and returned to its track record of high-quality organic earnings growth in the six months ended 31 March 2021. Core headline earnings from continuing operations attributable to the group were up 56% to R437 million. Core headline earnings per share from continuing operations attributable to the group grew at a lower rate of 43% to 65.5 cents, due to the value and earnings accretive issue of 59.6 million shares in the past 12 months.

Our investment in a non-controlling 49.9% interest in WeBuyCars in September 2020 has been immediately value and earnings accretive, contributing R113 million to core headline earnings for the period. SA Taxi grew core headline earnings 13% to R228 million, with the group's attributable portion growing 15% to R188 million. TCRS grew core headline earnings from continuing operations 27% to R131 million.

Applying HY2019 as a base, the group's core headline earnings and core headline earnings per share from continuing operations attributable to the group were 29% and 18% higher respectively for the period, in line with pre COVID-19 growth rates.

Balance sheet and liquidity

In FY2020, we raised R560 million of new capital via an accelerated bookbuild and issued R329 million of new share capital to part fund our investment in WeBuyCars. In January 2021, we raised R248 million of new share capital from Royal Bafokeng Holdings. These share issues have bolstered our equity base by approximately R1.1 billion, enhancing the group's financial flexibility and strategic agility.

Our conservative capital management strategy, tested and validated during FY2020, has ensured a robust group balance sheet. The undeployed capital held prior to COVID-19, together with the equity raised and debt facilities secured at holding company level, allowed us to enter an attractive market vertical with strong growth prospects. After the investment in WeBuyCars, the group's balance sheet remains well capitalised.

Undrawn debt facilities of R900 million at holding company level provide ample liquidity to fund our growth aspirations, including further investment in our TC Global Finance (TCGF) strategy. Available facilities at SA Taxi and TCRS provide the capacity and liquidity to fund the organic growth initiatives underway in both divisions. Moreover, the group's capital structure, and the long-term nature of our assets, provide sufficient financial flexibility and headroom should recessionary conditions intensify.

SA Taxi is adequately capitalised, with a Tier I capital adequacy ratio of 16.9% and R3.1 billion of equity. Its access to liquidity remains unfettered, with more than R1.8 billion of new debt facilities concluded in the period. Ample liquidity is available in undrawn debt facilities to fund expected loan origination into FY2022.

TCRS's balance sheet is robust, with R5.0 billion of assets and R2.0 billion of senior debt underpinned by R1.6 billion of equity at 31 March 2021. As market dynamics become clearer, the acquisition of NPL Portfolios in South Africa, Australia and Europe may provide opportunities to accelerate capital deployment for attractive risk-adjusted returns. The division's funding requirements for the acquisition of NPL Portfolios in South Africa and Australia into 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 resulting in high cash conversion rates.

In light of the group's strong recovery in earnings, robust balance sheet and medium-term prospects, the board resolved to declare a dividend to shareholders of 19 cents per share, albeit at a more conservative rate of 3.4 times cover.

New investment performance

WeBuyCars

For the six months ended 31 March		**2021**	2020	2019	**Movement 2021 vs 2020**	Movement 2021 vs 2019
Financial performance						
Core headline earnings	Rm	**257**	186	140	**38%**	84%
Core headline earnings attributable to the group[1]	Rm	**113**	N/A	N/A	**N/A**	N/A
Operational performance						
Number of vehicles purchased	Number	**43 410**	34 816	26 947	**25%**	61%
Number of vehicles sold	Number	**41 550**	33 557	26 390	**24%**	57%
Advertising expense per vehicle bought	R	**1 473**	1 466	1 527	**0%**	(4%)

1 *The investment in WeBuyCars was effective from 11 September 2020 and is 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 this effective date 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, which conserves margin. Digital lead generation and AI-led pricing, alongside human touch points, create a unique, trustworthy and satisfying customer experience, driving WeBuyCars' brand value. It has applied its digital capabilities to respond to shifting buying patterns, driven 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 even higher growth.

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 5% to 6% a year over the last decade.

As disposable incomes come under added strain and new vehicle prices rise, consumers will continue to trade down from new to used vehicles. 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. Average new vehicle sales of 31 731 for the 12 months ended 31 March 2021 showed a 36% decrease compared to the prior comparative period. As new vehicles prices climb, further upside for the used vehicle segment will come from increased pricing power, lifting profit potential per vehicle sold.

Larger vehicle dealers, who rely mostly on rental vehicle stock to meet the demand for used vehicles, are facing dwindling inventory levels as rental companies complete their widescale de-fleeting in response to the downturn in their markets. This places vehicle traders who source stock directly from consumers, such as WeBuyCars, in a favourable stock position.

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 the current market context.

WeBuyCars buys more than 7 000 vehicles a month from private consumers, allowing it to offer a large variety of vehicles for sale. Approximately 40% of these vehicles are sold directly to dealerships via online auction on its e-commerce platform, with the majority sold to private consumers. Buyers are not restricted to any one brand or limited in their choice of vehicle.

WeBuyCars earns an acceptable 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.

FINANCIAL AND OPERATIONAL PERFORMANCE

WeBuyCars' revenue and profit have shown strong compound annual growth rates of 38% and 43% respectively in the last three years. Headline earnings grew 38% to R257 million in the six months ended 31 March 2021, with the group's attributable portion at R113 million.

Its strategy to expand geographically, grow its e-commerce offering and drive higher penetration of F&I products continues to yield results. WeBuyCars reached new heights in several categories during the period, including total revenue and units bought and sold. It bought a total of 43 410 vehicles, up 25%, and sold 41 550 vehicles, up 24%. This strong recovery in volumes traded, exceeding levels seen in the second half of FY2020, underpinned an excellent performance.

Its medium-term target to increase the volume of vehicles traded to 10 000 vehicles per month remains on track. Plans to develop additional vehicle supermarkets and buying pods in select high-demand locations across South Africa are underway. A new site will open in Gauteng in June 2021, with a further two to come in Gauteng and Western Cape. Relocation to a larger site in the Eastern Cape is planned within the next 18 months.

Trading mostly in older used vehicles with an average age of five to nine years, WeBuyCars is differentiated from other used vehicle dealers who focus on newer vehicles. Its average selling price per vehicle has risen to over R112 000 in the period, from R103 000 a year ago.

WeBuyCars' e-commerce platform facilitates business-to-business (B2B) trading with vehicle dealerships. Sales to dealerships via this platform continued to grow in the period and now account for some 40% of total vehicle sales (HY2020: 4%). Its e-commerce platform also offers early-stage business-to-consumer (B2C) capabilities that will support WeBuyCars' growth in the years ahead, as the demand for contactless services on credible digital platforms escalates.

Optimising its vehicle acquisition and stock turn efficiency continues to be a key focus for WeBuyCars. Higher take-up of F&I products (currently at around 13%) will enhance unit economics and margins per vehicle sold. It also plans to enhance existing arrangements with providers of F&I products and to add relevant new products. In the longer term, WeBuyCars will seek to offer F&I products as principal.

CONCLUSION

We expect future earnings from this investment to be at least in line with our expectations at the time of making our initial investment, given favourable market trends and WeBuyCars' compelling competitive advantages. We are confident this business will accelerate and support a sustainably higher growth trajectory for the group.

Should the acquisition of a greater shareholding in WeBuyCars be concluded, this will provide the group with a greater share of earnings in a highly relevant business with exceptional growth prospects. 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 to add 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.
- The potential to expand internationally, as WeBuyCars compares well against its international peers and given the growth trajectory of the global used vehicle industry.

Refer to the cautionary announcement released on 12 May 2021 for more detail.

Divisional performance

SA Taxi

For the six months ended 31 March		2021	2020	2019	Movement 2021 vs 2020	Movement 2021 vs 2019
Financial performance						
Core pre-provision profit	Rm	**603**	601	495	**0%**	22%
Core headline earnings	Rm	**228**	202	220	**13%**	4%
Core headline earnings attributable to the group	Rm	**188**	164	202	**15%**	(7%)
Non-interest revenue	Rm	**366**	360	351	**2%**	4%
Net interest income	Rm	**752**	676	553	**11%**	36%
Net interest margin	%	**11.8**	12.2	11.4		
Core cost-to-income ratio	%	**46.1**	42.0	45.2		
Credit performance						
Gross loans and advances	Rm	**13 154**	11 304	9 947	**16%**	32%
Non-performing loan (NPL) ratio	%	**27.1**	19.1	18.2		
Credit loss ratio	%	**4.6**	6.1	4.3		
Provision coverage	%	**6.0**	5.4	4.7		

Note: Comparative information has been restated for the application of IFRS 8 – Operating Segments.

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 propriety 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 and is an early beneficiary of economic and social recovery. Most South Africans rely on public transport, with the minibus taxi industry being the largest and most vital service in the integrated public transport network. Spending on minibus taxi transport is largely non-discretionary, making the industry defensive in tough economic conditions.

More commuters are choosing minibus taxis over bus and rail services due to convenience and accessibility. The National Household Travel Survey released in March 2021 indicates a decline in commuter use of bus and rail services from 2013 to 2020 (down 28% and 64%, respectively), compared to a 16% increase in the use of minibus taxis over the same period. With bus and rail services floundering during the COVID-19 pandemic, this shift is likely to continue.

Retail prices for minibus taxis have risen 3.5% since October 2020, with further increases expected this calendar year. The recommended retail price of a Toyota HiAce diesel vehicle is now R493 900, compared to R360 000 six years ago. Furthermore, with passenger loads per trip down due to the impact of COVID-19, the industry's profitability will remain under strain. In this context, SA Taxi's fully refurbished pre-owned minibus taxis provide an affordable yet reliable alternative to buying a new vehicle.

Factors supporting industry profitability in the period included lower interest rates and fuel prices. At 31 March 2021, the 12-month average for petrol and diesel prices were, respectively, 9% and 14% lower than a year ago. The fuel price hike in April 2021, however, resulted in the highest fuel price in recent years. Due to the profitability impact of lower passenger loads per trip due to pandemic-related restrictions combined with increased vehicle prices, the industry may need to increase fares in the coming months.

SA Taxi applies leading-edge analytics to its real-time vehicle mobility datasets to manage credit and insurance risk. SA Taxi's telematics data (tabled below) shows the recovery in average activity of its minibus taxi fleet, and associated collections, benchmarked against pre COVID-19 levels. The impact of the 'risk-adjusted level 3' lockdown, implemented from 28 December 2020 to 28 February 2021 in response to a severe resurgence in COVID-19 infections, is indicated.

The restrictions had a moderate impact on SA Taxi's recovery to pre COVID-19 levels of business activity in the period. While its minibus taxis were able to operate, average distance travelled per minibus taxi reduced, with a subsequent impact on collections. Although SA Taxi's telematics systems are not able to measure passenger load, these are also likely to have declined.

Government's more nuanced approach to the last COVID-19 resurgence was well balanced between saving lives, protecting the national healthcare system and ensuring the least possible disruption to economic recovery. This has lowered the risk of returning to more severe restrictions on the industry, and should minimise the economic damage of any further resurgences in infections before population immunity is reached. With the marked improvement in COVID-19 infections allowing the easing of restrictions on 1 February 2021 and again on 1 March 2021, minibus taxi activity had recovered to 100% in March 2021. This trend should continue in the coming months.

As the industry consolidates its recovery, SA Taxi's strong reputation, 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.

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

SA Taxi Finance grew gross loans and advances 16% to R13.2 billion. Retained market share and higher retail prices for new vehicles supported this growth. Despite these price increases and generally difficult conditions for operators, demand for new and pre-owned vehicles is in line with pre COVID-19 levels, and remains far higher than supply. 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, indicated in lower loan approvals.

Loan originations showed a strong recovery, growing 12% despite constrained originations in January 2021 due to generally low business confidence. New vehicle loan originations for the period declined 3% (2 591 loans) compared to a 48% increase (1 766 loans) in pre-owned vehicle loan originations. This indicates continued strong momentum in the sale and finance of SA Taxi's fully refurbished pre-owned minibus taxis. SA Taxi Auto Repairs' increased refurbishment capacity supported higher pre-owned vehicle supply to its dealerships and, in turn, loan originations.

	Level 5 27 Mar – 30 Apr 2020	Level 4 May 2020	Level 3 1 Jun – 17 Aug 2020	Level 2 18 Aug – 20 Sep 2020	Level 1 21 Sep – 27 Dec 2020	**Risk-adjusted Level 3 28 Dec 2020 – 28 Feb 2021**	**Level 1 1 Mar – 30 Apr 2021**
Operating vehicles	69%	90%	100%	100%	100%	**100%**	**100%**
Average distance travelled per vehicle	65%	88%	87%	88%	97%	**92%**	**100%**
Collections	~20%	~40%	~60%	~75%	~90%	**~90%**	**~95%**

The growth in gross loans and advances translated into net interest income growth of 11% to R752 million. Historically low interest rates contributed to a lower average cost of borrowing and held the net interest margin at 11.8%, in the upper range of SA Taxi's target 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 risk-adjusted level 3 restrictions were implemented in December 2020. Although collections dipped slightly in January 2021, they have shown month-on-month improvement in February and March. We still expect collections to recover over a longer period than initially envisaged, and loan settlements in the period were lower than expected. Repossessions have recovered to pre COVID-19 levels.

SA Taxi has provided adequately for the impact on collections, with provision coverage of 6.0% protecting the balance sheet. The NPL ratio improved to 27.1% from 32.3% at 30 September 2020, while the credit loss ratio of 4.6% is likely to remain slightly above the upper limit of its 3% to 4% target range.

SA Taxi's integrated business model effectively mitigates credit risk. Its ability to refurbish repossessed vehicles to provide high-quality income generating minibus taxis, enables it to recover more than 75% of the loan value on the sale of these pre-owned vehicles. This limits SA Taxi's loss in the event of default. Improved recoveries on repossessed vehicles 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 pre-owned vehicles, 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 across all products increased marginally in the period.

With most of SA Taxi Finance's clients choosing to insure their vehicles through SA Taxi Protect, gross written premiums again showed strong growth of 8% to R497 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 in line with past performance, with higher credit life claims. As expected, higher lapse rates were experienced as COVID-19 affected the affordability of insurance cover.

An initiative to expand SA Taxi's refurbishment capacity specifically dedicated to SA Taxi Protect is set for the second half of 2021, with additional premises secured. This will increase the proportion of SA Taxi Protect insurance claims processed internally, further improving claims ratios.

The development of other bespoke products for the industry remains a strategic focus.

CONCLUSION

Despite recent COVID-19 related disruptions, SA Taxi posted a strong and resilient operational, credit and financial performance. This was evident in gross loans and advances growth of 16%, while preserving credit quality. Ongoing investment in the business, specifically the expansion of SA Taxi's refurbishment capacity in support of its pre-owned vehicle loan growth and insurance strategies, resulted in a cost-to-income ratio of 46.1% for the period.

SA Taxi's strong recovery and organic growth lifted core headline earnings 13%, growing the group's attributable portion 15% to R188 million. The division's core headline earnings grew 4% when applying HY2019 as a base, indicating a return to pre COVID-19 growth rates.

As part of the strategic realignment of TCRS, its value-added services business, RoadCover, has been placed under SA Taxi's management. We believe this will position it effectively for higher growth, given the potential synergies.

SA Taxi will continue to assess opportunities for further vertical integration to broaden its addressable market and support future organic growth. To this end, establishing a transactional business that combines its telematics capabilities, rewards programmes, client data and finance offerings into a single transactional account relevant to South Africa's 250 000 minibus taxi operators is planned. 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.

Transaction Capital Risk Services

For the six months ended 31 March		**2021**	2020	2019	**Movement 2021 vs 2020**	Movement 2021 vs 2019
Financial performance						
Core pre-provision profit	Rm	**363**	300	252	**21%**	44%
Core headline earnings from continuing operations	Rm	**131**	103	118	**27%**	11%
Non-interest revenue	Rm	**1 158**	1 069	891	**8%**	30%
Purchased book debts						
Cost price of purchased book debts acquired	Rm	**385**	556	437	**(31%)**	(12%)
Carrying value of purchased book debts	Rm	**2 705**	2 775	1 727	**(3%)**	57%
Estimated remaining collections	Rm	**5 883**	5 321	3 597	**11%**	64%

Note: Comparative information has been restated for the application of IFRS 8 – Operating Segments.

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 its transactional services business, it enables efficient 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 restructured its staff complement, which largely comprises call centre agents. The work-from-home operating model 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 payments. 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 will 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 February 2021 BA900 Regulatory Returns submitted by South African banks show that provisions were 35.8% higher year on year, while total credit extension grew an average of only 2.4%. 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 and operations come under pressure, we believe their appetite to sell NPL Portfolios will increase significantly. Also, they are likely to reduce fixed cost infrastructure and shift to the variable cost structures enabled by outsourcing collection services. TCRS's sophisticated and proven ability to price NPL Portfolios for prevailing 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.

SOUTH AFRICA

Of the 27.4 million credit-active South African consumers at 31 December 2020, almost 40% (10.6 million) had impaired credit records. Transaction Capital's Consumer Credit Rehabilitation Index, which measures consumers' propensity to repay debt, had deteriorated 2.8% by March 2021 compared to the prior year and 1.3% compared to the prior quarter.

Despite the lowest interest rate in five decades, erosion of household income and increasing over-indebtedness will persist. While credit extension has begun to grow recently, critically high unemployment will escalate the economic strain in the consumer sector 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

With the significant government stimulus programme ending in March this year, the real test for the Australian economy lies ahead. Historically low interest rates and higher job creation, with unemployment recovering to pre-pandemic levels of 5.6%, should however support strong economic growth, with gross domestic product growth of 4.5% forecast for 2021. The Australian consumer is still likely to face increased economic pressure as government support programmes, debt moratoria and insolvency suspensions are lifted. We expect credit growth to continue, with household debt to disposable income likely to climb over the medium term from its already high base of 210%.

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 7% in the period, 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 South Africa, 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 the first half of FY2020, TCRS invested R483 million in South Africa and R73 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 its lower risk appetite in volatile conditions, this fell to R177 million in the second half of FY2020.

However, high activity levels allowed TCRS to invest R353 million in South Africa and R32 million in Australia in acquiring NPL Portfolios in the period. In FY2021, TCRS plans to invest more than in FY2020, although we do not expect this to reach FY2019 levels. As market dynamics become clearer, there may be unprecedented opportunity to accelerate capital deployment in this strategic growth initiative over the medium term.

In Australia, TCRS's acquisition of NPL Portfolios in the period was restricted as a material decline in delinquencies, associated with the government stimulus programmes and debt moratoria, resulted in fewer NPL Portfolios coming to market. Those that did come to market attracted strong pricing as demand outweighed supply, and the division maintained its disciplined approach. 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 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 31 March 2021, TCRS's NPL Portfolios were valued at R2 705 million. We expect annuity revenue of R5 883 million from this asset over the medium term, up 11% from R5 321 million a year ago.

Collections on NPL Portfolios owned as a principal in South Africa were in line with our expectations, 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 a strong result.

CONTINGENCY AND FEE-FOR-SERVICE REVENUE

Recoveries Corporation in Australia continued to see lower volumes of matters handed over for collection 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.

TRANSACTIONAL SERVICES

The integration of Transaction Capital Payment Solutions, Accsys and Fihrst to create a more resilient and effective payment and transaction processing platform, is progressing well. Transaction Capital Transactional Services, established in July 2020, performed in line with our expectations in the period, supported by efficiencies gained through the integration. Growing this more focused and substantial payment and transaction processing platform, diversified by payment activity, client and sector, remains a key strategic focus, with an executive team appointed to drive this initiative.

CONCLUSION

TCRS posted a resilient performance in a challenging operating environment, with robust collection revenues in South Africa and Australia allowing the division to recover to its historic growth trajectory. TCRS grew core headline earnings from continuing operations 27% to R131 million for the period. The division's core headline earnings grew 11% when applying HY2019 as a base, indicating a return to pre COVID-19 growth rates. The implementation of effective work-from-home capability and 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 83.5%.

The strategic realignment of TCRS has been completed. This included the disposal of non-core businesses with limited opportunity for scale, the accounting of Transaction Capital Business Solutions as a discontinued operation and the transfer of its value-added services businesses to SA Taxi. TCRS now consists of three divisions, being collection services, transactional services and a newly established business process outsourcing services division. TCRS intends to leverage its scale, flexible technology, data and analytical capabilities to drive the 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.

Group Executive Office and TC Global Finance

The group executive office added R5 million (HY2020: R14 million) to the group's core headline earnings in the period. The lower contribution was due to higher interest on debt given the net gearing at holding company level to facilitate the investment in WeBuyCars. It also reflects higher employee costs to ensure sufficient capability at group level to drive strategic growth initiatives.

The group has to date invested £8.4 million in the higher-yielding niche of the international specialised credit market, with £2 million invested in the period. We believe our strategy remains appropriate and will remain a focus over the medium term. We will however maintain our cautious and selective approach to opportunities in this market. As a result, this initiative will make a relatively small contribution to earnings over the short term as we grow the portfolio to scale.

TCGF's performance was in line with expectations in the period given the market environment in Europe. Transaction Capital's investment in TCGF is accounted for as an associate of the group in accordance with IAS 28 – Investments in Associates and Joint Ventures, applying the equity method.

TCGF leverages the group's unique relationship with its founders to identify and grow value accretive transformational investments that otherwise would not be available to Transaction Capital. The venture brings together the specialised skills, relationship networks, proven technological and capital management capabilities, and the good standing of the group and its founders. Underpinned by 25 years of experience in developing high-potential businesses around unconventional assets, our ultimate intention is to create an international platform of scale, mirroring the group's development and aligning to its growth strategy in South Africa.

Several features differentiate our approach. As TCGF targets specialised assets that invariably cannot be immediately integrated into or managed by our existing divisions, we co-invest alongside our founders who are based in or close to the jurisdictions showing the best market opportunities. This aligns the interests of Transaction Capital and our founders; it ensures high-quality deal origination and allows appropriate risk management control over our investments, to generate considerably better outcomes than if we were to invest alone. Where the risk and opportunity of a specific international investment can be effectively managed by one of our divisions, it will be acquired, funded and managed by that division.

Dividend declaration

Transaction Capital's ordinary dividend policy remains 2 to 2.5 times cover. In light of the group's strong recovery in earnings, robust balance sheet and medium-term prospects, the board resolved to resume dividend payments to shareholders, albeit at a more conservative rate of 3.4 times cover. This aims to safeguard the group's financial capacity and strategic flexibility.

The board has declared an interim gross cash dividend of 19 cents per share (HY2020: nil) for the six months ended 31 March 2021 to those members on the record date below. 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 15.2 cents per share.

The salient features applicable to the dividend are as follows:

Issued shares as at declaration date	674 531 743
Declaration date	Wednesday 12 May 2021
Last day to trade cum dividend	Tuesday 1 June 2021
Ex-dividend	Wednesday 2 June 2021
Record date	Friday 4 June 2021
Payment date	Monday 7 June 2021

Board changes

We are pleased to announce the appointment of Ms Albertinah Kekana as an independent non-executive director from 1 April 2021. The appointment of Ms Kekana strengthens the independence of the board, and further augments its acumen and diversity. Mr Paul Miller resigned as an alternate non-executive director to Roberto Rossi with effect from the same day. The board now comprises 10 non-executive directors, nine of whom are independent, and five executive directors.

About Transaction Capital

Transaction Capital actively identifies and invests in alternative asset classes, in which our best-in-class technology, proprietary data and analytics capabilities enable us to generate outstanding returns.

This extends to operating unique, high-potential businesses in market sectors where historically low levels of stakeholder trust provide compelling opportunities for disruption. We partner with expert, entrepreneurial and co-invested management teams to scale, grow and position these highly specialised, digitally advantaged and vertically integrated businesses to offer market-leading value propositions.

Our diversified businesses are strategically relevant, operationally resilient and robustly governed, which underpin their ability to respond effectively and ethically to complex market dynamics. As trusted partners, they support their clients' commercial viability and collaborate with their stakeholders to drive meaningful, long-term socioeconomic impact. This enhances their growth, risk and sustainability profiles and secures the group's ability to consistently deliver exceptional shared value outcomes.

Basis of preparation

The condensed consolidated financial results for the six months ended 31 March 2021 have been prepared under the supervision of Sean Doherty CA(SA), chief financial officer. The financial information on which this announcement is based has not been reviewed and reported on by Transaction Capital's auditors.

The condensed consolidated financial results for the six months ended 31 March 2021 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports and the requirements of the Companies Act, 71 of 2008.

The Listings Requirements require interim reports to be prepared in accordance with, and containing the information required by, IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides (issued by the Accounting Practices Committee), and the Financial Pronouncements (issued by the Financial Reporting Standards Council). The accounting policies and their application are in terms of International Financial Reporting Standards (IFRS) and are consistent, in all material respects, with those detailed in Transaction Capital's annual financial statements for the 2020 financial year.

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 from continuing operations 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 more accurately reflect operational performance. 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.

RECONCILIATION FROM HEADLINE EARNINGS TO CORE HEADLINE EARNINGS

	Effective transaction date	**31 March 2021 Unaudited Rm**	31 March 2020 Unaudited Rm	31 March 2019 Unaudited Rm	30 September 2020 Audited Rm
Headline earnings from continuing operations attributable to group		**435**	277	254	262
Adjusted for once-off transaction costs relating to:					
Investment in non-controlling 49.9% interest in WeBuyCars	11 Sep 2020	**2**	–	–	9
Acquisition of Fihrst	1 Dec 2019	**–**	4	–	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 adjustment		**–**	–	(19)	–
– Early debt settlement costs at holding company level, net of tax		**–**	–	3	–
Core headline earnings from continuing operations attributable to group		**437**	281	338	276

Approval by the board of directors

Stakeholders should note that any forecast financial information, including the prospects statement, has not been reviewed or reported on by the group's auditors.

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
12 May 2021

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JSE Sponsor and Equity Markets Broker: Investec Bank Limited
Debt Sponsor: RAND MERCHANT BANK (A division of FirstRand Bank Limited)

Condensed consolidated statement of financial position

AT 31 MARCH 2021

	Notes	31 March 2021 Unaudited Rm	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm
Assets				
Cash and cash equivalents		**1 509**	1 055	1 794
Tax receivables		**17**	22	32
Trade and other receivables		**1 298**	1 716	1 522
Inventories		**1 103**	975	1 032
Loans and advances		**12 510**	10 816	11 545
Leased assets		**19**	–	–
Purchased book debts		**2 705**	2 775	2 520
Other loans receivable		**52**	49	55
Equity accounted investments	1	**2 292**	260	2 153
Intangible assets		**500**	468	505
Property and equipment		**409**	448	439
Goodwill		**1 327**	1 299	1 354
Deferred tax assets		**334**	298	344
Assets classified as held for sale		**143**	666	262
Total assets		**24 218**	20 847	23 557
Liabilities				
Bank overdrafts		**184**	316	387
Other short-term borrowings		**45**	56	102
Tax payables		**21**	34	46
Trade and other payables		**790**	437	686
Provisions		**60**	53	66
Insurance contract liabilities		**361**	441	374
Benefits ceded on insurance contracts relating to inventories		**38**	47	45
Benefits ceded on insurance contracts relating to loans and advances		**139**	127	124
Benefits accruing to insurance contract holders		**184**	267	205
Interest-bearing liabilities	2	**14 783**	13 014	14 639
Senior debt		**14 170**	12 350	13 894
Subordinated debt		**613**	664	745
Lease liabilities		**410**	416	417
Deferred tax liabilities		**553**	495	455
Liabilities directly associated with assets held for sale		**14**	48	12
Total liabilities		**17 221**	15 310	17 184
Equity				
Ordinary share capital	3	**2 277**	1 121	2 015
Other reserves		**327**	254	322
Retained earnings		**3 832**	3 589	3 481
Equity attributable to ordinary equity holders of the parent		**6 436**	4 964	5 818
Non-controlling interests		**561**	573	555
Total equity		**6 997**	5 537	6 373
Total equity and liabilities		**24 218**	20 847	23 557

Condensed consolidated income statement

FOR THE HALF YEAR ENDED 31 MARCH 2021

	Notes	31 March 2021 Unaudited Rm	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm
Interest income		**1 263**	1 328	2 555
Interest expense		**(593)**	(681)	(1 291)
Net interest income		**670**	647	1 264
Impairment of loans and advances		**(295)**	(338)	(836)
Risk-adjusted net interest income		**375**	309	428
Non-interest revenue	4	**1 528**	1 429	2 987
Net insurance result	4	**237**	228	440
Insurance revenue		**497**	462	907
Insurance service expense		**(261)**	(234)	(468)
Insurance finance income		**1**	–	1
Other non-interest revenue	4	**1 291**	1 201	2 547
Operating costs		**(1 434)**	(1 324)	(3 083)
Non-operating (loss)/profit		**(1)**	–	5
Equity accounted income	1	**128**	4	32
Profit before tax		**596**	418	369
Income tax expense		**(127)**	(105)	(79)
Profit for the period from continuing operations		**469**	313	290
Discontinued operations				
Loss for the period from discontinued operations		**(8)**	(16)	(87)
Profit for the period		**461**	297	203
Profit for the period from continuing operations attributable to:				
Ordinary equity holders of the parent		**429**	275	245
Non-controlling interests		**40**	38	45
Loss for the period from discontinued operations attributable to:				
Ordinary equity holders of the parent		**(8)**	(16)	(87)
Earnings per share (cents)				
From continuing operations				
Basic earnings per share	5	**64.3**	44.8	39.3
Diluted basic earnings per share	5	**63.4**	44.2	39.2
From continuing and discontinued operations				
Basic earnings per share	5	**63.1**	42.2	25.3
Diluted basic earnings per share	5	**62.3**	41.6	25.3

Condensed consolidated statement of comprehensive income

FOR THE HALF YEAR ENDED 31 MARCH 2021

	31 March 2021 Unaudited Rm	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm
Profit for the period	**461**	297	203
Other comprehensive income			
Movement in cash flow hedging reserve	**50**	(3)	(22)
Fair value gain/(loss) arising during the period	**69**	(4)	(31)
Deferred tax	**(19)**	1	9
Exchange (loss)/gain on translation of foreign operations	**(64)**	80	145
Total comprehensive income for the period	**447**	374	326
Total comprehensive income attributable to:			
Ordinary equity holders of the parent	**407**	336	281
Non-controlling interests	**40**	38	45

Condensed consolidated statement of changes in equity

FOR THE HALF YEAR ENDED 31 MARCH 2021

	Number of ordinary shares million	Share capital Rm	Reserves Rm	Retained earnings Rm	Equity attributable to ordinary equity holders of the parent Rm	Non-controlling interests Rm	Total equity 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 – audited	612.7	1 103	179	3 563	4 845	576	5 421
Total comprehensive income	–	–	77	259	336	38	374
Profit for the period	–	–	–	259	259	38	297
Other comprehensive income	–	–	77	–	77	–	77
Grant of share appreciation rights and conditional share plans	–	–	31	–	31	–	31
Settlement of share appreciation rights and conditional share plans	–	–	(33)	(24)	(57)	–	(57)
Dividends paid	–	–	–	(209)	(209)	(41)	(250)
Issue of shares	2.8	60	–	–	60	–	60
Repurchase of shares	(2.0)	(42)	–	–	(42)	–	(42)
Balance at 31 March 2020 – unaudited	613.5	1 121	254	3 589	4 964	573	5 537
Total comprehensive income	–	–	46	(101)	(55)	7	(48)
Profit for the period	–	–	–	(101)	(101)	7	(94)
Other comprehensive income	–	–	46	–	46	–	46
Grant of share appreciation rights and conditional share plans	–	–	30	–	30	–	30
Settlement of share appreciation rights and conditional share plans	–	–	(8)	(7)	(15)	–	(15)
Dividends paid	–	–	–	–	–	(25)	(25)
Issue of shares	48.0	894	–	–	894	–	894
Balance at 30 September 2020 – audited	**661.5**	**2 015**	**322**	**3 481**	**5 818**	**555**	**6 373**
Total comprehensive income	**–**	**–**	**(14)**	**421**	**407**	**40**	**447**
Profit for the period	**–**	**–**	**–**	**421**	**421**	**40**	**461**
Other comprehensive income	**–**	**–**	**(14)**	**–**	**(14)**	**–**	**(14)**
Transactions with non-controlling interests**	**–**	**–**	**–**	**(66)**	**(66)**	**(28)**	**(94)**
Grant of share appreciation rights and conditional share plans	**–**	**–**	**28**	**–**	**28**	**–**	**28**
Settlement of share appreciation rights and conditional share plans	**–**	**–**	**(9)**	**(4)**	**(13)**	**–**	**(13)**
Transfer to retained earnings	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Issue of shares	**13.0**	**262**	**–**	**–**	**262**	**–**	**262**
Balance at 31 March 2021 – unaudited	**674.5**	**2 277**	**327**	**3 832**	**6 436**	**561**	**6 997**

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

** *Transactions with non-controlling interests consist of two transactions in which the group acquired shares from non-controlling interests as follows:*

- *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.*

Consolidated statement of cash flows

FOR THE HALF YEAR ENDED 31 MARCH 2021

	Notes	**31 March 2021 Unaudited Rm**	31 March 2020 Unaudited Restated* Rm	30 September 2020 Audited Rm
Cash flow from operating activities				
Cash generated by operations		**390**	296	610
Interest received		**1 026**	1 135	2 039
Interest paid		**(560)**	(645)	(1 194)
Income taxes paid		**(45)**	(35)	(115)
Dividends paid		**(6)**	(250)	(275)
Cash flow from operating activities before changes in operating assets and working capital		**805**	501	1 065
Increase in operating assets		**(1 302)**	(1 027)	(1 838)
Loans and advances		**(925)**	(489)	(1 118)
Leased assets		**3**	–	–
Purchased book debts		**(380)**	(538)	(720)
Changes in working capital		**(128)**	(585)	(462)
Increase in inventories		**(71)**	(143)	(200)
Increase in trade and other receivables		**(47)**	(156)	(76)
Increase in other loans receivable		**(13)**	(4)	(25)
Increase/(decrease) in trade and other payables		**3**	(282)	(161)
Net cash utilised by operating activities		**(625)**	(1 111)	(1 235)
Cash flow from investing activities				
Acquisition of property and equipment		**(21)**	(12)	(57)
Proceeds on disposal of property and equipment		**–**	–	4
Acquisition of intangible assets		**(38)**	(131)	(214)
Investment into equity accounted investment	1	**(28)**	(131)	(1 604)
Acquisition of subsidiary		**–**	(175)	(175)
Additional interest acquired in subsidiary		**(82)**	–	–
Proceeds on disposal of subsidiary		**–**	–	30
Net cash utilised by investing activities		**(169)**	(449)	(2 016)
Cash flow from financing activities				
Proceeds from interest-bearing liabilities		**3 362**	4 589	10 797
Settlement of interest-bearing liabilities		**(2 802)**	(2 672)	(7 163)
(Settlement)/proceeds in other short-term borrowings		**(57)**	(20)	26
Repayment of lease liabilities		**(39)**	(44)	(52)
Repurchase of shares		**–**	(42)	(42)
Issue of shares		**248**	–	550
Net cash generated by financing activities		**712**	1 811	4 116
Net decrease in cash and cash equivalents		**(82)**	251	865
Cash and cash equivalents at the beginning of the period		**1 422**	538	538
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(12)**	3	19
Cash and cash equivalents at the end of period**		**1 328**	792	1 422

* *Restated to present interest received and interest paid separately on the face of the statement of cash flow in line with IAS 7 – Statement of cash flows paragraph 31. Refer to note 6.*

** *Cash and cash equivalents are presented net of bank overdrafts and includes R3 million (31 March 2020: R52 million, 30 September 2020: R15 million) of cash transferred as part of assets held for sale.*

Notes to the condensed consolidated financial statements

FOR THE YEAR ENDED 31 MARCH

1 EQUITY ACCOUNTED INVESTMENTS

1.1 DETAILS OF THE GROUP'S SIGNIFICANT INVESTMENTS AT 31 MARCH 2021 ARE AS FOLLOWS:

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

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

** *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.*

Dividends received from the associates below represent the actual amounts attributable and hence received by the group. The other summary information that precedes the reconciliation to the group's carrying amount represents amounts included in the IFRS financial statements of the associate, not the share of these amounts. Furthermore the periods reflected are the 6 months ended 31 March for the current and prior periods, and the 12 months ended 30 September.

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

	WeBuyCars		
	31 March 2021 Unaudited Rm	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm
Current assets	**813**	–	611
Non-current assets	**1 034**	–	836
Current liabilities	**(393)**	–	(367)
Non-current liabilities	**(575)**	–	(459)
Equity attributable to owners of the company	**879**	–	621
Non-controlling interest	**–**	–	–
Revenue	**4 682**	–	6 302
Profit for the period	**257**	–	306
Other comprehensive income attributable to the owners of the company	**–**	–	–
Total comprehensive income	**257**	–	306
Dividends received from the associate during the period	**–**	–	–

1 EQUITY ACCOUNTED INVESTMENTS continued

1.2 CARRYING AMOUNT OF EQUITY ACCOUNTED INVESTMENTS

	WeBuyCars			TC Global Finance			Lanyana			Total		
	31 March 2021 Unaudited Rm	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm	**31 March 2021 Unaudited Rm**	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm	**31 March 2021 Unaudited Rm**	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm	**31 March 2021 Unaudited Rm**	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm
Net assets of investment	**879**	–	621	**403**	349	368	**22**	20	26	**1 304**	369	1 015
Proportion of the group's ownership interest in the investment	**438**	–	310	**201**	175	184	**5**	5	7	**644**	180	501
Goodwill	**1 565**	–	1 565	**–**	–	–	**73**	71	76	**1 638**	71	1 641
Shareholder loan	**–**	–	–	**–**	–	–	**–**	–	5	**–**	–	5
Other adjustments*	**–**	–	–	**–**	–	–	**10**	9	6	**10**	9	6
Carrying amount of the group's interest in investment	**2 003**	–	1 875	**201**	175	184	**88**	85	94	**2 292**	260	2 153

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

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

	WeBuyCars			TC Global Finance			Lanyana			Total		
	31 March 2021 Unaudited Rm	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm	**31 March 2021 Unaudited Rm**	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm	**31 March 2021 Unaudited Rm**	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm	**31 March 2021 Unaudited Rm**	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm
Carrying amount at the beginning of the period	**1 875**	–	–	**184**	22	22	**94**	70	70	**2 153**	92	92
Investment into equity accounted investment	**–**	–	1 860	**32**	127	131	**–**	4	4	**32**	131	1 995
Share of profit after tax	**128**	–	15	**(3)**	(1)	8	**3**	5	9	**128**	4	32
Dividend received	**–**	–	–	**–**	–	–	**(4)**	–	(3)	**(4)**	–	(3)
Effect of foreign currency exchange difference	**–**	–	–	**(12)**	27	23	**(5)**	6	14	**(17)**	33	37
Balance at the end of the period	**2 003**	–	1 875	**201**	175	184	**88**	85	94	**2 292**	260	2 153

Notes to the condensed consolidated financial statements

FOR THE SIX MONTHS ENDED 31 MARCH

1 EQUITY ACCOUNTED INVESTMENTS continued

1.2 CARRYING AMOUNT OF EQUITY ACCOUNTED INVESTMENTS continued

1.2.2 CASH FLOW FROM INVESTMENT INTO EQUITY INVESTMENTS:

	31 March 2021 Unaudited Rm	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm
The cash flow movement in investment into equity accounted investments is calculated as follows:			
Increase in equity accounted investment	**(139)**	(168)	(2 061)
Share of profit after tax	**128**	4	32
Ordinary shares in Transaction Capital Limited	**–**	–	329
Deferred consideration	**–**	–	37
Derivative liability	**–**	–	22
Effect of foreign currency exchange difference	**(17)**	33	37
Net investment into equity accounted investments	**(28)**	(131)	(1 604)

	31 March 2021 Unaudited Rm	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm
2 INTEREST-BEARING LIABILITIES			
Type of loan			
Securitisation notes, debentures and loans	**5 063**	3 784	4 966
Loans	**9 720**	9 230	9 673
Total interest-bearing liabilities	**14 783**	13 014	14 639
Classes of interest-bearing liabilities			
Senior debt	**14 170**	12 350	13 894
Subordinated debt	**613**	664	745
Total interest-bearing liabilities	**14 783**	13 014	14 639
Maturity profile			
Payable within 12 months	**5 366**	4 593	3 384
Payable thereafter	**9 417**	8 421	11 255
Total interest-bearing liabilities	**14 783**	13 014	14 639

Given the pressures caused by COVID-19 on the collections of the business' portfolios, the capital markets team took several steps during the previous financial year to strengthen the group's financial position and maintain financial liquidity and flexibility. This included the following:

- The restructuring of various debt repayments, specifically the deferment of mandatory capital repayments for June 2020 and September 2020 in two structures within the group where these obligations exist as well as the extension of these facilities by six months; and
- In addition, a third structure within the group was converted to a pass-through structure.

In all cases, these amendments were assessed as modifications in terms of IFRS 9 during the previous financial year resulting in funding costs being amortised over the remaining term of the respective debt.

For further updates on the management of liquidity risk – refer to note 7.2.

	31 March 2021 Unaudited Rm	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm
3 ORDINARY SHARE CAPITAL			
Authorised			
1 000 000 000 ordinary shares			
Issued			
674 531 743 (31 March 2020: 613 486 932, 30 September 2020: 661 496 331) ordinary shares			
Ordinary share capital	**2 277**	1 121	2 015
Ordinary share capital	**2 277**	1 121	2 015

	31 March 2021 Unaudited		31 March 2020 Unaudited		30 September 2020 Audited	
	Number of shares million	Share capital Rm*	Number of shares million	Share capital Rm*	Number of shares million	Share capital Rm*
3.1 RECONCILIATION OF ORDINARY SHARE CAPITAL						
Balance at the beginning of the period	**661.5**	**2 015**	612.7	1 103	612.7	1 103
Shares issued in settlement of the Share Appreciations Rights Plan obligation and Conditional Share Plan (Note 3.1.1)	**0.6**	**14**	2.8	60	3.6	75
Shares issued to subsidiaries	**–**	**–**	–	–	16.5	329
Equity raised through accelerated bookbuild	**–**	**–**	–	–	30.7	550
Equity raised through the open market (Note 3.1.2)	**12.4**	**248**	–	–	–	–
Shares repurchased in the open market and cancelled	**–**	**–**	(2.0)	(42)	(2.0)	(42)
Balance at the end of the period	**674.5**	**2 277**	613.5	1 121	661.5	2 015

* *Net of share issue costs*

3.1.1 In terms of specific authority received from shareholders on the adoption of the Transaction Capital Share Appreciation Rights Plan and Transaction Capital Conditional Share Plan, a total of 635 412 shares were issued to participants/employees as part of respective vestings at an average price of R21.53 per share.

3.1.2 On 19 November 2020 Transaction Capital limited issued 12 400 000 shares to Royal Bafokeng Holdings Limited at a price of R20 per share.

PREFERENCE SHARE CAPITAL

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

Issued
Nil (31 March 2020: Nil, 30 September 2020: Nil) preference shares.

Notes to the condensed consolidated financial statements

FOR THE SIX MONTHS ENDED 31 MARCH

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:

	31 March 2021 Unaudited Rm	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm
4.1 NON-INTEREST REVENUE COMPRISES:			
Net insurance result	**237**	228	440
Revenue from purchased book debts	**628**	559	1 111
Other non-interest revenue	**663**	642	1 436
Fee-for-service revenue	**446**	445	960
Commission income	**34**	38	72
Fee income	**130**	112	234
Revenue from sale of goods	**34**	29	60
Other insurance service related income*	**1**	4	7
Other income	**18**	14	103
Total non-interest revenue	**1 528**	1 429	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.*

5 EARNINGS PER SHARE

5.1 FROM CONTINUING AND DISCONTINUED OPERATIONS

		31 March 2021 Unaudited	31 March 2020 Unaudited	30 September 2020 Audited
Basic earnings per share	cents	**63.1**	42.2	25.3
Diluted basic earnings per share	cents	**62.3**	41.6	25.3
Headline earnings per share	cents	**64.2**	42.6	33.1
Diluted headline earnings per share	cents	**63.3**	42.0	33.0

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

		31 March 2021 Unaudited	31 March 2020 Unaudited	30 September 2020 Audited
Earnings				
Earnings for the purposes of basic and diluted basic earnings per share	Rm	**421**	259	158
Being profit for the year attributable to ordinary equity holders of the parent				
Headline earnings adjustments:		**7**	2	48
Impairment of goodwill	Rm	**–**	2	2
Impairment of property, and equipment	Rm	**–**	–	4
Impairment of intangibles	Rm	**–**	–	1
Impairment of right of use assets	Rm	**1**	–	16
Impairment of investment	Rm	**2**	–	–
Loss from changes in foreign exchange rates from equity accounted investments	Rm	**4**	–	–
Profit on disposal of subsidiary	Rm	**–**	–	25
Earnings for the purposes of headline and diluted headline earnings per share	Rm	**428**	261	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 period	million	**661.5**	612.7	612.7
Effect of shares issued during the period	million	**5.3**	1.9	12.1
Effect of shares repurchased during the period	million	**–**	(0.8)	(1.4)
Weighted average number of ordinary shares for the purposes of basic and headline earnings per share	million	**666.8**	613.8	623.4
Effect of dilutive potential ordinary shares:				
Shares deemed to be issued for no consideration in respect of Share Appreciation Rights Plan and Conditional Share Plan	million	**8.8**	8.3	0.9
Portion of WeBuyCars deferred consideration to be settled in Transaction Capital Limited ordinary shares	million	**0.6**	–	1.0
Weighted average number of ordinary shares for the purposes of diluted basic and headline earnings per share	million	**676.2**	622.1	625.3

Notes to the condensed consolidated financial statements

FOR THE SIX MONTHS ENDED 31 MARCH

		31 March 2021 Unaudited	31 March 2020 Unaudited	30 September 2020 Audited
5 EARNINGS PER SHARE continued				
5.2 FROM CONTINUING OPERATIONS				
Basic earnings per share	cents	**64.3**	44.8	39.3
Diluted basic earnings per share	cents	**63.4**	44.2	39.2
Headline earnings per share	cents	**65.2**	45.2	42.0
Diluted headline earnings per share	cents	**64.3**	44.2	41.9
The calculation earnings per share is based on the following data:				
Earnings				
Profit for the period attributable to ordinary equity holders of the parent	Rm	**421**	259	158
Adjustments to exclude the loss for the period from discontinued operations	Rm	**8**	16	87
Earnings from continuing operations for the purposes of basic and diluted basic earnings per share excluding discontinued operations	Rm	**429**	275	245
Headline earnings adjustments:				
Impairment of goodwill	Rm	**–**	2	2
Impairment of property, and equipment	Rm	**–**	–	4
Impairment of right of use of assets	Rm	**–**	–	11
Impairment of investment	Rm	**2**	–	–
Loss from changes in foreign exchange rates from equity accounted investments	Rm	**4**	–	–
Earnings from continuing operations for the purposes of headline and diluted headline earnings per share excluding discontinued operations	Rm	**435**	277	262

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

6 PRIOR PERIOD RESTATEMENT

Management has previously not been able to present interest paid and received in accordance with the requirements of IAS 7 – Statement of Cash flows due to system limitations. In the previous financial year a solution was implemented for the disclosure to be corrected. The cashflow for the period ended 31 March 2020 has been restated to present interest paid and interest received on the face of the cash flow statement. Included below is the impact on the relevant presentation and disclosures.

	31 March 2020		
	As previously presented Rm	Adjustment Rm	Restated* Rm
Cash generated by operations is calculated as follows:			
Profit before tax from continuing operations	418	–	418
Adjusted for:			
Other non-cash flow movements	525	–	525
Interest income*	–	(1 328)	(1 328)
Interest expense*	–	681	681
Cash generated by operations	943	(647)	296
Cash flow from operating activities			
Cash generated by operations	943	(647)	296
Interest received*	–	1 135	1 135
Interest paid*	–	(645)	(645)
Income taxes paid	(35)	–	(35)
Dividends paid	(250)	–	(250)
Cash flow from operating activities before changes in operating assets and working capital	658	(157)	501
Cash flow from loans and advances			
The cash flow movement in loans and advances is calculated as follows:			
Decrease in loans and advances	174	–	174
Tranferred to assets held for sale	(514)	–	(514)
Impairment of loans and advances	(340)	–	(340)
Accrued interest*	–	191	191
Net increase in loans and advances	(680)	191	(489)
Changes in working capital			
Increase in inventories	(143)	–	(143)
Increase in trade and other receivables	(156)	–	(156)
Increase in other loans receivable	(4)	–	(4)
Decrease in trade and other payables	(248)	(34)	(282)
Net changes in working capital	(551)	(34)	(585)
Net cash utilised by operating activities	(1 111)	–	(1 111)

* *Not previously presented*

Notes to the condensed consolidated financial statements

FOR THE SIX MONTHS ENDED 31 MARCH

7 FINANCIAL RISK MANAGEMENT

7.1 CREDIT RISK

IMPACTS OF COVID-19

SA Taxi

The outbreak of COVID-19 (first wave of COVID-19) had a significant impact on the collections performance across all portfolios during the prior year. Given the restriction on public movement and public transport operation, a large portion of our clients were placed under both operational and financial strain regarding their ability to generate income and service instalment payments on their loans. In light of this strain, the group gave payment relief covering a one-month period (April 2020) to the majority of its client base provided that the clients account was in good standing and their vehicles had a fully functioning telematics device. Additional payment relief measures were provided over the months of May, June, July and August 2020 – however these were provided on an adhoc basis and affected a small number of accounts of the portfolio (those affected by ongoing restrictions).

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

The second wave of COVID-19, which occurred during the current period, also resulted in restrictions on public movement and public transport operations and placed further pressure on a large portion of our clients. This in turn slowed the expected recovery of the overall book to normalised levels. No further payment relief measures were provided to clients during the current period.

The impact of the 'risk-adjusted level 3' lockdown on collections, implemented from 28 December 2020 to 28 February 2021 in response to a resurgence in COVID-19 infections, was less severe than anticipated with collections at 89% during risk-adjusted level 3 compared to 88% during level 1 (21 September to 27 December 2020). Government's more nuanced approach to the last COVID-19 resurgence was well balanced between saving lives, protecting the national healthcare system and ensuring the least possible disruption to economic recovery. This has lowered the risk of returning to more severe restrictions on the industry and should minimise the economic damage of any further resurgences in infections before population immunity is reached. With the marked improvement in COVID-19 infections allowing the easing of restrictions on 1 February 2021 and again on 1 March 2021, collections had recovered to 96% during March 2021.

The collections performance off the portfolio has a significant impact on several of the assumptions driving the loan book provisioning which include the PD, EAD, and LGW. The impact of the adverse collection experience since April 2020 (which continued into the current financial year (apart from the part capitalisation discussed above), has been considered on our impairment model parameters – (ie. we have not modified arrears and as a result have allowed accounts to age and roll forward without modification). These impairment model parameters have been applied in determining expected cash shortfalls arising from non-payment in the best estimate provision on the loan book as at 31 March 2021, which are currently anticipated to extend to the end of the third quarter of our financial year.

Credit impaired financial assets are determined considering both the ageing and recency of payments. Our customers are mostly cash payers given that they earn their fares from commuters in cash. Recency enables us to understand the cashflow that is generated from the underlying asset which is indicative of a customers' ability to make payment on the underlying loan. The shape of the book and stage distribution of the portfolio has shifted due to the impact of the lockdown on underlying collections activity. Management continues to support the rebuttals of the 30- and 90- day presumptions and the collateral values applied in the modelling.

Historically, SA Taxi has not applied a curing mechanism in measuring the expected credit loss of the portfolio. As disclosed in the prior year annual financial statements, a curing mechanism would only be implemented once management are comfortable that customers can demonstrate an extended period of corrective payment behaviour. Management are currently assessing potential curing mechanisms which would re-set the stage distribution of the portfolio, however as at 31 March 2021, no formal mechanisms have been approved or implemented. Assessments will continue into the second half of this financial year, and will consider the extent to which COVID-19 has further impacts on our credit losses going forward. This impact will depend on the duration and severity of future waves experienced, which are highly uncertain and cannot be predicted with confidence.

If the strain on the underlying collections of the portfolio extend past the end of the third quarter of this financial year, the estimated credit losses and overall results of operations will be adversely affected.

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

Transaction Capital Risk Services

The outbreak of COVID-19 had a significant impact on the operations of the business and the debtors from which we collect. In the immediate weeks following the initial lock-down on 27 March 2020 the business' operations were not able to work from the office (WFO). The rapid and effective mobilisation of a fully functioning remote work-from-home capability (WFH) resulted in all call centre agents being able to effectively work remotely. The success of this forced change from WFO to WFH has had a fundamental change on the operating model of the business as the effectiveness of the WFH execution has resulted in agent productivity metrics improving to above pre COVID-19 levels. Going forward, a balance between WFH and WFO will be maintained.

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. TCRS's collection rates recovered for the period ended 31 March 2021, in line with levels anticipated and provided for in our FY2020 financial results, but does note that the economic impact of the pandemic has been factored into the carrying value of purchase book debts. The business has relatively low exposure to heavily COVID-19 impacted industries (wholesale lending to key COVID-19 impacted industries as a percentage of total loans being approximately 10% across each of the impacted industries being property, manufacturing, retail (non-food), hospitality, construction, aviation, healthcare and automotive).

The business continues to amortise the carrying value of its purchased book debts at a more conservative rate than before COVID-19, and has incorporated the impact of thirteen probability weighted scenarios into its amortisation models. These models recognise the potential future impact of curtailed government support and unemployment increasing in the near term and the resultant impact on collection activity. To illustrate these pressures, the February 2021 BA900 Regulatory Returns submitted by South African banks show that provisions were 35.8% higher year on year, while total credit extension grew an average of only 2.4%. 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. Should collection activity sustainably return to pre COVID-19 levels these adjustments will reverse in future periods via reduced amortisation costs.

7.1.1 FINANCIAL ASSETS SUBJECT TO RISK

	Loans and advances* Rm	Other loans receivable Rm	Trade and other receivables** Rm	Purchased book debts Rm	Total Rm
31 March 2021 – Unaudited					
Neither past due nor impaired	**4 302**	**52**	**778**	**–**	**5 132**
Past due but not impaired	**5 988**	**–**	**60**	**–**	**6 048**
Impaired	**2 703**	**–**	**67**	**–**	**2 770**
Purchased credit-impaired financial assets	**–**	**–**	**–**	**2 705**	**2 705**
Impairment allowance	**(579)**	**–**	**(23)**	**–**	**(602)**
Performing loans and advances	**(168)**	**–**	**–**	**–**	**(168)**
Non-performing loans and advances	**(411)**	**–**	**–**	**–**	**(411)**
Non-performing trade and other receivables	**–**	**–**	**(23)**	**–**	**(23)**
Carrying value of financial assets	**12 414**	**52**	**882**	**2 705**	**16 053**

	Loans and advances* Rm	Other loans receivable Rm	Trade and other receivables** Rm	Purchased book debts Rm	Total Rm
31 March 2020 – Unaudited					
Neither past due nor impaired	5 482	49	1 105	–	6 636
Past due but not impaired	3 769	–	98	–	3 867
Impaired	1 928	–	88	–	2 016
Purchased credit-impaired financial assets	–	–	–	2 775	2 775
Impairment allowance	(437)	–	(17)	–	(454)
Performing loans and advances	(78)	–	–	–	(78)
Non-performing loans and advances	(257)	–	–	–	(257)
Additional COVID-19 general provision	(102)				(102)
Non-performing trade and other receivables	–	–	(17)	–	(17)
Carrying value of financial assets	10 742	49	1 274	2 775	14 840

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Comparative information for March 2020 has been restated to be presented on a consistent basis.*
For the purposes of both 31 March 2021 and 30 September 2020, the impact of COVID-19 is embedded into the underlying impairment provision built on the portfolio and reflected across the stages to which they relate. For the purposes of 31 March 2020, in addition to the impairment provision built on the portfolio, management included a general impairment provision for the effects of COVID-19 amounting to R102 million which represented management's best estimate of the expected future losses to be incurred at that point in time.

** *Dealer incentive commission, prepayments and VAT receivables are not financial assets and therefore have been excluded from trade and other receivables.*

Notes to the condensed consolidated financial statements
FOR THE SIX MONTHS ENDED 31 MARCH

7 FINANCIAL RISK MANAGEMENT continued

7.1 CREDIT RISK continued

7.1.1 FINANCIAL ASSETS SUBJECT TO RISK continued

	Loans and advances* Rm	Other loans receivable Rm	Trade and other receivables** Rm	Purchased book debts Rm	Total Rm
30 September 2020 – Audited					
Neither past due nor impaired	3 015	55	1 039	–	4 109
Past due but not impaired	5 908	–	95	–	6 003
Impaired	3 146	–	26	–	3 172
Purchased credit-impaired financial assets	–	–	–	2 520	2 520
Impairment allowance	(624)	–	(23)	–	(647)
Performing loans and advances	(119)	–	(1)	–	(120)
Non-performing loans and advances	(505)	–	–	–	(505)
Non-performing trade and other receivables	–	–	(22)	–	(22)
Carrying value of financial assets	11 445	55	1 137	2 520	15 157

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Comparative information for March 2020 has been restated to be presented on a consistent basis.*
For the purposes of both 31 March 2021 and 30 September 2020, the impact of COVID-19 is embedded into the underlying impairment provision built on the portfolio and reflected across the stages to which they relate. For the purposes of 31 March 2020, in addition to the impairment provision built on the portfolio, management included a general impairment provision for the effects of COVID-19 amounting to R102 million which represented management's best estimate of the expected future losses to be incurred at that point in time.

** *Dealer incentive commission, prepayments and VAT receivables are not financial assets and therefore have been excluded from trade and other receivables.*

7 FINANCIAL RISK MANAGEMENT continued

7.1 CREDIT RISK continued

7.1.2 VALIDATION OF COLLATERAL

The group typically holds vehicles (taxis), bonds over residential property and debtor books in the case of invoice discounting as collateral against secured advances. Any security taken as part of the credit decision is valued according to the applicable credit policies at the time of credit approval and at regular intervals thereafter. The group uses a number of approaches for the valuation of collateral, including:

- SA Taxi values collateral at the expected pre-owned sales value minus costs to repair; and
- The outbreak of COVID-19 has had no impact on our average collateral values applied.

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

	31 March 2021 Unaudited Rm	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm
Related credit risk exposure and enhancements			
Maximum exposure to credit risk of loans and advances	**12 993**	11 179	12 069
Impairment allowance	**(579)**	(437)	(624)
Maximum exposure to credit losses of loans and advances	**12 414**	10 742	11 445
Ceded insurance contract liabilities	**(139)**	(127)	(124)
Maximum exposure to credit losses of loans and advances (after the effect of ceded insurance contract liabilities)	**12 275**	10 615	11 321
Credit risk exposure mitigated through unguaranteed residual asset values held as collateral			
Total	**17 236**	15 727	16 324
Vehicles	**17 236**	15 727	16 324
Total	**17 236**	15 727	16 324
Fair value of collateral held for impaired financial assets	**2 469**	1 952	3 263
Fair value of collateral held for financial assets past due but not specifically impaired	**8 347**	5 537	8 294
Fair value of collateral held for financial assets neither past due nor impaired	**6 324**	8 164	4 667
Fair value of collateral held for impaired non-financial assets	**96**	74	100
Collateral attached comprises vehicles.			

* *Collateral values are shown excluding the impact of ceded insurance contract liabilities and repossessed vehicles on hand. The associated collateral value has been provided on a consistent basis.*

Notes to the condensed consolidated financial statements

FOR THE SIX MONTHS ENDED 31 MARCH

7 FINANCIAL RISK MANAGEMENT continued

7.1 CREDIT RISK continued

7.1.3 LOANS AND ADVANCES THAT ARE NEITHER PAST DUE NOR IMPAIRED

	31 March 2021 Unaudited Rm	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm
Carrying amount of loans and advances that are neither past due nor impaired	**4 302**	5 482	3 015
Credit quality			
High	**1 646**	5 223	1 002
Medium	**1 141**	248	635
Low	**1 515**	11	1 378

* *During the prior year, the credit application scorecard was redeveloped. In line with best practice, application scorecards were recalibrated to ensure the scorecards remain statistically accurate at ranking and predicting default risk. The change in scorecard had no impact on the CD state distribution of the portfolio, it simply represents management's view of credit quality. Credit quality disclosures for the prior period have been restated to remove the impact of ceded insurance contract liabilities.*

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

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

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

7 FINANCIAL RISK MANAGEMENT continued

7.1 CREDIT RISK continued

7.1.4 FINANCIAL ASSETS THAT ARE PAST DUE BUT NOT IMPAIRED

Financial assets that are past due but not impaired are assets where contractual interest or principal payments are past due, but the group believes that impairment is not appropriate. Recent payment history and the level of collateral available, if any, are key considerations in determining whether an asset is impaired.

Credit impaired financial assets are determined considering both ageing and recency of payments. SA Taxi customers are mostly cash payers given that they earn their fares from commuters in cash. Recency enables us to understand the cashflow that is generated from the underlying asset which is indicative of a customers' ability to make payment on the underlying loan. The impairment provision calculated on loans and advances disclosed as past due but not impaired are measured applying lifetime expected credit losses. Of the R2.66 billion (31 March 2020: R900 million, 30 September 2020: R1.46 billion) reflected as part of past due but not impaired, a qualifying payment was received on accounts reflecting an exposure balance of R1.95 billion (73%) (31 March 2020: R504 million (56%), 30 September 2020: R1 billion (68%)) in the most recent month, with the remaining 27% (31 March 2020: 44%, 30 September 2020: 32%) being collected in the two months prior to the most recent month.

The impact of the adverse collection experience since April 2020 caused by COVID-19, has been considered on our impairment model parameters – (ie. we did not modify arrears and as a result we allowed accounts to age and roll forward without modification). These impairment model parameters have been applied in determining expected cash shortfalls arising from non-payment in the best estimate provision on the loan book as at 31 March 2021.

The ageing of loans and advances and trade and other receivables that are past due but not impaired is as follows:

	Past due up to 1 month Rm	Past due up to 1 – 2 months Rm	Past due up to 2 – 3 months Rm	Past due up to 3 – 4 months Rm	Past due older than 4 months Rm	Total Rm
31 March 2021 – Unaudited						
Loans and advances	**1 071**	**905**	**697**	**654**	**2 661**	**5 988**
Trade and other receivables	**13**	**14**	**11**	**3**	**19**	**60**
Financial assets that are past due but not impaired	**1 084**	**919**	**708**	**657**	**2 680**	**6 048**
31 March 2020 – Unaudited						
Loans and advances*	1 338	814	430	288	899	3 769
Trade and other receivables	49	5	5	22	17	98
Financial assets that are past due but not impaired	1 387	819	435	310	916	3 867
30 September 2020 – Audited						
Loans and advances*	1 234	1 312	1 135	763	1 465	5 909
Trade and other receivables	19	9	7	10	51	96
Financial assets that are past due but not impaired	1 253	1 321	1 142	773	1 516	6 005

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Comparative information for March 2020 has been restated to be presented on a consistent basis.*

Notes to the condensed consolidated financial statements

FOR THE SIX MONTHS ENDED 31 MARCH

7 FINANCIAL RISK MANAGEMENT continued

7.1 CREDIT RISK continued

7.1.5 IMPAIRMENT PROVISION RECONCILIATION

Loans and advances	12 month expected credit losses Rm	Lifetime expected credit losses Rm	Credit impaired financial assets Rm	Total Rm
31 March 2021 – Unaudited				
Balance at the beginning of the year	**33**	**85**	**506**	**624**
Originations	**23**	**6**	**2**	**31**
Existing book movements	**(10)**	**45**	**(56)**	**(21)**
Write-offs	**(1)**	**(6)**	**(39)**	**(46)**
Derecognition (settlements in the ordinary course of business)	**(5)**	**(2)**	**(2)**	**(9)**
Balance at the end of the period*	**40**	**128**	**411**	**579**
31 March 2020 – Unaudited				
Balance at the beginning of the year	24	84	228	336
Originations	7	6	5	18
Existing book movements	(8)	11	64	67
Write-offs	(3)	(23)	(34)	(60)
Derecognition (settlements in the ordinary course of business)	–	–	(1)	(1)
Transferred to assets held for sale	(1)	(19)	(5)	(25)
Additional COVID-19 general overlay provision**	–	–	–	102
Balance at the end of the period*	19	59	257	437
30 September 2020 – Audited				
Balance at the beginning of the year	24	84	228	336
Originations	15	37	59	111
Existing book movements	4	26	261	291
Write-offs	(3)	(12)	(41)	(56)
Derecognition (settlements in the ordinary course of business)	(1)	–	(1)	(2)
Transferred to assets held for sale	–	(50)	–	(50)
Disposal of subsidiary	(6)	–	–	(6)
Balance at the end of the period*	33	85	506	624

* *IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Comparative information for March 2020 has been restated to be presented on a consistent basis.*

** *For the purposes of both 31 March 2021 and 30 September 2020, the impact of COVID-19 is embedded into the underlying impairment provision built on the portfolio and reflected across the stages to which they relate. For the purposes of 31 March 2020, in addition to the impairment provision built on the portfolio, management included a general impairment provision for the effects of COVID-19 amounting to R102 million which represented management's best estimate of the expected future losses to be incurred at that point in time.*

7 FINANCIAL RISK MANAGEMENT continued

7.1 CREDIT RISK continued

7.1.5 IMPAIRMENT PROVISION RECONCILIATION continued

The maximum exposure to credit risk of loans and advances at the financial period end is analysed further as follows:

Loans and advances	12 month expected credit losses Rm	Lifetime expected credit losses Rm	Credit impaired financial assets Rm	Total Rm
31 March 2021 – Unaudited				
Neither past due nor impaired	**4 282**	**20**	**–**	**4 302**
Past due not impaired	**868**	**5 120**	**–**	**5 988**
Impaired	**–**	**–**	**2 703**	**2 703**
Impairment allowance	**(40)**	**(128)**	**(411)**	**(579)**
Performing loans and advances	**(40)**	**(128)**	**–**	**(168)**
Non-performing loans and advances	**–**	**–**	**(411)**	**(411)**
Carrying value of financial assets*	**5 110**	**5 012**	**2 292**	**12 414**
31 March 2020 – Unaudited				
Neither past due nor impaired	5 463	19	–	5 482
Past due not impaired	949	2 820	–	3 769
Impaired	–	–	1 928	1 928
Impairment allowance	(19)	(59)	(257)	(335)
Performing loans and advances	(19)	(59)	–	(78)
Non-performing loans and advances	–	–	(257)	(257)
Additional COVID-19 general provision	–	–	–	(102)
Carrying value of financial assets*	6 393	2 780	1 671	10 742
30 September 2020 – Audited				
Neither past due nor impaired	3 004	11	–	3 015
Past due not impaired	1 065	4 843	–	5 908
Impaired	–	–	3 146	3 146
Impairment allowance	(36)	(83)	(505)	(624)
Performing loans and advances	(36)	(83)	–	(119)
Non-performing loans and advances	–	–	(505)	(505)
Carrying value of financial assets*	4 033	4 771	2 641	11 445

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

Comparative information for March 2020 has been restated to be presented on a consistent basis.

For the purposes of both 31 March 2021 and 30 September 2020, the impact of COVID-19 is embedded into the underlying impairment provision built on the portfolio and reflected across the stages to which they relate. For the purposes of 31 March 2020, in addition to the impairment provision built on the portfolio, management included a general impairment provision for the effects of COVID-19 amounting to R102 million which represented management's best estimate of the expected future losses to be incurred at that point in time.

Notes to the condensed consolidated financial statements

FOR THE SIX MONTHS ENDED 31 MARCH

7 FINANCIAL RISK MANAGEMENT continued

7.2 LIQUIDITY RISK MANAGEMENT

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

	On demand Rm	Within 1 year Rm	From 1 – 5 years Rm	More than 5 years Rm	Total Rm
31 March 2021 – Unaudited					
Liabilities					
Bank overdrafts	**184**	**–**	**–**	**–**	**184**
Other short-term borrowings	**45**	**–**	**–**	**–**	**45**
Trade and other payables*	**185**	**431**	**–**	**–**	**616**
Interest-bearing liabilities	**–**	**6 286**	**10 388**	**809**	**17 483**
Lease liabilities	**–**	**92**	**303**	**43**	**438**
Financial liabilities	**414**	**6 809**	**10 691**	**852**	**18 766**
Non-financial liabilities	**361**	**822**	**–**	**–**	**1 183**
Total liabilities	**775**	**7 631**	**10 691**	**852**	**19 949**

	On demand Rm	Within 1 year Rm	From 1 – 5 years Rm	More than 5 years Rm	Total Rm
31 March 2020 – Unaudited					
Liabilities					
Bank overdrafts	316	–	–	–	316
Other short-term borrowings	56	–	–	–	56
Trade and other payables*	178	156	–	–	334
Interest-bearing liabilities	–	5 203	9 243	112	14 558
Lease liabilities	2	147	354	32	535
Financial liabilities	552	5 506	9 597	144	15 799
Non-financial liabilities	36	621	–	–	657
Total liabilities	588	6 127	9 597	144	16 456

* *Revenue received in advance, VAT payables and bonus accruals are not financial liabilities and therefore have been excluded from trade and other payables and included in the non-financial liabilities.*

7 FINANCIAL RISK MANAGEMENT continued

7.2 LIQUIDITY RISK MANAGEMENT continued

	On demand Rm	Within 1 year Rm	From 1 – 5 years Rm	More than 5 years Rm	Total Rm
30 September 2020 – Audited					
Liabilities					
Bank overdrafts	387	–	–	–	387
Other short-term borrowings	102	–	–	–	102
Trade and other payables*	185	427	16	–	628
Interest-bearing liabilities	50	4 050	11 694	978	16 772
Lease liabilities	–	99	358	49	506
Financial liabilities	724	4 576	12 068	1 027	18 395
Non-financial liabilities	369	769	5	–	1 143
Total liabilities	1 093	5 345	12 073	1 027	19 538

The group has access to financing facilities as described below, of which R5 130 million were unused as at 31 March 2021 (March 2020: R4 201 million, September 2020: R3 597 million). The group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

	31 March 2021 Unaudited Rm	31 March 2020 Unaudited Rm	30 September 2020 Audited Rm
Unsecured bank overdraft facility, reviewed annually and payable on demand:			
Amount used	**184**	175	185
Amounts unused	**116**	137	15
Total	**300**	312	200
Secured bank overdraft and other short term facilities:			
Amount used	**45**	197	305
Amounts unused	**458**	248	246
Total	**503**	445	551
Secured bank loan facilities which may be extended by mutual agreement:			
Amount used	**14 783**	13 014	14 639
Amounts unused	**4 556**	3 816	3 336
Total	**19 339**	16 830	17 975

Notes to the condensed consolidated financial statements
FOR THE SIX MONTHS ENDED 31 MARCH

7 FINANCIAL RISK MANAGEMENT continued

7.3 FAIR VALUE DISCLOSURE

	31 March 2021					31 March 2020					30 September 2020				
	Carrying value Unaudited Rm	Total fair value Unaudited Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Carrying value Unaudited Rm	Total fair value Unaudited Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Carrying value Audited Rm	Total fair value Audited Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Assets															
Loans and advances*	12 414	12 414	–	–	12 414	10 742	10 841	–	–	10 841	11 445	11 436	–	–	11 436
Purchased book debts	2 705	2 705	–	–	2 705	2 775	2 775	–	–	2 775	2 520	2 520	–	–	2 520
Other loans receivable	52	52	–	–	52	49	49	–	–	49	55	55	–	–	55
Trade and other receivables**	882	882	–	–	882	1 274	1 274	–	–	1 274	1 137	1 137	–	–	1 137
Cash and cash equivalents	1 509	1 509	1 509	–	–	1 055	1 055	1 055	–	–	1 794	1 794	1 794	–	–
Total	17 562	17 562	1 509	–	16 053	15 895	15 994	1 055	–	14 939	16 951	16 942	1 794	–	15 148
Liabilities															
Interest-bearing liabilities***	14 783	14 914	–	355	14 559	13 014	13 090	–	–	13 090	14 639	14 858	–	350	14 508
Fixed rate liabilities	600	605	–	–	605	426	428	–	–	428	441	351	–	–	351
Floating rate liabilities	14 183	14 309	–	355	13 954	12 588	12 662	–	–	12 662	14 198	14 507	–	350	14 157
Trade and other payables****	616	616	–	39	577	318	318	–	–	318	553	556	–	56	500
Other short-term borrowings	45	45	–	–	45	56	56	–	–	56	102	102	–	–	102
Bank overdrafts	184	184	184	–	–	316	316	316	–	–	387	387	387	–	–
Total	15 628	15 759	184	394	15 181	13 704	13 780	316	–	13 464	15 681	15 903	387	406	15 110
Net exposure	1 934	1 803	1 325	(394)	872	2 191	2 214	739	–	1 475	1 270	1 039	1 407	(406)	38

* IFRS 7 disclosures relate to loans and advances and exclude the impact of repossessed vehicles on hand and ceded insurance contract liabilities. Comparative information for March 2020 has been restated accordingly.

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

*** Lease liabilities are excluded from the scope of IFRS 13 – Fair value measurement.

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

Notes to the condensed consolidated financial statements

FOR THE SIX MONTHS ENDED 31 MARCH

7 FINANCIAL RISK MANAGEMENT continued

7.3 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 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.

7.4 LEVEL DISCLOSURE

31 March 2021 – Unaudited	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets at fair value through profit and loss				
Loans and advances: entry-level vehicles	–	–	17	17
Other Financial Assets	–	–	214	214
Derivatives**	–	22	–	22
Financial assets at fair value through other comprehensive income				
Derivatives	–	86	–	86
Total financial assets	–	108	231	339
Financial liabilities at fair value through profit and loss				
Derivatives***	–	7	–	7
Interest bearing liabilities (vendor finance)	–	355	–	355
Deferred consideration*	–	39	–	39
Financial liabilities at fair value through other comprehensive income				
Derivatives**	–	90	–	90
Total financial liabilities	–	491	–	491

* *The deferred consideration and vendor finance relate to the investment into WeBuyCars.*

Derivatives:

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

*** *The group provided an equity underpin to WeBuyCars in the prior year which has been valued using the Black-Scholes model.*

7 FINANCIAL RISK MANAGEMENT continued

7.4 LEVEL DISCLOSURE continued

31 March 2020 – Unaudited	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets at fair value through profit and loss				
Loans and advances: entry-level vehicles	–	–	20	20
Other Financial Assets	–	–	130	130
Derivatives**	–	11	–	11
Financial assets at fair value through other comprehensive income				
Derivatives	–	475	–	475
Total financial assets	–	486	150	636
Financial liabilities at fair value through profit and loss				
Financial liabilities at fair value through other comprehensive income				
Derivatives**	<1	–	–	<1
Total financial liabilities	<1	–	–	<1

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

* *The deferred consideration and vendor finance relate to the investment into WeBuyCars.*

Derivatives:

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

*** *The group provided an equity underpin to WeBuyCars in the prior year which has been valued using the Black-Scholes model.*

Notes to the condensed consolidated financial statements

FOR THE SIX MONTHS ENDED 31 MARCH

7 FINANCIAL RISK MANAGEMENT continued

7.4 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.

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.

7 FINANCIAL RISK MANAGEMENT continued

7.4 LEVEL DISCLOSURE continued

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS

31 March 2021 – Unaudited	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
Opening balance	187	–	187
Total gains or losses			
In profit or loss	(19)	–	(19)
Other movements*	63	–	63
Closing balance of fair value measurement	231	–	231

31 March 2020 – Unaudited	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
Opening balance	118	–	118
Total gains or losses			
In profit or loss	1	–	1
Other movements*	31	–	31
Closing balance of fair value measurement	150	–	150

30 September 2020 – Audited	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total 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 charges on accounts less collections received and write-off's on loans for entry-level vehicles as well as movements in Other Financial Assets.*

Notes to the condensed consolidated financial statements

FOR THE SIX MONTHS ENDED 31 MARCH

7 FINANCIAL RISK MANAGEMENT continued

7.4 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.

	31 March 2021		31 March 2020		30 September 2020	
Loans and advances: entry-level vehicles	**10% Favourable Rm**	**10% Unfavourable Rm**	10% Favourable Rm	10% Unfavourable Rm	10% Favourable Rm	10% Unfavourable Rm
Significant unobservable input and description of assumption						
Average collateral value	**1**	**(1)**	1	(1)	1	(1)
Discount rate: the rate used to discount projected future cash flows to present value	**<1**	**<(1)**	1	(1)	<1	<(1)
Total	**1**	**(1)**	2	(2)	1	(1)

	31 March 2021		31 March 2020		30 September 2020	
Other Financial Assets	**10% Favourable Rm**	**10% Unfavourable Rm**	10% Favourable Rm	10% Unfavourable Rm	10% Favourable Rm	10% Unfavourable Rm
Significant unobservable input and description of assumption						
Cash flows: change in the expected revenue	**5**	**(5)**	7	(7)	9	(9)
Cash flows: change in expected costs	**1**	**(1)**	1	(1)	1	(1)
Discount rate: the rate used to discount projected future cash flows to present value	**3**	**(3)**	3	(3)	4	(4)
Total	**9**	**(9)**	11	(11)	14	(14)

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

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 including amounts in respect of interest and cost recoveries.
- To support the broader working capital life cycle of Small and Medium-Sized Enterprises (SMEs), Transaction Capital Risk Services (TCRS) also provides payment solutions, payroll-related services and financing solutions.

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

GROUP EXECUTIVE OFFICE

- The group executive office provides an efficient capital management and treasury function for entities within the group, in addition to administrative and management services.
- Revenue comprises mainly of interest income and management fees from subsidiaries, the majority of which is eliminated on group consolidation.
- The numbers presented in the Group Executive Office segment exclude group consolidation entries.

Notes to the condensed consolidated financial statements

FOR THE SIX MONTHS ENDED 31 MARCH

8 SEGMENT REPORT continued

	SA Taxi*			Transaction Capital Risk Services*			WeBuyCars***			Group executive office**			Intergroup eliminations			Group		
	31 Mar 2021 Unaudited Rm	31 Mar 2020 Unaudited Restated* Rm	30 Sep 2020 Audited Restated* Rm	**31 Mar 2021 Unaudited Rm**	31 Mar 2020 Unaudited Restated* Rm	30 Sep 2020 Audited Restated* Rm	**31 Mar 2021 Unaudited Rm**	31 Mar 2020 Unaudited Rm	30 Sep 2020 Audited Rm	**31 Mar 2021 Unaudited Rm**	31 Mar 2020 Unaudited Rm	30 Sep 2020 Audited Rm	**31 Mar 2021 Unaudited Rm**	31 Mar 2020 Unaudited Rm	30 Sep 2020 Audited Rm	**31 Mar 2021 Unaudited Rm**	31 Mar 2020 Unaudited Rm	30 Sep 2020 Audited Rm
Condensed income statement																		
Net interest income/(expense)	**752**	676	1 358	**(84)**	(68)	(158)	**(15)**	–	(1)	**17**	39	65	**–**	–	–	**670**	647	1 264
Impairment of loans and advances	**(295)**	(338)	(836)	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–	**(295)**	(338)	(836)
Non-interest revenue	**366**	360	686	**1 158**	1 069	2 308	**–**	–	–	**9**	4	4	**(5)**	(4)	(11)	**1 528**	1 429	2 987
Operating costs	**(515)**	(435)	(901)	**(897)**	(871)	(2 129)	**–**	–	–	**(27)**	(22)	(64)	**5**	4	11	**(1 434)**	(1 324)	(3 083)
Non-operating profit	**–**	–	–	**(1)**	–	–	**–**	–	5	**–**	–	–	**–**	–	–	**(1)**	–	5
Equity accounted income/(loss)	**–**	–	–	**3**	5	9	**128**	–	15	**(3)**	(1)	8	**–**	–	–	**128**	4	32
Profit before tax	**308**	263	307	**179**	135	30	**113**	–	19	**(4)**	20	13	**–**	–	–	**596**	418	369
Profit for the period from continuing operations	**228**	200	237	**131**	99	22	**113**	–	19	**(3)**	14	12	**–**	–	–	**469**	313	290
Discontinued operations																		
Loss for the period from discontinued operations	**–**	–	–	**(8)**	(16)	(87)	**–**	–	–	**–**	–	–	**–**	–	–	**(8)**	(16)	(87)
Profit for the period	**228**	200	237	**123**	83	(65)	**113**	–	19	**(3)**	14	12	**–**	–	–	**461**	297	203

* *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 before tax from WeBuyCars comprises:*

	31 Mar 2021 Unaudited Rm	31 Mar 2020 Unaudited Rm	30 Sep 2020 Audited Rm
Share of operating profit after tax	**128**	–	10
Share of mark-to-market of 16 467 000 Transaction Capital ordinary shares	**–**	–	5
Mark-to-market of derivative liability	**(5)**	–	5
Interest expense on preference share liability (vendor finance) and deferred consideration	**(10)**	–	(1)
Profit before tax	**113**	–	19

Notes to the condensed consolidated financial statements

FOR THE SIX MONTHS ENDED 31 MARCH

8 SEGMENT REPORT continued

	SA Taxi*			Transaction Capital Risk Services*			WeBuyCars			Group executive office			Intergroup eliminations			Group		
	31 Mar 2021 Unaudited Rm	31 Mar 2020 Unaudited Restated* Rm	30 Sep 2020 Audited Restated* Rm	**31 Mar 2021 Unaudited Rm**	31 Mar 2020 Unaudited Restated* Rm	30 Sep 2020 Audited Restated* Rm	**31 Mar 2021 Unaudited Rm**	31 Mar 2020 Unaudited Rm	30 Sep 2020 Audited Rm	**31 Mar 2021 Unaudited Rm**	31 Mar 2020 Unaudited Rm	30 Sep 2020 Audited Rm	**31 Mar 2021 Unaudited Rm**	31 Mar 2020 Unaudited Rm	30 Sep 2020 Audited Rm	**31 Mar 2021 Unaudited Rm**	31 Mar 2020 Unaudited Rm	30 Sep 2020 Audited Rm
Condensed statement of financial position																		
Assets																		
Cash and cash equivalents	**1 119**	770	1 436	**318**	89	321	**–**	–	–	**72**	196	37	**–**	–	–	**1 509**	1 055	1 794
Trade and other receivables	**985**	1 394	1 203	**307**	317	317	**–**	–	–	**18**	24	17	**(12)**	(19)	(15)	**1 298**	1 716	1 522
Inventories	**1 101**	973	1 030	**2**	2	2	**–**	–	–	**–**	–	–	**–**	–	–	**1 103**	975	1 032
Loans and advances	**12 510**	10 816	11 545	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–	**12 510**	10 816	11 545
Purchased book debts	**–**	–	–	**2 705**	2 775	2 520	**–**	–	–	**–**	–	–	**–**	–	–	**2 705**	2 775	2 520
Equity accounted investments	**–**	–	–	**88**	86	94	**2 003**	–	1 875	**201**	174	184	**–**	–	–	**2 292**	260	2 153
Other assets	**1 218**	1 185	1 262	**1 539**	2 029	1 697	**–**	–	–	**4 001**	2 434	3 751	**(3 957)**	(2 398)	(3 719)	**2 801**	3 250	2 991
Total assets	**16 933**	15 138	16 476	**4 959**	5 298	4 951	**2 003**	–	1 875	**4 292**	2 828	3 989	**(3 969)**	(2 417)	(3 734)	**24 218**	20 847	23 557
Liabilities																		
Bank overdrafts	**184**	175	186	**–**	141	201	**–**	–	–	**–**	–	–	**–**	–	–	**184**	316	387
Trade and other payables	**458**	212	318	**241**	203	252	**39**	–	54	**62**	38	75	**(10)**	(16)	(13)	**790**	437	686
Insurance contract liabilities	**361**	441	374	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–	**361**	441	374
Interest-bearing liabilities	**12 379**	11 064	12 334	**2 417**	2 581	2 222	**355**	–	350	**276**	–	216	**(644)**	(631)	(483)	**14 783**	13 014	14 639
Senior debt	**11 587**	10 293	11 435	**1 952**	2 057	1 893	**355**	–	350	**276**	–	216	**–**	–	–	**14 170**	12 350	13 894
Subordinated debt	**613**	664	745	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–	**613**	664	745
Group loans	**179**	107	154	**465**	524	329	**–**	–	–	**–**	–	–	**(644)**	(631)	(483)	**–**	–	–
Lease liabilities	**189**	168	172	**217**	248	245	**–**	–	–	**4**	–	–	**–**	–	–	**410**	416	417
Other liabilities	**216**	193	217	**474**	492	462	**4**	–	–	**4**	3	2	**(5)**	(2)	–	**693**	686	681
Total liabilities	**13 787**	12 253	13 601	**3 349**	3 665	3 382	**398**	–	404	**346**	41	293	**(659)**	(649)	(496)	**17 221**	15 310	17 184
Total equity	**3 146**	2 885	2 875	**1 610**	1 633	1 569	**1 605**	–	1 471	**3 946**	2 787	3 696	**(3 310)**	(1 768)	(3 238)	**6 997**	5 537	6 373

* *Restated for a change in the composition of reportable segments per IFRS 8 – Segment Reporting.*

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		
	31 March 2021 Unaudited Rm	31 March 2020 Unaudited Rm	30 Sep 2020 Audited Rm	**31 March 2021 Unaudited Rm**	31 March 2020 Unaudited Rm	30 Sep 2020 Audited Rm
South Africa	**2 480**	2 463	4 744	**19 189**	15 167	18 062
Australia	**311**	294	798	**901**	812	931
Europe	**–**	–	–	**201**	174	184
Total	**2 791**	2 757	5 542	**20 291**	16 153	19 177

Notes to the condensed consolidated financial statements

FOR THE SIX MONTHS ENDED 31 MARCH

9 GOING CONCERN

The condensed consolidated financial statements were prepared on a going concern basis. Based on their assessment, the directors have no reason to believe that the company will not continue as a going concern in the foreseeable future. This assessment considered the impact of both the first and second waves of COVID-19 and included an assessment of the relevance of its business models; the nature of the primary assets and the cash-flows generated from these assets as well as the company's balance sheet.

BUSINESS MODEL RELEVANCE

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

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

NATURE OF PRIMARY ASSETS

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

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

BALANCE SHEET AND LIQUIDITY

Along with the additional measures implemented to preserve liquidity in response to COVID-19, the group has sufficient liquidity and financial flexibility to support underlying business operations as at 31 March 2021.

Refer to the liquidity risk management in note 7.2.

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