BAYPORT SECURITISATION (PTY) LTD
(formerly known as
Stylestar Properties 177 (Pty) Ltd)
(Registration number 2008/003557/07)

FINANCIAL STATEMENTS
for the period ended 31 March 2009

BAYPORT SECURITISATION (PTY) LTD
FINANCIAL STATEMENTS
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GENERAL INFORMATION

Country of incorporation:	South Africa
Date of incorporation:	11 February 2008
Nature of business:	Securitisation vehicle
Directors:	Martin Zonny Freeman David Mark Hurwitz Grant Colin Kurland
Registered office:	Block B, Metropolitan Office Park 82 Wessels Road Rivonia 2191
Business address:	Block B, Metropolitan Office Park 82 Wessels Road Rivonia 2191
Postal address:	Postnet Suite 116 Private Bag X43 Sunninghill 2157
Holding company:	The Bayport Securitisation Ownership Trust
Bankers:	First National Bank of South Africa Standard Bank of South Africa ABSA
Auditors:	Deloitte & Touche
Company registration:	2008/003557/07

BAYPORT SECURITISATION (PTY) LTD
FINANCIAL STATEMENTS
for the period ended 31 March 2009

The reports and statements set out below comprise the financial statements presented to members:

BAYPORT SECURITISATION (PTY) LTD
FINANCIAL STATEMENTS
for the period ended 31 March 2009

DIRECTORS' RESPONSIBILITIES AND APPROVAL OF THE FINANCIAL STATEMENTS

The directors are required by the Companies Act of South Africa, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Company as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors' acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company cash flow forecast for the year to 31 March 2010 and, in the light of this review they are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the financial statements. The financial statements have been examined by the external auditors and their report is presented on page 3.

The financial statements set out on pages 4 to 23, which have been prepared on the going concern basis, were approved by the board of directors on 14 September 2009 and were signed on its behalf by:

David Mark Hurwitz
Director

Martin Zonny Freeman
Director

Deloitte

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF BAYPORT SECURITISATION (PTY) LTD

Report on the financial statements
We have audited the financial statements of Bayport Securitisation (Pty) Ltd, which comprise the directors' report, the balance sheet as at 31 March 2009, the income statement, the statement of changes in equity and cash flow statement for the period then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 23.

Directors' responsibility for the financial statements
The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with statements of International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements fairly present, in all material respects, the financial position of the Bayport Securitisation (Pty) Ltd at 31 March 2009 and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

Deloitte & Touche

Deloitte & Touche

Per: Lito Nunes
Partner
14 September 2009

BAYPORT SECURITISATION (PTY) LTD
DIRECTORS' REPORT
for the period ended 31 March 2009

The directors present their report for the period ended 31 March 2009.

1. Review of activities

Change of name

During the period the Company changed its name from Stylestar Properties 177 (Pty) Ltd to Bayport Securitisation (Pty) Ltd.

Main business and operations

The Company is a special purpose vehicle incorporated to purchase the loan claims originated by Bayport Financial Services (Pty) Ltd and to provide flexible and efficiently priced funding.

2. Comparatives

The Company was incorporated on the 11 February 2008 and therefore no comparatives are presented.

3. Post balance sheet events

There have been no facts or circumstances of a material nature that have occurred between the 31 March 2009 and the date of this report which would require further disclosure or adjustments to the financial statements.

4. Authorised and issued share capital

On the date of incorporation the Company had authorised share capital of 1 000 Ordinary shares of R1 each and issued 100 Ordinary shares at R1 each.

5. Directors

The directors of the Company during the accounting period and up to the date of this report were as follows:

Name	Position	Date appointed	Date resigned
Christian Gouws	Director	11 February 2008	15 February 2008
Martin Zonny Freeman	Director	15 February 2008	
David Mark Hurwitz	Director	15 February 2008	
Grant Colin Kurland	Director	15 February 2008	

6. Secretary

There was no Company secretary appointed during the period.

7. Auditors

On incorporation LSG Integrated were appointed as auditors. On 15 February 2008, Deloitte & Touche were appointed and will continue in office in accordance with section 270(2) of the Companies Act.

BAYPORT SECURITISATION (PTY) LTD
BALANCE SHEET
at 31 March 2009

	Notes	2009 R
Assets		
Non-current assets		
Net advances	2	601 391 662
Current assets		
Trade and other receivables	4	27 148
Net advances	2	151 288 240
Cash and cash equivalents	5	50 480 305
		201 795 693
Total assets		803 187 355
Equity and liabilities		
Equity		
Share capital	6	100
Retained income		33 509 620
		33 509 720
Liabilities		
Non-current liabilities		
Long term funding	7	665 000 000
Junior debentures	8	72 000 000
Deferred taxation liability	9	9 816 500
		746 816 500
Current liabilities		
Receiver of revenue		3 215 019
Trade and other payables	11	4 114 068
Loans from related party	12	15 532 048
		22 861 135
Total liabilities		769 677 635
Total equity and liabilities		803 187 355

BAYPORT SECURITISATION (PTY) LTD
INCOME STATEMENT
for the period ended 31 March 2009

	Notes	2009 R
Revenue	13	221 433 150
Other income	14	33 085 461
Operating expenses		(140 977 074)
Operating profit	15	113 541 537
Investment income	16	1 614 263
Finance costs	17	(68 614 661)
Profit before taxation		46 541 139
Taxation	18	(13 031 519)
Profit for the period		33 509 620

BAYPORT SECURITISATION (PTY) LTD
STATEMENT OF CHANGES IN EQUITY
for the period ended 31 March 2009

	Share capital	Retained income	Total equity
Balance on incorporation at 11 February 2008	-	-	-
Issue of shares	100	-	100
Profit for the period	-	33 509 620	33 509 620
Balance at 31 March 2009	100	33 509 620	33 509 720

BAYPORT SECURITISATION (PTY) LTD
CASH FLOW STATEMENT
for the period ended 31 March 2009

	Notes	2009 R
Cash flows from operating activities		
Cash utilised by operations	19	(635 051 445)
Investment income		1 614 263
Finance costs		(68 614 661)
Taxation paid	20	-
Net cash outflow from operating activities		(702 051 843)
Cash flows from financing activities		
Increase in long term funding		665 000 000
Issue of junior debentures		72 000 000
Movement in related party loans		15 532 048
Issue of share capital		100
Net cash inflow from financing activities		752 532 148
Total cash movement for the period		50 480 305
Cash and cash equivalents at the beginning of the period		-
Total cash and cash equivalents at end of the period	5	50 480 305

1. Statement of compliance and basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

1.2 Financial instruments

Initial recognition

A financial instrument is defined as a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial instruments, as reflected on the balance sheet, include all financial assets and financial liabilities but exclude property and equipment, deferred taxation, taxation payable, provisions and intangible assets.

Loans and advances and related impairment

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods, or services directly to a debtor, or on behalf of the debtor to a third party, with no intention to trade the receivable. All of the Company's loans and advances are in the form of personal unsecured loans that are paid back in fixed equal instalments.

Loans and advances are measured at amortised cost using the effective interest method less any impairment losses. Advances which are deemed uncollectible through the Company's internal processes are written off against the impairment provision for non-performing loans. Cash collected on loans previously written off is recognised in the income statement as bad debts recovered when the cash is received.

Impairment

The Company monitors the contractual performance of its loans and advances in order to determine whether there is any indication that those advances have become impaired. Any impairment required is calculated on a portfolio basis for a group of similar financial assets.

Where the recoverable amount of the advances is estimated to be less than the carrying amount, the carrying amount is reduced to the recoverable amount by raising an impairment provision, which is recognised as an expense in the income statement.

In addition, portfolio impairment provisions are maintained to cover potential losses, which although not specifically identified are considered to be present in the advances portfolio.

Impairment losses are reversed in subsequent periods when an increase in the loan's recoverability can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the loan at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

1.2 Financial instruments (continued)

Loans to related parties (shareholders, directors, managers and employees)

These financial assets are initially recognised at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the loan's recoverability can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the loan at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method less any impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expense in the income statement.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded and subsequently measured at fair value.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises collateralised borrowing for the processed received.

1.3 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the income statement. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in the income statement. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.4 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax assets and liabilities

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductable in other years and it further excludes items that are never taxable or deductible.

Current tax for current and prior periods is, to the extend unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rate (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except ot the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

1.4 Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

1.5 Share capital and equity

Equity is the residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are classfied as equity.

Share capital

Share capital issued by the Company is recorded as the proceeds received less the external costs directly attributable to the transaction.

1.6 Provisions

Provisions are recognised when:

- The Company has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliabile estimated can be made of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle that obligation at balance sheet date.

1.7 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue comprises interest income and non-interest income. Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the company and the amount of revenue, and associated costs incurred or to be incurred, can be reliably measured.

Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

Non-interest income

Non-interest income consists primarily of administration fees on loans and advances, commission on insurance premiums, and income in respect of the mobile contract products. Administration fees charged are comprised of two components:

- **Origination fees on loans granted**

  These fees are capitalised on the loan upfront and are primarily based on the cost of granting the loan to the individual. In accordance with IAS 18 – Revenue, these origination fees are considered an integral part of the loan agreement, and accordingly are amortised to the income statement over the contractual life of the loan using the effective interest rate method, with the unamortised portion of the fees recorded in a provision for deferred administration fees.

1.7 Revenue (continued)

In accordance with IAS 18, the Company defers any related costs, which are considered by management to be incremental, over the contractual life of the loan.

- **Monthly servicing fees**
  These are fees charged monthly for the cost of maintaining and administering loans granted to clients. These fees are taken directly to the income statement when charged.

- **Mobile product revenue**
  Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of revenue and associated costs incurred or to be incurred, can be reliably measured. Revenue is split into separately identifiable components. Mobile contracts include deliverables such as a handset and 24-months worth of contractual services and are defined as arrangements with multiple deliverables.

  The arrangement consideration is allocated to each deliverable, based on the fair value of the individual deliverables.

  The revenue is recognised for the individual deliverables as follows:
  - Revenue from the handset is recognised when the product is delivered.
  - The contractually agreed monthly portion of the service revenue received from the customer is recognised in the period in which the service is delivered.
  - Revenue from the SIM and Connection fees is closely linked to the contract and recognised over the term.

1.8 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.9 Key sources of estimate uncertainty

The key source of estimation uncertainty at the balance sheet date, that has a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, relates to the impairment provision on loans and advances. The calculation of the specific impairment provision requires an estimation of future cash flows and a suitable discount rate in order to calculate present value. The portfolio impairment provision is based on management's best estimate of losses incurred but not yet reported.

1.10 Adoption of new and revised International Financial Reporting Standards

Standards and interpretations effective in the current period
The Company has adopted IFRS 3 Business Combinations during the period, which is effective for annual reporting periods beginning on or after the 1 July 2009.

Standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements the following standards were in issue but not yet effective:

- IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2010)
- IAS 36 Impairment of assets (effective for accounting periods beginning on or after 1 January 2010)
- IAS 39 Financial Instruments (effective for accounting periods beginning on or after 1 January 2010)

The directors anticipate that all of the above standards will be adopted in the Company's financial statements for the year commencing 1 April 2009 and that the adoption of those standards will have no material impact on the financial statements of the Company in the period on initial application.

2. Net advances

	2009 R
Total advances	850 941 933
Net administration fees	(646 536)
Gross advances	850 295 397
Impairment	
- Specific	(91 757 651)
- IBNR	(5 857 844)
Net advances	752 679 902
Represented by:	
Not past due	
Gross advances	549 861 997
Impairment of advances	(5 107 398)
	544 754 599
Past due	
Gross advances	300 433 400
- <3 months in arrears	128 178 660
- >3 months in arrears	172 254 740
Impairment of advance	(92 508 097)
	207 925 303
Analysis of impairment charge	
- Bad debt written off	49 012 412
- At acquisition purchase	10 169 188
- Specific	32 576 051
- IBNR	5 857 844
	97 615 495
Net administration fees	
Gross deferred administration fees	45 555 877
Transaction costs associated with the administration fees	(44 875 800)
Net administration fees	680 077
Unamortised administration fee included on initial purchase of loan book	882 491
Administration fee amortised during the period	(916 032)
	646 536
Maturity analysis	
Maturity within six months	46 415 887
Maturity after six months but within 12 months	104 872 353
Due within 12 months	151 288 240
Maturity after twelve months	699 007 157
	850 295 397

3. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

	2009 R
Classified as loans and receivables:	
Gross advances	850 941 933
Trade and other receivables	27 148
Cash and cash equivalents	50 480 305
Total	901 449 386

4. Trade and other receivables

Employee costs in advance	27 148

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	50 480 305
The total amount of undrawn facilities available for future operating activities and commitments	75 000 000

6. Share capital

Authorised:	
10 000 ordinary shares of R1 each	10 000
Issued:	
100 ordinary shares of R1 each	100

The unissued shares are under the control of the directors' until the next Annual General Meeting.

7. Long term funding

	2009 R
Mezzanine loan facility	30 000 000
Futuregrowth Asset Management Ltd	125 000 000
Old Mutual Investment Group of South Africa	510 000 000
	665 000 000

Mezzanine Loan Facility Agreement - Futuregrowth Asset Management Ltd

The loan bears interest at the SWAP Curve rate plus 450 basis points. The loan is repayable within 24 months from the second anniversary from 30 September 2009. The total facility is R30 million.

As security for its obligations, the Company has executed a deed of cession in terms of which it ceded to the trustee in *securitatem debiti* all its right, title and interest in all current and future debtors book, its deposit accounts, cash balances and credit life insurance where applicable. This security ranks after that of the senior debt facility.

Futuregrowth Asset Management Ltd

The facility with Futuregrowth Asset Management Ltd consists of a warehousing facility and the senior debt facility. In terms of the warehousing facility agreement, Bayport Financial Services (Pty) Ltd has access to a rolling facility of up to R75 million. The warehousing facility is converted to term funding (senior debt) at the end of the following calendar month when the facility reaches R75 million. The intention of the senior debt is purely to refinance the warehousing facility. The total facility is R425 million.

As security for its obligations, the Company has executed a deed of cession in terms of which it ceded to the trustee in *securitatem debiti* all its right, title and interest in all current and future debtors book, its deposit accounts, cash balances and credit life insurance where applicable.

- **Warehousing facility**

The facility bears interest at a fixed rate, being 250 basis points above JIBAR (Johannesburg interbank agreed rate), as at the immediately preceding interest rate payment date. Interest is calculated on a daily basis and is paid to the lenders in cash at the end of each quarter.

- **Senior debt facility**

The loans bear interest at the SWAP Curve rate plus 250 basis points. Each specific note has a scheduled amortisation period that commences 24 months after the issue date of the respective note.

Futuregrowth	*Maturity Date*	*Interest Rate*	*Debt Balance at 31 March 2009*
Senior Facility 1	30-Jun-12	13.53%	50 000 000
Senior Facility 2	30-Sep-12	12.70%	75 000 000
Warehousing		9.85%	-
Total			125 000 000

7. Long term funding (continued)

Old Mutual Investment Group of South Africa ("OMIGSA")

The loan bears interest at the SWAP Curve rate plus 220 basis points. Each specific note has a scheduled amortisation period that commences 24 months after the issue date of the respective note.

As security for its obligations, the Company has executed a deed of cession in terms of which it ceded to the trustee in *securitatem debiti* all its right, title and interest in all current and future debtors book, its deposit accounts, cash balances and credit life insurance where applicable.

OMIGSA	*Maturity Date*	*Interest Rate*	*Debt Balance at 31 March 2009*
Senior Facility 1	30-Jun-12	13.25%	275 000 000
Senior Facility 2	30-Sep-12	11.95%	25 000 000
Senior Facility 3	30-Dec-12	10.69%	60 000 000
Senior Facility 4	30-Dec-12	10.26%	75 000 000
Senior Facility 5	28-Feb-13	10.39%	75 000 000
Total			510 000 000

8. Junior debentures

	2009 R
Bayport Financial Services (Pty) Ltd	72 000 000

During the current period the Company issued the following junior debentures to Bayport Financial Services (Pty) Ltd .

- Debenture 1- R25 million
  The debenture carries an interest rate of 18.69%
- Debenture 2- R13 million
  The debenture carries an interest rate of 17.01%
- Debenture 3- R2 million
  The debenture carries an interest rate of prime plus 150 basis points
- Debenture 4- R32 million
  The debenture carries an interest rate of prime plus 150 basis points

The interest on the above debentures are payable monthly.

The junior debentures are repayable in full on 14 May 2018.

9. Deferred taxation liability

	2009 R
Accelerated capital allowances for tax purposes	9 816 500

Reconciliation of deferred tax liability

At beginning of the period	-
Originating temporary difference regarding impairment on advances	(1 230 147)
Cost of handsets	11 046 647
	9 816 500

10. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Classified as financial liabilities at amortised cost:	
Long term funding	665 000 000
Junior debentures	72 000 000
Trade and other payables	4 114 068
Loans from related party	15 532 048
Total	756 646 116

11. Trade and other payables

Trade payables	1 786 919
Accruals	250 000
VAT	2 077 149
Total	4 114 068

BAYPORT SECURITISATION (PTY) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the period ended 31 March 2009

12. Loans from related party

	2009 R
Bayport Financial Services (Pty) Ltd	15 532 048

The loan with Bayport Financial Services (Pty) Ltd bears no interest, is unsecured and there are no repayment terms.

13. Revenue

Interest received (trading)	214 211 761
Subscription income – cellular	7 221 389
Total	221 433 150

14. Other income

Collection fees	29 822 767
Recoveries	3 262 648
Sundry	46
Total	33 085 461

15. Operating profit

Operating profit for the period is stated after accounting for the following:

Auditors remuneration	
- Audit services	250 000
- Non audit services	-
Consulting fees	70 000
Bad debts	49 012 412
Impairment charge through Income Statement	38 433 625
Management fees – Bayport Financial Services (Pty) Ltd	41 936 098

	2009
16. Investment income	**R**
Call account interest	1 614 263

17. Finance costs

Long term funding	57 213 975
Junior debentures – Bayport Financial Services (Pty) Ltd	11 399 933
Bank overdraft interest	753
Total	68 614 661

18. Taxation

Major components of the tax expense:

Current	
Local income tax – current period	3 215 019
Deferred	
Deferred tax	9 816 500
	13 031 519

Reconciliation of the tax expense

Accounting profit	46 541 139
Tax at the application tax rate of 28%	13 031 519

19. Cash utilised by operations

	2009 R
Profit before taxation	46 541 139
Adjustments for:	
Investment income	(1 614 263)
Finance costs	68 614 661
Changes in working capital:	
Increase in trade and other receivables	(27 148)
Increase in net advances	(752 679 902)
Increase in trade and other payables	4 114 068
	(635 051 445)

20. Taxation paid

Balance at beginning of the period	-
Current tax for the period recognised in income statement	(3 215 019)
Balance at end of the period	3 215 019
	-

21. Related parties

Relationships

Company which exerts control	Bayport Financial Services (Pty) Ltd

Related party balances

Junior debentures issued by Bayport Financial Services (Pty) Ltd – refer Note 8	72 000 000
Loans from related party – refer Note 12	15 532 048

Related party transactions

Interest on junior debentures – refer to Note 17	11 399 933
Management fee – Bayport Financial Services (Pty) Ltd – refer to Note 15	41 936 098

22. Risk management

The Company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Board recognises that they are responsible for the total process of risk management which includes defining, communicating, implementing and monitoring of the overall strategy. During the year under review, the board established a Credit Risk Committee (CRC) and an Audit and Risk Committee (ARC). The Board has adopted the Enterprise-Wide Risk Management Framework in overseeing the risk exposure of the organisation. Both the CRC and ARC have utilised the services of external parties to conduct comprehensive assessments of the risks affecting the organisation. These assessments have resulted in detailed action plans that have been put in place to manage the different inherent risks to within acceptable levels.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The Company's risk to liquidity is a result of the funds available to cover future commitments. The Company manages liquidity through an ongoing review of future commitments. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

At 31 March 2009	Less that 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
Long term liabilities	82 267 856	243 553 209	553 444 282	-
Junior debentures	12 493 800	12 493 800	37 515 629	123 515 531
Trade and other payables	4 114 068	-	-	-

Interest rate risk
While the Company has significant interest-bearing assets, the interest rate on these products are fixed for the duration of the advance. In order to maintain a neutral interest rate position, the funding is raised primarily at fixed interest rates. This helps ensure the Company's interest income and operating cash flows are substantially independent of changes in market interest rates. In addition, the funding is obtained over the medium to longer term as the interest rates are historically less volatile than short-term rates. This results in steady funding cost through the cycles.

	Total R	Due in less than one month R	Due in one to three months R	Due in four to 12 months R	Due after 12 months R	Non interest sensitive R
Financial instrument						
Net advances	752 679 902	2 063 124	82 679 121	10 388 801	657 548 856	-
Trade and other receivables – normal credit terms	27 148	-	-	-	-	27 148
Bank balances	50 480 305	50 480 305				
Trade and other payables – extended credit terms	4 114 068	4 114 068	-	-	-	-
Long term funding	665 000 000	-	-	-	665 000 000	-
Junior debentures	72 000 000	-	-	-	72 000 000	-
Loan from related party	15 532 048	-	-	-	-	15 532 048

Credit risk
All loans granted by the Company are granted in the Republic of South Africa. Exposure to credit losses is managed through granting loans to formally employed individuals, where repayment of loans is made through payroll deductions, debit order deductions and other similar techniques. The affordability levels of the client, financial stability of the employer, and an assessment of the client's credit history are also considered.

23. Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The capital structure of the Company consists of equity, which includes share capital and retained earnings and debt, which includes long term funding and junior debentures respectively.

24. Fair values of financial instruments

2009	Fair value R	Carrying value R
Assets		
Net advances	737 145 353	752 679 902
Cash and cash equivalents	50 480 305	50 480 305
Trade and other receivables	27 148	27 148
Total	787 652 806	803 187 355
Liabilities		
Long term funding	633 062 557	665 000 000
Junior debentures	72 000 000	72 000 000
Trade and other receivables	4 114 068	4 114 068
Loans from related party	15 532 048	15 532 048
Total	724 708 673	756 646 116

Cash and cash equivalents have short time to maturity. For this reason, the carrying amounts at the reporting date approximate the fair values.

Net advances are carried at amortised cost using the effective interest rate method. The fair value of the net advances is determined by taking the prevailing market environment and ruling interest rates, as at year-end into account. The book is then recalculated taking this additional deterioration into account.

Trade and other receivables have a short time to maturity and therefore the carrying amounts approximate the fair value.

Long term funding is carried at amortised cost. As the loans have fixed interest rates the fair value is calculated by taking interest rate changes into account.

Junior debentures are carried at amortised cost. As the loans have fixed interest rates the fair value is calculate by taking interest rate changes into account.

Trade and other payables have short time to maturity. For this reason, the carrying amounts at the reporting date approximate the fair values.

25. Contingent liabilities

The Company has no contingent liabilities at 31 March 2009 and there have been no events after balance sheet date that would indicate that the Company has incurred any contingent liabilities.