BAYPORT SECURITISATION (RF) LIMITED
(REGISTRATION NUMBER 2008/003557/06)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2013

These financial statements were prepared under the supervision of Stephen Williamson CA (SA)

BAYPORT SECURITISATION (RF) LIMITED

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 September 2013

GENERAL INFORMATION

Country of incorporation:	South Africa
Date of incorporation:	11 February 2008
Nature of business:	Securitisation vehicle
Directors:	Brendan Harmse Stephen Williamson Peter Katzenellenbogen Stuart Stone Jack Trevena Rishendrie Thanthony
Registered office:	Bayport House 23 A 10th Avenue Rivonia Johannesburg 2128
Business address:	Bayport House 23A 10th Avenue Rivonia Johannesburg 2128
Postal address:	Postnet Suite 116 Private Bag X43 Sunninghill 2157
Bankers:	First National Bank of South Africa Standard Bank of South Africa ABSA
Auditors:	Deloitte & Touche Chartered Accountants Registered Accountants and Auditors
Company secretary:	Alison Blanchard
Company registration:	2008/003557/06

BAYPORT SECURITISATION (RF) LIMITED

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 September 2013

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

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DIRECTORS' RESPONSIBILITIES AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors are required by the South African Companies Act, 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial period and the results of their operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual 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 annual 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 cash flow forecast for the year after the approval date of the annual financial statements and are satisfied that the company has access to adequate resources to continue as a going concern for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the annual financial statements. The annual financial statements have been examined by the external auditors and their report is presented on page 7.

The annual financial statements set out on pages 8 to 41 which have been prepared on the going concern basis, were approved by the board of directors on 10 December 2013 and were signed on its behalf by:

These Annual Financial Statements were signed by Stuart Stone on 10 December 2013. Copies of the version bearing such signature are available for inspection at the Specified Office of the Company.

Stuart Stone

These Annual Financial Statements were signed by Stephen Williamson on 10 December 2013. Copies of the version bearing such signature are available for inspection at the Specified Office of the Company.

Stephen Williamson

CERTIFICATE FROM THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, 2008, I certify that to the best of my knowledge and belief, Bayport Securitisation (RF) Limited has lodged with the Registrar of Companies for the financial year ended 30 September 2013 all such returns as are required of a public company in terms of the Companies Act, and that all returns are true, correct and up to date.

The certificate from the company secretary was signed by Alison Blanchard on 10 December 2013. Copies of the version bearing such signature are available for inspection at the Specified Office of the Company.

Alison Blanchard

Company secretary
10 December 2013

BAYPORT SECURITISATION (RF) LIMITED

REPORT OF THE AUDIT COMMITTEE

For the year ended 30 September 2013

The audit committee presents its report for the financial year ended 30 September 2013.

Purpose of the audit committee

The main purpose of the audit committee is to assist the board in discharging its duties relating to the safeguarding of assets, accounting systems and practices, the integrity of internal financial control processes and the preparation of accurate financial reporting and statements in compliance with all legal requirements and accounting standards.

Membership and attendance

The audit committee, appointed by the board in respect of the year ended 30 September 2013, comprised Jack Trevena (chairman), Brendan Harmse and Rishendrie Thanthony who are independent non-executive directors of the company. The committee meets at least twice per annum.

Functions of the audit committee

- Reviewing and approving the company external audit plan including the proposed audit scope, approach to company risk activities and the audit fee;
- Confirming the independence of the auditors Deloitte & Touche;
- Reviewing external audit reports;
- Assessing the nature and extent of non-audit services;
- Reviewing the accounting policies adopted by the company and all proposed changes in accounting policies and practices;
- Reviewing the annual financial statements to confirm the financial statements are prepared in accordance with International Financial Reporting Standards, the Companies Act of South Africa (Act 71 of 2008, as amended) and the Listing Requirements of the JSE Limited;
- Reviewing the company compliance plan and assessing the procedures for identifying the regulatory risks; and
- Reviewing the legal matters that could have a significant impact on the company's financial statements.

Attendance by auditors and executive directors

The external auditors are advised of all meetings of the audit committee. The executive directors of Bayport Financial Services 2010 (Pty) Ltd also attended meetings by invitation.

Independence of external auditor

The audit committee has satisfied itself that the auditors are independent of the company.

Internal financial controls, accounting practices and company annual financial statements

Based on the work of the company's assurance providers, nothing has come to the attention of the committee which indicates that the company's system of internal financial controls and accounting practices, in all material respects, does not provide a basis for reliable annual financial statements.

The committee is satisfied that the company annual financial statements are in compliance, in all material respects, with the requirements of the Companies Act and International Financial Reporting Standards, and recommended the financial statements for approval by the board.

The report of the audit committee was signed by Jack Trevena on 10 December 2013. Copies of the version bearing such signature are available for inspection at the Specified Office of the Company.

Jack Trevena

Chairman: Audit Committee
10 December 2013

Private Bag X6
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South Africa

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF BAYPORT SECURITISATION (RF) LIMITED

Report on Financial Statements

We have audited the annual financial statements of Bayport Securitisation (RF) Limited as at 30 September 2013 set out on pages 9 to 41 which comprise the statement of financial position as at 30 September 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 judgment, 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bayport Securitisation (RF) Limited as at 30 September 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 September 2013 we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.
These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

DELOITTE & TOUCHE
Registered Auditors
Per Cathryn Emslie
Partner
10 December 2013

BAYPORT SECURITISATION (RF) LIMITED

DIRECTORS' REPORT

For the year ended 30 September 2013

The directors present their report on the activities of the company for the year ended 30 September 2013.

1. Review of activities

Main business and operations

The company is a special purpose vehicle incorporated to purchase the loan claims and cellular purchase and subscription agreements originated by Bayport Financial Services 2010 (Pty) Ltd. The company provides flexible and efficiently priced funding.

2. Subsequent events

No subsequent events that require adjustment have occurred between 30 September 2013 and the date of the approval of the annual financial statements by the board of directors.

3. Authorised and issued ordinary and preference share capital

There was no change in ordinary and preference share capital during the period under review.

4. Dividends paid

A dividend of R40 000 000 was declared to the preference shareholder on 30 September 2013 (2012: R40 000 000).

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
Stephen Williamson	Non-Executive Director	08 November 2010	
Roderick Fehrsen	Independent Non-Executive Director	15 January 2011	31 January 2013
Theodor Bohlmann	Independent Non-Executive Director	15 January 2011	31 January 2013
Peter Katzenellenbogen	Non-Executive Director	30 January 2012	
Stuart Stone	Non-Executive Director	30 January 2012	
David Woollam	Independent Non-Executive Director	01 June 2012	31 January 2013
Brendan Harmse	Independent Non-Executive Director	31 January 2013	
Jack Trevena	Independent Non-Executive Director	31 January 2013	
RishendrieThanthony	Independent Non-Executive Director	31 January 2013	

6. Holding company

The Bayport Securitisation Ownership Trust holds 100% of the ordinary share capital in Bayport Securitisation (RF) Ltd, whilst Bayport Financial Services 2010 (Pty) Ltd holds 100% of the preference share capital. Bayport Financial Services 2010 (Pty) Ltd is a subsidiary of Transaction Capital Ltd.

7. Auditors

Deloitte & Touche will continue in office in accordance with section 90(2) of the Companies Act.

8. Secretary

Alison Blanchard remained the company secretary for the 2013 financial year.

BAYPORT SECURITISATION (RF) LIMITED

STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	Notes	2013 R'000	2012 R'000
Assets			
Cash	15	305 647	225 352
Income tax assets		27 138	-
Trade and other receivables	1	13 629	11 329
Loans and advances	2	4 666 335	3 998 562
Total assets		5 012 749	4 235 243
Liabilities			
Tax liabilities		-	11 515
Trade and other payables	3	21 014	101 737
Interest bearing liabilities	4	4 669 506	3 859 235
Deferred tax liabilities	5	37 846	15 791
Total liabilities		4 728 366	3 988 278
Equity			
Share capital	6	1	1
Retained earnings		284 382	246 964
Equity attributable to the owners of the company		284 383	246 965
Total equity		284 383	246 965
Total equity and liabilities		5 012 749	4 235 243

BAYPORT SECURITISATION (RF) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2013

	Notes	2013 R'000	2012 R'000
Interest and other similar income		1 457 797	1 148 992
Interest and other similar expense		(416 854)	(318 381)
Net interest income	7	1 040 943	830 611
Impairment of loans and advances	2	(754 385)	(493 196)
Risk adjusted net interest income		286 558	337 415
Non-interest revenue	8	285 604	248 290
Direct costs	9	(2 556)	(2 398)
Non interest gross profit		283 048	245 892
Indirect costs	10	(462 081)	(425 914)
Profit before tax		107 525	157 393
Income tax expense	11	(30 107)	(44 070)
Profit for the year		77 418	113 323
Other comprehensive income		-	-
Total comprehensive income for the year		77 418	113 323

BAYPORT SECURITISATION (RF) LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2013

	Share capital R'000	Retained earnings R'000	Total equity R'000
Balance at 30 September 2011	1	173 641	173 642
Total comprehensive income	-	113 323	113 323
- Profit for the year	-	113 323	113 323
- Dividend paid to preference shareholder	-	(40 000)	(40 000)
Balance at 30 September 2012	1	246 964	246 965
Total comprehensive income	-		
- Profit for the year	-	77 418	77 418
- Dividend paid to preference shareholder	-	(40 000)	(40 000)
Balance at 30 September 2013	1	284 382	284 383

BAYPORT SECURITISATION (RF) LIMITED

STATEMENT OF CASH FLOWS

For the year ended 30 September 2013

	Notes	2013 R'000	2012 R'000
Cash flow from operating activities			
Cash generated by operations	12	632 921	542 361
Income tax paid	13	(46 705)	(32 024)
Cash flow from operating activities before changes in operating assets and liabilities		586 216	510 337
Increase in operating assets and liabilities		(382 898)	(407 967)
Increase in gross loans and advances		(1 193 169)	(1 686 949)
Net funding of loans and advances		810 271	1 278 982
Change in working capital		(83 023)	64 493
(Increase) / decrease in trade and other receivables		(2 300)	2 553
(Decrease) / increase in trade and other payables		(80 723)	61 940
Net cash utilised by operating activities		(465 921)	(343 474)
Cash flow from financing activities			
Dividend paid to preference shareholder	14	(40 000)	(40 000)
Net cash flow from financing activities		(40 000)	(40 000)
Net increase in cash		80 295	126 863
Cash at beginning of the year		225 352	98 489
Cash at end of year	15	305 647	225 352

The financial statements of the company are prepared in accordance with International Financial Reporting Standards ('IFRS'), interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC'), AC 500 standards as issued by the Accounting Practices Board, the Johannesburg Stock Exchange ('JSE') Listings Requirements, the going-concern principle and the requirements of the South African Companies Act 71 of 2008.

The company annual financial statements are prepared on the historical cost basis.

The company's statement of financial position is presented in order of liquidity. Reference to the current maturities of these financial assets and liabilities are disclosed in the statement of financial position notes and in the analysis of financial assets and liabilities. The accounting policies are consistent with the previous year, except where otherwise specifically stated.

All monetary information and figures presented in these financial statements are stated in thousands of South African Rand (R'000), unless otherwise indicated.

The principle accounting policies are set out below

1. Financial Instruments

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

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

Initial recognition

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments are grouped into classes that are appropriate taking into account the characteristics and risks of those financial instruments. Classes of financial instruments have been determined by referring to the nature and extent of risks arising from the financial instruments and how these are managed.

The company generally does not reclassify financial instruments between different categories subsequent to initial recognition.

1. Financial Instruments (continued)

Classification

Financial assets are classified into the following categories:

- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Loans and receivables; and
- Available-for-sale financial assets.

Financial liabilities are classified into the following categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost.

Financial instruments at fair value through profit or loss are held for trading or designated as at fair value through profit or loss.

A financial asset or a financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling (assets) or repurchasing (liabilities) in the short term; or
- it is a part of an identified portfolio of financial assets or financial liabilities in which there is recent evidence of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets and financial liabilities other than those held for trading may be designated as at fair value through profit or loss upon initial recognition to the extent it produces more relevant information because it either:

- forms part of a group of financial assets and/or financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally to management on that basis; or
- eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Loans and advances

These instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets which have been classified as loans and receivables include cash that do not meet the definition of cash as defined in IAS 7 Statement of Cash Flows, trade and other receivables, loans and advances, purchased book debts and other loans receivable.

1. Financial Instruments (continued)

Loans and receivables are initially recognised at fair value. Subsequently loans and receivables are carried at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated by taking into account any transaction costs on acquisition and fees and costs that are an integral part of the effective interest rate.

The carrying amount of loans considered to be impaired on the statement of financial position is reduced through the use of an appropriate impairment methodology.

The majority of the company's advances are included in the loans and receivables category.

Origination fees and monthly service fees that are integral to the effective interest rate are capitalised to the value of the loan and amortised to the statement of comprehensive income over the contractual life of the loan using the effective interest rate method. Beyond the original contractual term of the loan, the monthly servicing fee is recognised in the statement of comprehensive income as it is charged to the customer on a monthly basis.

Carrying value of the written off book

Loans and receivables that have been written-off individually are re-recognised as a separate portfolio at their net recoverable amount when it is probable that economic benefits relating to the portfolio are expected to flow to the company by reversing the allowance account against the gross loan and receivable and renaming the portfolio to the 'carrying value of the written-off book'. The recoverable amount is determined by discounting the estimated future cash flows at the original effective interest rate. The estimate of the cash flows is performed on a portfolio basis as the advances exhibit similar credit characteristics.

Rehabilitated loans

Loans and receivables recorded as part of the 'carrying value of the written-off book', which get rehabilitated by subsequently having a regular repayment profile are written back on to the statement of financial position in the loans and receivables portfolio. The loans and advances are recorded on an individual account basis at the gross amount outstanding, along with the appropriate allowance account.

1. Financial Instruments (continued)

Impairment

The company reviews the carrying amounts of financial assets, other than those at fair value through profit or loss, to determine whether there is any indication that those financial instruments have become impaired using objective evidence. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event(s) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in the payment of interest or principal;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower is over-indebted; or
- indication that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including;

    - adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or
    - national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers or adverse changes in industry conditions that affect the borrowers in the group).

The company considers evidence of impairment for financial assets at both a specific asset and portfolio level. All individually significant financial assets are assessed for specific impairment.I Individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar credit risk characteristics (e.g. on the basis of the company’s grading process that considers asset type, collateral type, past due status and other relevant factors). Trade and other receivables that are not originated through the lending business are assessed specifically for impairment and not on a collective basis.

In assessing collective impairment the company uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

1. Financial Instruments (continued)

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against the financial assets.

Where the impairment loss subsequently reverses and the reversal can be related objectively to an event occurring after the impairment was recognised, the carrying amount of the financial asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the advance in prior years. A reversal of an impairment loss is immediately recognised in profit or loss.

Cash collected on financial assets, which have been written off is recognised in profit or loss as bad debts recovered as and when the cash is received.

2. Revenue recognition

General policy

Revenue is recognised to the extent that it is probable that economic benefits will flow to the company and the revenue can be reliably measured.

Revenue comprises fees for rendering of services to customers, and finance charges on loans.

Revenue excludes non-operating income and value added taxation.

Interest income

Interest income is recognised in the statement of comprehensive income for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

While origination fees and monthly services fees are regarded as integral parts of the effective interest rate, they are not accounted for as interest income, but as non-interest income.

In instances where a loan is in arrears, an assessment is made regarding the recoverability of the loan or group of loans and if necessary, based on available evidence at that date, the accrual of interest from that date is suspended and not recognised in the statement of comprehensive income.

2. Revenue recognition (continued)

Rendering of services

Fees are recognised on a percentage of completion basis when costs can be reliably measured and receipt of the future economic benefits is probable.

3. Direct costs

Direct costs comprise funding and listing fees expensed during the year directly attributable to the borrowing of funds and the collection of loans and advances.

4. Interest expense

Interest expense comprise interest on borrowings including debentures, dividends on redeemable preference shares, and other costs incurred in connection with the borrowing of funds.

Interest expense is recognised in the period in which it is incurred using the effective interest method except to the extent in which it meets the criteria for capitalisation against a qualifying asset in which case it is capitalised as part of the cost of the asset.

5. Taxation

Current

The charge for current tax is based on the results for the year adjusted for items which are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted by the financial year-end.

5. Taxation (continued)

Deferred tax

Deferred tax is calculated using the liability method.
A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit or taxable profit nor tax loss.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and associates, except to the extent that both of the following conditions are satisfied:

- the company is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated using taxation rates that have been enacted or substantially enacted at financial year-end. The effect on deferred tax of any changes in taxation rates is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity in which case the deferred tax is charged to equity.

Deferred tax assets are recognised to the extent that it is probable that future profits will be available against which the associated tax deductible temporary differences can be utilised.

Deferred tax related to fair value measurement of cash flow hedges, which are charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income and is subsequently recognised in profit or loss together with the deferred gain or loss.

Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Indirect taxation

Indirect taxation in the form of non-claimable value-added tax (VAT) on expenses is disclosed as indirect taxation in profit or loss. The non-claimable VAT on the cost of acquisition of fixed assets is amortised over the useful lives of the fixed assets and is included in depreciation in the statement of comprehensive income. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position.

6. Dividends paid

Dividends are recognised against equity in the period in which they are approved by the company's directors. Dividends declared after the reporting date are not recognised but disclosed as a post reporting date event.

7. Management estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. This forms the basis of making the judgements on carrying values of assets or liabilities that are not otherwise readily apparent. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments, as follows:

Deferred tax

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

Impairment of financial assets

The estimation of impairments of financial assets is inherently uncertain and depends on many factors, including general economic conditions, structural changes within industries, changes in individual customer circumstances and other external factors such as legal requirements, regulatory specifications and governmental policy changes. Financial assets are stated net of identified impairments and incurred but not yet identified impairments. Financial assets are considered impaired only if there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be reliably measured.

Objective evidence that loans and advances may be impaired includes the following observable data:

- A breach of contract, such as a default or delinquency in interest or principal payments. In this regard instalments past due date are considered in breach of contract;
- Historical loss experience of groups of financial assets with similar repayment terms; and
- Data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group including:

    - adverse changes in the payment status of borrowers in the group; or
    - national or local economic conditions that correlate with defaults on the assets in the group.

7. Management estimates (continued)

Loans and advances are subjected to regular evaluations of the overall client risk profile and payments record in determining whether a loss event has occurred.

The historical loss experience is adjusted on the basis of observable data to remove the effects of the conditions in the historical period that do not currently exist.

The company assesses whether objective evidence of impairment exists for groups of financial assets with similar repayment terms. If there is objective evidence that an impairment loss on financial assets has been incurred, the amount of the loss is measured as the difference between the carrying amounts of the assets and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the effective interest rates.

8. Standards

New and amended accounting standards and interpretations

The company adopted the following accounting standards and interpretations that became applicable during the current reporting period.

IFRS/IFRIC and title	Details of change
IFRS 10 – *Consolidated financial statements*	Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities.*
IFRS 12 – *Disclosure of interests in other entities*	Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
IFRS 13 – *Fair value measurement*	Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.
IAS 27 – *Separate financial statements*	Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unchanged from IAS 27 *Consolidated and Separate Financial Statements.*
Improvements to IFRSs (2011)	Amends five pronouncements (plus consequential amendments to various others) as a result of the IASB's 2009-2011 cycle of annual improvements. Key amendments include: • IFRS 1 - Permits the repeated application of IFRS 1, borrowing costs on certain qualifying assets • IAS 1 – Provides clarification of the requirements for comparative information • IAS 32 - Clarifies that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes • IAS 34 - Clarifies interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments

None of these changes have had a material impact on the company’s financial statements.

8. Standards (continued)

The following new standards, amendments and interpretations which are in issue but not yet effective:

IFRS 1:	First-time adoption of international financial reporting standards (various amendments)
IFRS 7:	The amendments to this IFRS include enhancing the disclosures about offsetting of financial assets and financial liabilities and the deferral of the mandatory effective date of IFRS 9- Financial instruments.
IFRS 9:	Introduces new requirements for classifying and measuring financial assets.
IAS 1:	Presentation of financial statements – the amendment revises the way other comprehensive is presented.
IAS 32:	Financial instrument presentation.

		2013 R'000	2012 R'000
1.	**Trade and other receivables**		
	Prepayments	8 365	11 329
	Value added taxation receivable	5 264	-
		13 629	11 329
	The above values approximate fair values.		
2.	**Loans and advances**		
	Gross loans and advances	5 832 281	4 753 538
	Allowance for impairment	(1 301 070)	(775 674)
	Carrying value of written off book	135 124	20 698
		4 666 335	3 998 562
	Gross loans and advances by asset type:		
	Unsecured loans	5 832 281	4 753 538
		5 832 281	4 753 538
	The above values approximate fair values. Loans and advances are ceded as security for interest bearing liabilities issued by the company as disclosed in note 4.		
	Allowance for impairment:		
	Balance at the beginning of the year	(775 674)	(390 706)
	Movement in impairment provision	(988 008)	(660 646)
	Impairment recognised in profit and loss	(754 385)	(493 196)
	Reversal from written off book to gross loans and advances	(114 426)	(20 698)
	Writeback and recoveries	(119 197)	(146 752)
	Utilisation of allowance for impairment	462 612	275 678
	Allowance for impairment	(1 301 070)	(775 674)
	Related credit risk exposure and enhancements:		
	Carrying value of loans and advances less impairment	4 666 335	3 998 562

The allowance for impairment on loans and advances is calculated by considering breach of contract, i.e. payment delinquency or default, as well as recency of payments and likelihood of rehabilitation.

		2013 R'000	2012 R'000
2.	**Loans and advances (continued)**		
	Loans and advances past due but not impaired:		
	Amounts 30 days overdue	263 123	223 216
	Amounts 30 to 60 days overdue	106 299	64 036
	Amounts 60 to 90 days overdue	95 945	46 390
	Amounts 90 to 120 days overdue	93 858	38 513
	Amounts in excess of 120 days overdue	830 492	475 009
		1 389 717	847 164
	Impairment on loans and advances can be aged as follows:		
	Amounts in current	9 862	2 308
	Amounts 30 days overdue	56 382	36 318
	Amounts 30 to 60 days overdue	63 523	50 322
	Amounts 60 to 90 days overdue	66 272	53 727
	Amounts in excess of 90 days overdue	1 095 791	627 402
	Specific impairment	1 291 830	770 077
	Incurred but not reported impairment	9 240	5 597
	Total impairment	1 301 070	775 674
3.	**Trade and other payables**		
	Trade payables and accruals	19 127	29 812
	Interest payable	1 887	70 101
	Value added taxation payable	-	1 824
		21 014	101 737

Trade and other payables bear no interest.

4. Interest bearing liabilities

	2013 R'000	2012 R'000
Debentures and loans		
Senior debt	3 371 465	2 566 723
Mezzanine debt	377 221	315 426
Junior debentures- Bayport Financial Services 2010 (Pty) Ltd	199 000	199 000
Loan from Bayport Financial Services 2010 (Pty) Ltd	721 820	778 086
	4 669 506	3 859 235
Payable within 12 months	1 769 658	1 581 787
Payable thereafter	2 899 848	2 277 448
	4 669 506	3 859 235
Undrawn facility at year end	800 000	449 770

The company is not in breach or default of any provisions of the terms or conditions of the agreements governing borrowings.

Senior debt

2013	**Balance** R'000	**Interest**	**Maturity**
Fixed rate loans	1 149 941	9.28% to 12.55%	30 September 2015 – 03 April 2018
Variable rate loans	2 221 524	JIBAR plus 0.80% to JIBAR plus 5.00%	31 March 2014 – 31 December 2018
	3 371 465		

2012	**Balance** R'000	**Interest**	**Maturity**
Fixed rate loans	1 197 803	10.225% to 12.55%	30 September 2015 – 31 December 2017
Variable rate loans	1 368 920	Prime plus 0.32% to JIBAR plus 5.00%	31 December 2012 – 30 June 2017
	2 566 723		

The following has been ceded as security for senior debt:

- Pledge and cession of the company's title and interest in loans and advances; and
- The bank accounts of the company.

4. Interest bearing liabilities (continued)

Mezzanine debt

2013	**Balance** R'000	**Interest**	**Maturity**
Fixed rate loans	227 221	13.92% to 15.55%	31 March 2016 – 31 March 2017
Variable rate loans	150 000	JIBAR plus 7.5% to JIBAR plus 8.00%	01 July 2019 – 30 September 2020
	377 221		

2012	**Balance** R'000	**Interest**	**Maturity**
Fixed rate loans	163 648	15.55%	31 March 2016 - 31 March 2017
Variable rate loans	151 778	JIBAR plus 7.75%	31 October 2016 – 30 June 2019
	315 426		

Junior debentures (2013 and 2012)

Junior debentures are made up of the following tranches:

Start date	**Repayment date**	**Interest rate**	**Balance** R'000
30 September 2010	14 May 2035	Prime plus 1.5%	34 000
30 September 2010	14 May 2035	17.01% per annum	13 000
30 September 2010	14 May 2035	18.69% per annum	25 000
17 May 2010	14 May 2035	Prime plus 2%	27 000
16 April 2010	14 May 2035	Jibar plus 7.12%	50 000
16 April 2010	14 May 2035	Prime plus 1.5%	50 000
			199 000

Loan from Bayport Financial Services 2010 (Pty) Ltd

Interest is charged in accordance with the official rate of interest per paragraph 1 of the Seventh Schedule to the income Tax Act, 1962. The current official rate of interest is 6%. The loan is payable on demand.

	2013 R'000	2012 R'000
5. Deferred tax liabilities		
Deferred tax is presented on the statement of financial position as follows:		
Deferred tax liabilities	(37 846)	(15 791)
	(37 846)	(15 791)
The movements during the year are analysed as follows:		
Deferred tax liability at the beginning of the year	(15 791)	(5 603)
Tax charge to the statement of comprehensive income	(22 055)	(10 188)
Deferred tax liability at the end of the year	(37 846)	(15 791)

	Opening balance R'000	Tax charge R'000	Closing balance R'000
Deferred tax liabilities			
2013			
Impairment of loans and advances	9 981	9 044	19 025
Fair value of financial liabilities	(9 051)	(3 795)	(12 846)
Fair value of written off book	(5 795)	(31 612)	(37 407)
Revenue and expense recognition timing differences	(10 926)	4 308	(6 618)
Net deferred tax liabilities	(15 791)	(22 055)	(37 846)
2012			
Impairment of loans and advances	8 876	1 105	9 981
Fair value of financial liabilities	-	(9 051)	(9 051)
Fair value of written off book	-	(5 795)	(5 795)
Revenue and expense recognition timing differences	(14 479)	3 553	(10 926)
Net deferred tax liabilities	(5 603)	(10 188)	(15 791)

		2013 R'000	2012 R'000
6.	**Share capital**		
	Authorised		
	100 non redeemable preference shares of R1 each	0.1	0.1
	45 ordinary shares of R20 each	0.9	0.9
		1.0	1.0
	Issued		
	100 non redeemable preference shares of R1 each	0.1	0.1
	25 ordinary shares of R20 each	0.5	0.5
		0.6	0.6
7.	**Net interest income**		
	Interest and other similar income is earned from:		
	Cash	8 174	5 955
	Loans and advances	1 449 623	1 143 037
		1 457 797	1 148 992
	Interest and other similar expenses are paid on:		
	Interest bearing liabilities	416 854	318 381
		416 854	318 381
	Interest and other similar income	1 457 797	1 148 992
	Interest and other similar expense	(416 854)	(318 381)
		1 040 943	830 611

		2013 R'000	2012 R'000
8.	**Non-interest revenue**		
	Non-interest revenue comprises:		
	Service fees	134 464	119 845
	Cellular subscription income	129 350	113 459
	Legal collection recoveries	21 790	14 986
		285 604	248 290
9.	**Direct costs**		
	Direct costs comprise:		
	Transactional costs	-	2
	Funding and listing fees	1 721	2 365
	Legal collection costs	835	31
		2 556	2 398
10.	**Indirect costs**		
	Included in indirect costs are the following:		
	Professional fees	356	775
	Management fees	432 946	399 852

		2013 R'000	2012 R'000
11.	**Income tax expense**		
	South African normal taxation:		
	Current taxation	(8 052)	(33 882)
	Current year	(5 146)	(33 882)
	Prior year	(2 906)	-
	Deferred taxation	(22 055)	(10 188)
	Current year	(24 961)	(10 188)
	Prior year	2 906	-
		(30 107)	(44 070)

Tax rate reconciliation:

The South African tax rate as well as the company's effective tax rate was 28% in both 2013 and 2012.

		2013 R'000	2012 R'000
12.	**Cash generated by operations**		
	Profit before tax	107 525	157 393
	Movement in allowance for impairment	525 396	384 968
		632 921	542 361
13.	**Income tax paid**		
	Amounts payable at beginning of the year	11 515	9 657
	Charged in the statement of comprehensive income	8 052	33 882
	Amounts recoverable/(payable) at end of the year	27 138	(11 515)
		46 705	32 024
14.	**Dividend paid to preference shareholder**		
	Amounts payable at the beginning of the year	-	-
	Dividend for the year	40 000	40 000
	Amounts payable at the end of the year	-	-
		40 000	40 000

	2013 R'000	2012 R'000
15. Cash		
Bank balances	305 647	193 686
Call deposits	-	31 666
	305 647	225 352

Bank balances and call deposits carry interest at rates ranging from 2.5% to 5.4% per annum. Interest on overdraft accounts is charged at 9% per annum. Bank balances are ceded as security for interest bearing liabilities issued by the company as disclosed in note 4.

16. Related parties

Relationships

Company which exercises control and provides management services:

Bayport Financial Services 2010 (Pty) Ltd

Related party balances

	2013 R'000	2012 R'000
Junior debentures issued by Bayport Financial Services 2010 (Pty) Ltd (refer to note 4)	199 000	199 000
Loans from Bayport Financial Services 2010 (Pty) Ltd	721 820	778 086
Related party transactions		
Directors fees		
Theodor Bohlmann	75	225
Roderick Fehrsen	75	225
David Woollam	75	75
GMG Trust Company (SA) (PTY) Ltd	70	-
Interest on junior debentures: Bayport Financial Services 2010 (Pty) Ltd	24 172	25 055
Interest on loan: Bayport Financial Services 2010 (Pty) Ltd	41 574	22 599
Management fee: Bayport Financial Services 2010 (Pty) Ltd	432 946	399 852

17. Financial Risk Management and Governance

The board of directors of the company is ultimately responsible for financial risk management and governance. The day-to-day management of the company is the responsibility of Bayport Financial Services 2010 (Pty) Ltd (Bayport Financial Services) through the authority granted by the board of the company by way of the management agreement between the company and Bayport Financial Services. The board has constituted an audit committee (ARC) which comprises three independent non-executive directors and meets twice annually. Invitees to the committee meetings include the external auditors, the internal auditors as well as representatives of Bayport Financial Services and Transaction Capital Ltd (Transaction Capital). To assist in discharging its responsibilities, the board makes use of the Transaction Capital board committees namely:

- the assets and liabilities committee (ALCO);
- the audit committee; and
- the risk and compliance committee.

The ALCO assists the board with monitoring:

- liquidity risk;
- interest rate risk;
- counter-party risk;
- concentration risk;
- currency risk;
- capital adequacy; and
- relevant regulatory developments.

The audit committee assists the board with:

- integrated reporting;
- risk management;
- combined assurance;
- internal audit; and
- external audit.

The risk and compliance committee assists the board in:

- identifying acceptable levels of risk tolerance and risk appetite;
- overseeing the development, implementation and review of the risk management policy and plan;
- monitoring the management of risks within the board-approved levels; and
- liaising closely with the audit committee regarding risk that impacts it’s functioning.

17.1 Credit risk

Credit risk management and measurement

The company manages its exposure to credit losses by monitoring the credit granting criteria applied by Bayport Financial Services. These criteria include assessing affordability, risk profile and employment stability. Impairments are monitored and provided for using statistical techniques including experiential and behavioural models. These models are based on customers' financial performance information and assume that recent performance is a strong indicator of future performance. Models are either developed internally or by expert external advisors.

The company has formulated a detailed impairment allowance policy in terms of the principles of IFRS “IAS 39 Financial Instruments: Recognition and Measurement”.

17.1 Financial risk management (continued)

Bayport Financial Services has constituted a credit committee as a committee of its board. The credit committee is the ultimate custodian of the credit policy which governs the terms and conditions under which a credit application will be processed, assessed, approved or declined and ensures that the credit decision is at all times within the ambit and scope of the credit granting criteria that form part of the Domestic Medium Term Note (DMTN) programme memorandum. Adherence to the Bayport Financial Services credit policy, credit granting criteria and decisions taken by the credit committee are reported to the board on a quarterly basis.

The credit policy is designed to ensure that the credit process is efficient for the applicant while providing the necessary details to make an informed credit decision. A three stage approach to credit advancement is applied which includes:

- basic credit criteria;
- scoring the individual against a proprietary scorecard; and
- verification of details and affordability check.

Installments on credit agreements are payable monthly or weekly and are fully amortising with no residual payment at the end of the term.

17.1.1 Financial assets subject to credit risk

The maximum exposure to credit risk of financial assets at the statement of financial position is analysed as follows:

	Trade and other receivables R'000	Loans and advances R'000	Total R'000
30 September 2013			
Neither past due nor impaired	13 629	2 337 854	2 351 483
Past due but not impaired	-	1 389 717	1 389 717
Impaired	-	2 104 710	2 104 710
Total	13 629	5 832 281	5 845 910
Impairments:			
Specific impairment	-	(1 291 830)	(1 291 830)
Incurred but not reported impairment	-	(9 240)	(9 240)
Carrying value of written off book	-	135 124	135 124
Carrying value of financial assets	13 629	4 666 335	4 679 964

17. Financial risk management (continued)

17.1.1 Financial assets subject to credit risk (continued)

	Trade and other receivables R'000	Loans and advances R'000	Total R'000
30 September 2012			
Neither past due nor impaired	11 329	2 601 341	2 612 670
Past due but not impaired	-	847 164	847 164
Impaired	-	1 305 033	1 305 033
Total	11 329	4 753 538	4 764 867
Impairments:			
Specific impairment	-	(770 077)	(770 077)
Incurred but not reported impairment	-	(5 597)	(5 597)
Carrying value of written off book	-	20 698	20 698
Carrying value of financial assets	11 329	3 998 562	4 009 891

17.1.2 Financial assets that are past due but not impaired

These are assets where contractual interest or principal payments are past due, but the company believes that impairment is not appropriate. Recent payment history is a key consideration in determining whether an asset is impaired. The age of loans and advances to customers and other assets that are past due but not impaired is as follows:

	Past due 1 month R'000	Past due 1–2 months R'000	Past due 2–3 months R'000	Past due 3–4 months R'000	Past due greater than 4 months R'000	Total R'000
2013						
Loans and advances	263 123	106 299	95 945	93 858	830 492	1 389 717
Financial assets that are past due but not impaired	263 123	106 299	95 945	93 858	830 492	1 389 717
2012						
Loans and advances	223 216	64 036	46 390	38 513	475 009	847 164
Financial assets that are past due but not impaired	223 216	64 036	46 390	38 513	475 009	847 164

17. Financial risk management (continued)

17.1.2 Financial assets that are past due but not impaired (continued)

		2013 R'000	2012 R'000
Carrying value of loans and advances		4 666 335	3 998 562
Credit quality			
	High	1 746 626	1 837 628
	Medium	387 019	609 553
	Low	204 209	154 160
Neither past due nor impaired		2 337 854	2 601 341

The credit quality segments have been determined by reference to both the scoring at application and behavioral performance.

17.1.3 Cash

The company maintains cash and short-term investments with various major financial institutions and in this regard it is the company's policy to limit its exposure to any one financial institution. Deposits are placed only with South African banks and limited financial institutions.

At the date of the annual financial statements, the company did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

17.2 Interest rate risk

Interest rate risk is the risk of loss arising from the fair value or future cash flows of a financial instrument because of changes in market interest rates.

The company is exposed to interest rate risk as it borrows and places funds. This risk is managed by utilising an appropriate mix of fixed and floating rate borrowings and by placing funds on short term deposit.

17.2.1 Risk profile of interest bearing liabilities and assets

2013	Floating rate liabilities R'000	Fixed rate liabilities R'000	Floating rate assets R'000	Fixed rate assets R'000	Net asset R'000
Unsecured Lending	(2 532 524)	(2 136 982)	305 647	4 666 335	302 476
Total	(2 532 524)	(2 136 982)	305 647	4 666 335	302 476
2012					
Unsecured Lending	(2 459 784)	(1 399 451)	225 352	3 998 562	364 679
Total	(2 459 784)	(1 399 451)	225 352	3 998 562	364 679

17. Financial risk management (continued)

17.2 Interest rate risk (continued)

17.2.2 Weighted average interest rates are as follows:	Bank balances	Borrowings
2013		
Interest bearing assets/ liabilities	3.5%	9.7%
2012		
Interest bearing assets/ liabilities	3.3%	11.4%

17.3 Liquidity risk management

Liquidity risk is the risk that the company is unable to meet payment obligations when they fall due or that insufficient funds are available to meet loan demands in the ordinary course of business. The company’s objectives in relation to liquidity risk management are to manage the contractual mismatch between cash inflows from assets and cash outflows to liabilities, to fund the expected statement of financial position growth, to honour all cash outflow commitments, to avoid raising funds at market premiums or through the forced sale of assets as a result of liquidity pressure, and to take advantage of attractive but unanticipated borrowing opportunities.

The board of directors is ultimately responsible for the management of liquidity risk and to this end makes use of the Transaction Capital asset and liability committee (ALCO). The monitoring and reporting of liquidity risk takes the form of, as a minimum, cash flow projections to settlement of the longest dated funding obligations, an analysis of the company's borrowing facilities and utilisation thereof, borrowing facilities under discussion, maturity profile and concentration of liability by counterparty, asset maturities and borrowing facility obligations and special conditions.

The Transaction Capital, Capital Markets (CM) team is responsible for executing on fund raising mandates given to it by the company. This includes the ongoing assessment and evaluation of various funding sources designed to grow and diversify the company’s funding base in order to achieve an optimal funding profile and sound liquidity risk management. The CM team assists with the ongoing monitoring of asset portfolio performance and its impact on borrowing covenants.

The company manages its daily cash flow requirements to ensure covenants are maintained within acceptable risk tolerances and to produce financial projections to monitor the impact of business trends in order to notify the CM team of any changes to the business environment that may impact funding requirements.

The company is exposed to interest rate risk associated with the effects of fluctuations in the prevailing levels of market rates on their financial positions and cash flows.

17. Financial risk management (continued)

17.4 Capital management

The objective of the company's capital management strategy is to maximise shareholder value whilst maintaining a strong capital base so as to retain investor and creditor confidence and to sustain future growth of the businesses of the company. To achieve this, the company considers the capital required to support growth, maintain credit ratings and to comply with debt covenants.

The company defines capital as equity and loans from Bayport Financial Services 2010.

The board of directors monitors the cost of capital, which is defined as the weighted average cost of capital, taking into account the company's internally calculated cost of equity (shareholder funding) and long term cost of debt assumptions.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position.

17.5 Insurance and assurance risk

Insurance and assurance risk is the risk assumed under any insurance contract which the insured event occurs. By the very nature of an insurance or assurance contract, this risk is random and unpredictable.

Exposure to assurance risk

The company is not exposed to underwriting risk.

17. Financial risk management (continued)

17.6 Sensitivity analysis

The company's exposures to various financial risks are set out below:

Interest rate risk

	Fair value R'000	Effect on profit before tax of 1% change in rates R'000	Total carrying value of asset class R'000
30 September 2013			
Assets			
Loans and advances	4 666 335	-	4 666 335
Trade and other receivables	13 629	-	13 629
Cash	305 647	3 056	305 647
	4 985 611	3 056	4 985 611
Liabilities			
Interest bearing borrowings	4 665 414	25 325	4 669 506
-Variable	2 528 432	25 325	2 532 524
-Fixed	2 136 982	-	2 136 982
Trade and other payables	21 014	-	21 014
	4 686 428	25 325	4 690 520
30 September 2012			
Assets			
Loans and advances	3 997 804	-	3 998 562
Trade and other receivables	11 329	-	11 329
Cash	225 352	1 619	225 352
	4 234 485	1 619	4 235 243
Liabilities			
Interest bearing borrowings	3 859 235	21 139	3 859 235
-Variable	2 459 784	-	2 459 784
-Fixed	1 399 451	-	1 399 451
Trade and other payables	101 737	-	101 737
	3 960 972	21 139	3 960 972

17. Financial risk management (continued)

17.7 Financial risk management – categorisation

30 September 2013

Statement of financial position

Assets	Financial liabilities carried at amortised cost R'000	Loans and receivables R'000	Non-financial liabilities and assets / Equity R'000	Total R'000
Cash	-	305 647	-	305 647
Loans and advances	-	4 666 335	-	4 666 335
Trade and other receivables	-	13 629	-	13 629
Tax assets	-	-	27 138	27 138
	-	4 985 611	27 138	5 012 749
Equity and liabilities				
Trade and other payables	21 014	-	-	21 014
Interest bearing liabilities	4 669 506	-	-	4 669 506
Deferred tax liabilities	-	-	37 846	37 846
Shareholder's equity	-	-	284 383	284 383
	4 690 520	-	322 229	5 012 749

30 September 2012

Statement of financial position

Assets	Financial liabilities carried at amortised cost R'000	Loans and receivables R'000	Non-financial liabilities and assets / Equity R'000	Total R'000
Cash	-	225 352	-	225 352
Loans and advances	-	3 998 562	-	3 998 562
Trade and other receivables	-	11 329	-	11 329
	-	4 235 243	-	4 235 243
Equity and liabilities				
Trade and other payables	101 737	-	-	101 737
Interest bearing liabilities	3 859 235	-	-	3 859 235
Tax liabilities	-	-	11 515	11 515
Deferred tax liabilities	-	-	15 791	15 791
Shareholder's equity	-	-	246 965	246 965
	3 960 972	-	274 271	4 235 243

17. Financial risk management (continued)

17.7 Financial risk management – categorization

30 September 2013

Statement of comprehensive income

	Financial liabilities carried at amortised cost R'000	Loans and receivables R'000	Non-financial liabilities and assets / Equity R'000	Total R'000
Interest income	-	1 457 797	-	1 457 797
Interest expense	(416 854)	-	-	(416 854)
Loan fee income	-	134 464	-	134 464
Loan fee expense	-	-	(1 721)	(1 721)
Dividend paid	-	-	(40 000)	(40 000)
Net impairment	-	(754 385)	-	(754 385)
Profit for the year	(416 854)	837 876	(41 721)	379 301

30 September 2012

Statement of comprehensive income

	Financial liabilities carried at amortised cost R'000	Loans and receivables R'000	Non-financial liabilities and assets / Equity R'000	Total R'000
Interest income	-	1 148 992	-	1 148 992
Interest expense	(318 381)	-	-	(318 381)
Loan fee income	-	134 800	-	134 800
Loan fee expense	-	-	(2 365)	(2 365)
Dividend paid	-	-	(40 000)	(40 000)
Net impairment	-	(493 196)	-	(493 196)
Profit for the year	(318 381)	790 596	(42 365)	429 850

18. Subsequent events

No subsequent events that require adjustment have occurred between 30 September 2013 and the date of the approval of the annual financial statements by the board of directors.