# South African Securitisation Programme (RF) Limited

(Registration number 1991/002706/06)
Annual Financial Statements
for the year ended 30 June 2018

In terms of section 29(1)(e)(ii) of the Companies Act, it is confirmed that these Annual Financial Statements have been prepared under the supervision of Angela Pillay CA(SA), Financial Director of Sasfin Bank Limited, and have been audited in compliance with the requirements of sections 29(1)(e)(i) and 30(2)(a) of the Companies Act.

## Contents

| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Directors** | R D E B Sassoon (British)<br>D P Towers<br>E Deiner<br>B Harmse |
| **Registered office** | 29 Scott Street<br>Waverley<br>2090 |
| **Auditor** | PricewaterhouseCoopers Inc |
| **Company Secretary** | Maitland Group South Africa Limited |
| **Company registration number** | 1991/002706/06 |
| **Debt sponsor** | Sasfin Bank Limited |
| **Calculation agent** | Sasfin Bank Limited |
| **Transfer agent** | Sasfin Bank Limited |
| **Paying agent** | Sasfin Bank limited |

# Contents

The reports and statements set out below comprise the Annual Financial Statements presented to the shareholder:



**Legal Entity terminology used in this report**

Company: South African Securitisation Programme (RF) Limited

Group: Sasfin Holdings Limited and its subsidiaries

Controlling company: Sasfin Bank Limited

## Directors' Responsibility Statement

The Board of Directors (the Board) of South African Securitisation Programme (RF) Limited (SASP) is responsible for the preparation and fair presentation of the Directors' Report and the Annual Financial Statements of SASP, comprising the:

- Statement of Financial Position at 30 June 2018
- Statement of Comprehensive Income for the year ended 30 June 2018
- Statement of Changes in Equity for the year ended 30 June 2018
- Statement of Cash Flows for the year ended 30 June 2018
- Accompanying notes

including significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, and the requirements of the Companies Act, 2008 (Act No. 71 of 2008) of South Africa (Companies Act).

The Board is also responsible for such internal controls as they deem necessary to enable the preparation of these Annual Financial Statements and for maintaining adequate accounting records and an effective system of risk management.

SASP has been established as a structured entity for Sasfin Bank Limited and is deemed to be controlled by Sasfin Bank Limited in accordance with IFRS. Consequently, the day-to-day management and oversight of SASP are the responsibility of Sasfin Bank Limited. The Board therefore place reliance on the management and governance by the Sasfin Group in the execution of its duties and obligations towards SASP.

Based on assurance obtained, as well as the information and explanations provided by management and Group Internal Auditors (GIA) of Sasfin Holdings Limited, the Board is of the view that the internal financial controls are adequate and that the financial records are reliable for the preparation of the Annual Financial Statements in accordance with IFRS.

The Board has assessed the company as being able to continue as a going concern and has no reason to believe that the company will not be a going concern in the year ahead.

It is the responsibility of the independent auditor to report on the fair presentation of the Annual Financial Statements. The Annual Financial Statements were approved by the Board and are signed on its behalf by:

**R D E B Sassoon**
**31 October 2018**

**B Harmse**
**31 October 2018**

## Company Secretary's Certification

We hereby certify, in terms of Section 88(2)(e) of the Companies Act, that the Company has filed all returns and notices required by the Companies Act with the Companies and Intellectual Property Commission, for the financial year ended 30 June 2018 and that all such returns and notices as are required of a public Company are true, correct and up to date.

Naidoo

**Maitland Group South Africa Limited**
**31 October 2018**

# Audit Committee Report

1. **Members of the Audit Committee**

The members of the audit committee are all independent non-executive directors of the company and are:

| Members | Experience |
|---|---|
| B Harmse (Chairman) | Appointed:17 April 2013 |
| E Deiner | Appointed:25 April 2017 |
| DP Towers | Appointed:17 April 2013 |

The committee is satisfied that the members thereof have the required knowledge and experience as set out in principle 8.55 of King IV, Section 94(5) of the Companies Act 71 of 2008 and Regulation 42 of the Companies Regulation, 2011.

2. **Meetings held by the Audit Committee**

The audit committee performs the duties laid upon it by Section 94(7) of the Companies Act 71 of 2008 by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditor.

For the period under review, the Committee met twice on 5 September 2017 and 25 April 2018.

3. **Specific functions of the committee**

**Financial reporting**

- Have regard to all factors and risks that may impact on the integrity of the annual financial statements, including factors that may predispose the Servicer and Administrator (i.e. Sasfin Bank Limited) to present a misleading picture, significant judgements and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information;
- Review the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any trading statements and similar documents;
- Comment on the annual financial statements, the accounting practices and the effectiveness of the internal financial controls;
- Recommend to the Board the engagement of an external assurance provider as may be provided for in the Transaction Documents (being the memorandum of incorporation of the company, the trust deed of the legal owner and all contracts, agreements, addendums to contracts and agreements and other memorandums governing the rights and obligations of the company and its counter parties); and
- Recommend the annual financial statements for approval by the Board.
- Consider the reclassification and correction of prior year errors (refer note 2.4). The reclassification and correction are acknowledged to be a housekeeping matter that will be addressed by an overall review of the company's business and administration model in the 2019 financial year.

**External Audit**

The Committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process and in this regard the Committee must after consultation with the Servicer and Administrator:

- Nominate the external auditor for appointment by the shareholders;
- Approve the terms of engagement and remuneration for the external audit engagement;
- Monitor and report on the independence of the external auditor in the annual financial statements;
- Define a policy for non-audit services provided by the external auditor in the annual financial statements;
- Pre-approve the contracts for non-audit services to be rendered by the external auditor;
- Ensure that there is a process for the Audit Committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor in respect of the company;
- Review the quality and effectiveness of the external audit process; and
- During the year the External Audit was put out on tender and PricewaterhouseCoopers Inc. was appointed as our new auditors. The Committee has obtained the necessary assurance from the auditors that their independence was not impaired. The Company has a strict non-audit services policy in place to guard against any threats to auditor independence.
- The Company is satisfied with the decision and comfortably recommend PWC as audit firm, with Vincent Tshikhovhokhovho as engagement partner, whose name does not appear on the JSE list of disqualified individual auditors, for shareholder approval. This will be the first year that PWC and Vincent Tshikhovhokhovho perform the external audit engagement.
- Fees paid for audit and other services are approved by the Committee

## Audit Committee Report

**3. Specific functions of the committee (continued)**

**Internal Audit**
The Committee may interact with the internal audit function of the Servicer and Administrator in as far as same relates to and may impact the company in respect of:

a. Financial reporting risks;
b. Internal financial controls;
c. Fraud risks as it relates to financial reporting; and
d. IT risks as it relates to financial reporting.

For clarity, the internal audit function does not report to the Committee, but forms part of the Servicer and Administrator's responsibilities in terms of their relevant appointments and related agreements.

**4. Financial risk management**

The company's financial risk management is governed by the financial risk management framework, policies and procedures implemented and maintained by the Sasfin Group.

**5. Annual confirmations of key functions for the year**

*Financial control and financial reporting*
The Committee reviews the Annual Financial Statements, dividend declarations and recommends those to the Board for approval. This role includes an assessment of the accounting policies and key assumptions applied in the preparation of the financial statements, as well as dealing in technical reporting matters. In doing so, the Committee also confirmed compliance of the Annual Financial Statements with IFRS and the JSE Listings Requirements. Further, consideration has been given to the 2017 JSE Proactive Monitoring report to ensure the integrity of the financial information in the Annual Financial Statements. Lastly the Committee confirms that it has assessed and confirms the appropriateness of the going concern basis for the preparation of the Annual Financial Statements and the solvency and liquidity tests in support of financial assistance and distributions.

**6. The audit committee can confirm that:**

a. Resources have been utilised efficiently;
b. The internal controls have been effective in all material aspects throughout the year under review;
c. Proper accounting records have been maintained;
d. Controls have ensured that the company's assets are safeguarded; and
e. The skills, independence, audit plan, reporting and overall performance of the external auditor are acceptable, and it recommends their next appointment in 2019.

**7. Annual Financial Statements**

The committee has;
a. Reviewed and discussed the audited financial statements with the external auditor and directors;
b. Reviewed significant adjustments resulting from external audit queries and any unadjusted audit differences (where applicable).

The Audit committee is satisfied with the work performed by the Chief Financial Officer and Financial Director of Sasfin Bank Limited, with which the day-to-day management and oversight of SASP resides.

On behalf of the audit committee

**B Narmse**
**Audit Committee Chairman**
**31 October 2018**

## Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of SASP for the year ended 30 June 2018.

### 1. Nature of business

The Company is a securitisation structured entity created solely to acquire equipment finance agreements from the Sasfin Holdings Limited Group of companies.

### 2. Review of financial results and activities

The results of the Company are set out in the Annual Financial Statements and accompanying notes. Net profit of the Company was R85.598 million (2017: R54.798 million) for the financial year.

### 3. Events after the reporting date

SASP Series 1: The company redeemed R359 million of notes in August 2018.

### 4. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the Company during the year under review.

### 5. Dividends

The Company declared, and paid preference share dividends of R26 million (2017: R32 million) during the current financial year.

### 6. Directors

The directors of the company during the year and to the date of this report are as follows:

| Directors | | |
|---|---|---|
| R D E B Sassoon | Non-executive | (Appointed: 20 February 2003) |
| D P Towers | Non-executive | (Appointed: 01 November 2011) |
| E Deiner | Non-executive | (Appointed: 25 April 2017) |
| B Harmse | Non-executive | (Appointed: 31 January 2013) |

There have been no changes to the directorate for the year under review.

### 7. Secretary

Maitland Group South Africa Limited was appointed as Company Secretary on 1 October 2011.

### 8. Controlling entity

The Company is wholly owned by The South African Securitisation Issuer Owner Trust, a trust set up solely for the purposes of holding the ordinary shares of the company. The trustee of the trust is Maitland Group South Africa Limited.

The Company is controlled by Sasfin Bank Limited in accordance with IFRS.

### 9. Management of the business

The Company is administered and managed by Sasfin Bank Limited.

# Directors' Report

### 10. Directors' emoluments

Three of the directors of the Company are employed by independent external service providers and are remunerated by their respective employers on a separate basis. The remaining director is employed and remunerated by Sasfin Bank Limited. There was no remuneration or benefit paid directly to the directors by the company or by any company within the group, for services provided in their capacity as directors of the company, other than as disclosed in note 22.

### 11. Special resolutions

Special resolutions passed during the year are available for inspection.

# *Independent auditor's report*

To the Shareholders of South African Securitisation Programme (RF) Limited

## *Report on the audit of the financial statements*

### *Our opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of South African Securitisation Programme (RF) Limited (the Company) as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

**What we have audited**

South African Securitisation Programme (RF) Limited's financial statements set out on pages 16 to 61 comprise:

- the statement of financial position as at 30 June 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

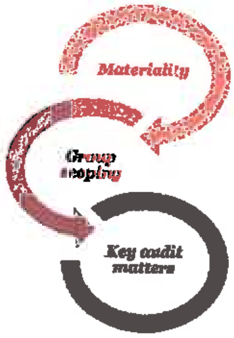
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Company in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

## Our audit approach

### Overview




**Overall materiality**

- R6 million, which represents 5% of profit before tax

**Key audit matters**

- Impairment of loans and advances
- IFRS 9 *Financial Instruments* (Issued but not effective accounting standard)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

| | |
|---|---|
| *Overall materiality* | R6 million |
| *How we determined it* | 5% of profit before tax |
| *Rationale for the materiality benchmark applied* | We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector. |

pwc

## *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit mattert |
|---|---|
| *Impairment of loans and advances (Refer to notes 1.8; 2.1; 7; and 24.3)* | |
| The Company's credit impairments relating to loans and advances, disclosed in notes 1.8 *Accounting policies: Impairment of financial assets;* 2.1 *Critical estimates, judgements, re-classifications and errors: Credit impairment of loans and advances;* 7 *Loans and advances;* and 24.3 *Financial risk management: Credit risk*, represent management's best estimate of the losses incurred within the loan portfolios as at 30 June 2018.<br><br>Loans and advances are measured at amortised cost less impairment. Impairment is calculated as the difference between the carrying amount and the present value of estimated future cash flows.<br><br>The impairment provisions on loans and advances are material to the Company in terms of their magnitude and because of the management judgement involved in the impairment calculations. For these reasons, we identified the impairment of loans and advances as a matter of most significance in the current year audit of the financial statements.<br><br>***Portfolio loan impairment***<br><br>The Company assesses its performing loan portfolio for impairment on a monthly basis using the incurred loss approach. The recoverable amount of performing loans is calculated on a portfolio basis, based on historical loss ratios, industry and Company-specific economic and other conditions.<br><br>The Company has provided for incurred but not reported losses (IBNR) which recognise potential losses on its portfolio of loans and advances that have not yet been evidenced. The IBNR provision is calculated with reference to modelling parameters which include the probability of default, the loss given default and emergence period.<br><br>***Specific loan impairments***<br><br>Loans and advances are individually impaired where the Company has identified objective evidence of a default event, such as being due but unpaid for a period of 90 days or more or where loan covenants have been breached. Estimates of future cash flows on individually impaired loans and advances are based on historical loss experience for assets with similar credit risk characteristics after considering the | Our audit procedures included considering the appropriateness of the accounting policies implemented by management and we compared the loan impairment methodologies with the requirements of *IAS 39 Financial Instruments: Recognition and Measurement* (IAS 39). We found the accounting policies and impairment methodologies to be in line with IAS 39.<br><br>We obtained an understanding of- and tested the relevant controls relating to the credit origination process, the approval of credit facilities, the subsequent monitoring and remediation of exposures including collateral management and the evaluation of credit risk ratings.<br><br>***Portfolio loan impairment***<br><br>We performed the following procedures with the assistance of our actuarial experts:<br><br>• We evaluated the design and implementation of the models, including significant assumptions and the quality of the observable data used to derive model parameters in terms of our understanding of industry norms.<br><br>• We compared the current business practice and data outputs in terms of collection strategy, write-off and rehabilitation to the Company's policy as well as to industry norms.<br><br>• We assessed the reasonableness of the methodology used in the impairment model to determine the probability of default, loss given default and the emergence periods against our expectation based on the knowledge of the client and the industry.<br><br>• We evaluated the appropriateness of assumptions underlying portfolio provisions recognised by management, in light of recent economic events and circumstances that would not be reflected by the model.<br><br>• We evaluated the overall reasonableness of the portfolio provision by comparing it to our independent model calculation. This model independently estimates the modelled parameters using the same modelling data as that of the Company. |

| | |
|---|---|
| estimated recovery of security in the Company's possession. | Our testing found the methodology for the identification and valuation of portfolio loan impairment and related judgement applied to be reasonable and in accordance with the requirements of IFRS.<br><br>***Specific loan impairments***<br><br>We evaluated management's process for identifying specific impairment based on IAS 39 guidelines relating to impairment indicators, the current macro-economic and global environment, industry factors and client specific factors identified from the assessment of credit records.<br><br>For specific impairments that were raised, we considered the impairment indicators, uncertainties and assumptions made by management in their assessment of the recoverability of the exposure. For a sample of impaired loans, we independently recalculated the impairment losses based on our assessment of the expected cash flows and recoverability of collateral. Our procedures did not indicate any significant differences.<br><br>For a sample of collateral held, we inspected legal agreements and supporting documentation to assess the existence and legal right to the collateral.<br><br>The collateral valuation techniques applied by management were evaluated against the Company's valuation guidelines, which we found to have been designed in accordance with the appropriate accounting standards.<br><br>Our testing found the methodology for the identification and valuation of specific impairments and related judgement applied to be reasonable and in accordance with the requirements of IFRS. |
| *IFRS 9 Financial Instruments (Issued but not effective accounting standard) (Refer to note 2.5)* | |
| IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) requires disclosure of the known or reasonably estimable information relevant to assessing the possible impact of adopting new standards that are not yet effective at the reporting date. For the year ended 30 June 2018, these disclosures include a discussion of the impact that initial application of IFRS 9 *Financial Instruments* (IFRS 9) is expected to have on the Company's financial statements.<br><br>IFRS 9 becomes effective for the Company on 1 July 2018. The new standard will have a significant impact on the Company from the financial year ending 30 June 2019, particularly in the calculation of credit loss impairments and forward looking information. As disclosed in note 2.5 *Standards/interpretations issued but not yet effective*, the Company does not anticipate any significant changes in the classification and measurement of its financial assets and financial | In evaluating the required disclosures of the impact of the adoption of IFRS 9, we considered (as described below) the governance oversight and tested the approvals over the project, the expected credit loss model and the methodologies and controls applied by the Company.<br><br>We tested the disclosures based on our understanding of the classification and measurement requirements of IFRS 9.<br><br>From the performance of our procedures we agreed with management's assertion of limited changes regarding the classification and measurement of the Company's financial assets and liabilities in transitioning from IAS 39 to IFRS 9.<br><br>Our audit work included all the audit procedures that we would usually perform when auditing credit impairment models, and included a consideration of |

| | |
|---|---|
| liabilities.<br><br>Management has built an expected credit loss model and established systems, processes, methodologies and controls during the year in preparation for the Company's implementation of IFRS 9. In addition, for the financial statements, management has disclosed the expected reduction of net assets at 1 July 2018 due to impairment reducing the opening reserves.<br><br>Given management's focus on preparing for the IFRS 9 transition and the Company's state of readiness, we have expended significant audit effort in the current year in order to understand and test the systems and models that management have put in place in advance of IFRS 9 adoption. Accordingly, this disclosure was identified as a matter of most significance in the current year's audit of the Company's financial statements. | governance oversight over the expected credit loss model development, validation and approval.<br><br>From the performance of our procedures we found the model validations, classifications and measurements, and disclosure made by management in the current financial statements to be consistent with our understanding of the Company's readiness in advance of the IFRS 9 transition. |

## *Other information*

The directors are responsible for the other information. The other information comprises the information included in the *South African Securitisation Programme (RF) Limited Annual Financial Statements for the year ended 30 June 2018,* which includes the Directors' report, the Audit Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of the directors for the financial statements*

The directors are responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

pwc

## *Report on other legal and regulatory requirements*

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of South African Securitisation Programme (RF) Limited for 1 year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Vincent Tshikhovhokhovho

Registered Auditor

4 Lisbon Lane

Waterfall City

2090

31 October 2018

## Statement of Financial Position as at 30 June 2018

| | Accounting policy | Note(s) | 2018 R'000 | 2017 Restated* R'000 | 2016 Restated* R'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash balances | 1.3 | 4 | 469 658 | 321 273 | 252 327 |
| Trading assets | 1.8 | 5 | 18 258 | 8 630 | - |
| Other receivables | 1.8 | 6 | 55 439 | 55 481 | 46 500 |
| Loans and advances | 1.8 | 7 | 3 365 762 | 2 709 168 | 2 026 339 |
| Taxation | 1.2 | | - | 15 440 | 3 773 |
| **Total Assets** | | | **3 909 117** | **3 109 992** | **2 328 939** |
| **Equity and Liabilities** | | | | | |
| **Equity** | | | | | |
| Ordinary Share capital | 1.7 | 8 | 100 | 100 | 100 |
| Preference share capital | | 8 | - | - | - |
| Retained earnings | | | 197 880 | 138 282 | 115 484 |
| **Total Equity** | | | **197 980** | **138 382** | **115 584** |
| **Liabilities** | | | | | |
| Current tax payable | 1.2 | | 8 738 | - | - |
| Other payables | 1.8 | 9 | 132 362 | 67 642 | 84 640 |
| Debt securities issued | 1.8 | 10 | 3 115 432 | 2 509 728 | 1 836 178 |
| Long term loans | 1.8 | 11 | 378 085 | 330 365 | 241 392 |
| Deferred tax | 1.2 | 12 | 76 520 | 63 875 | 51 145 |
| **Total Liabilities** | | | **3 711 137** | **2 971 610** | **2 213 355** |
| **Total Equity and Liabilities** | | | **3 909 117** | **3 109 992** | **2 328 939** |



* See note 2.4

# South African Securitisation Programme (RF) Limited

(Registration number 1991/002706/06)
Annual Financial Statements for the year ended 30 June 2018

## Statement of Comprehensive Income

| | Accounting policy | Note(s) | 2018 R '000 | 2017 Restated * R '000 |
|---|---|---|---|---|
| Interest income | 1.4 | 13 | 478 185 | 403 802 |
| Interest expense | 1.4 | 14 | (300 601) | (257 185) |
| **Net interest income** | | | **177 584** | **146 617** |
| Non-interest income | 1.4 | 15 | 122 012 | 117 574 |
| **Total Income** | | | **299 596** | **264 191** |
| Impairment charges | 1.8 | 24 | (20 406) | (16 695) |
| **Net income after impairment** | | | **279 190** | **247 496** |
| Operating cost | 1.5 | 16 | (160 384) | (171 536) |
| **Profit before income tax** | | | **118 806** | **75 960** |
| Income Tax expense | 1.2 | 17 | (33 208) | (21 162) |
| **Total comprehensive income for the year** | | | **85 598** | **54 798** |
| **Total Comprehensive income attributable to:** | | | **85 958** | **54 798** |
| Preference shareholders | | | 26 000 | 32 000 |
| Ordinary shareholders | | | 59 598 | 22 798 |



* See note 2.4

## Statement of Changes in Equity

| | Share Capital R'000 | Retained Earnings R'000 | Preference Share Capital ** R'000 | Total Equity R'000 |
|---|---|---|---|---|
| **Balance at 30 June 2016** | **100** | **115 484** | **-** | **115 584** |
| Total comprehensive income for the year (Restated*) | - | 22 798 | 32 000 | 54 798 |
| Dividends to preference shareholders | - | - | (32 000) | (32 000) |
| **Balance at 30 June 2017** | **100** | **138 282** | **-** | **138 382** |
| Total comprehensive income for the year | - | 59 598 | 26 000 | 85 598 |
| Dividends to preference shareholders | - | - | (26 000) | (26 000) |
| **Balance at 30 June 2018** | **100** | **197 880** | **-** | **197 980** |



* See note 2.4
** See note 8.2

## Statement of Cash Flows

| | Note(s) | 2018<br>R '000 | 2017<br>Restated *<br>R '000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash receipt from customers | 19.1 | 600 681 | 520 892 |
| Cash paid to suppliers and employees | 19.2 | (462 593) | (428 761) |
| **Cash generated from operating** | | **138 088** | **92 131** |
| Dividend paid | | (26 000) | (32 000) |
| Taxation received/(paid) | 18 | 3 615 | (20 100) |
| **Net change from operating activities before changes in operating assets and liabilities** | | **115 703** | **40 031** |
| **Changes in operating assets and liabilities** | | **32 682** | **28 915** |
| (Increase)/Decrease in loans and advances | | (676 999) | (699 523) |
| (Increase)/Decrease in trading assets | | (8 505) | (8 106) |
| Increase/(Decrease) in other receivables | | 42 | (8 981) |
| Increase/(Decrease) in other payables | | 64 720 | (16 998) |
| (Decrease)/Increase in Long term loans | | 47 720 | 88 973 |
| Increase/(Decrease) in debt securities | | 605 704 | 673 550 |
| **Net cash from operating activities** | | **148 385** | **68 946** |
| Cash at the beginning of the year | | 321 273 | 252 327 |
| **Total cash at end of the year** | 4 | **469 658** | **321 273** |

# Accounting Policies

**1. Presentation of Annual Financial Statements**

The principal accounting policies adopted in the preparation of these Annual Financial Statements are set out below.

*Basis of preparation*

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS Interpretation Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008, as amended, and the JSE Listings Requirements.

The company has, in the preparation of the Annual Financial Statements, consistently applied the accounting policies with those applied in the previous financial year, unless otherwise stated. Refer to note 2.4 for reclassifications and correction of prior year errors.

*Functional and presentation currency*

The annual financial statements are presented in South African Rand (ZAR) and all amounts, unless otherwise indicated, are stated in thousands of ZAR (R'000).

The company operates in one geographic region, namely Southern Africa (South Africa).

**1.1 Leases (refer note 7)**

**Company as a lessor**
Rental, lease and instalment sale contracts are regarded as financing transactions, with rentals and instalments receivable, less unearned finance charges, being reflected as Loans and advances on the Statement of Financial Position.

Finance income is recognised over the term of the lease using the effective interest rate method.

**1.2 Taxation (refer note 12, 17 and 18)**

Income tax and capital gains tax comprises current and deferred taxation and are recognised in profit or loss.

**Current tax**

Current tax, comprising income tax and capital gains tax, is calculated on taxable income for the year based on current tax legislation.

**Deferred tax**

Deferred tax comprising deferred income tax and deferred capital gains tax is calculated using the Statement of Financial Position method against which existing tax legislation is applied to temporary differences between the tax and accounting bases of assets and liabilities.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.

Deferred tax assets are reviewed for recoverability at each reporting date.

Deferred tax resulting on items accounted for directly in the Statement of Changes in Equity or Statement of Comprehensive Income are recognised in the Statement of Changes in Equity and Statement of Comprehensive Income respectively.

Deferred tax assets are recognised on tax losses to the extent that it is probable that future taxable profits will be earned.

# Accounting Policies

### 1.3 Cash and cash balances (refer note 4)

Cash and cash balances as reflected on the Statement of Cash Flow comprise:
- Cash and cash balances on hand; and
- Short-term interbank funds.

Cash and cash balances are available for use by the company unless otherwise stated and are accounted for at amortised cost in the Annual Financial Statements.

### 1.4 Revenue (refer note 13, 14 and 15)

**Net interest income**
Net interest income comprises interest income less interest expense as well as the fair value gains and losses on interest rate swaps.

Interest income and interest expense on financial instruments is recognised using the effective interest method.

The effective interest rate is the rate that discounts future cash payments or receipts over the expected life of the financial instrument to the carrying amount of the financial instrument.

In calculating the effective interest rate, the company estimates expected cash flows considering all contractual terms of the financial instrument, excluding future credit losses but including all fees paid or received, transaction costs and all other premiums or discounts between parties to the contract.

Interest income on impaired financial assets are recognised as interest in suspense in the Statement of Financial Position, as part of the specific impairments on loans and advances.

The effective interest rate is established on initial recognition of the financial instrument and not subsequently revised.

**Non-interest income**
Non-interest income comprises income received on evergreen, settlement profits, fair value gains and losses and other income.

Settlements profits is the margin on the early settlement of loans and advances and is recognised when the company becomes entitled to the settlement amount quoted.

Fair value gains and losses (apart from those on interest rate swaps) and other income is recognised in profit or loss when the amount of income is earned and can be measured reliably.

### 1.5 Operating cost (refer note 16)
Operating costs comprises of series manager fee, series servicer fee, revenue share expense, commission paid, staff cost and other services.

Operating costs are recognised as and when the expense is incurred.

The series manager fee is the fee payable to the controlling company for providing management services to the Company.

The series servicer fee is the fee payable to the controlling company for the day-to-day management of the underlying loans and advances on behalf for SASP.

Staff costs are fees paid to Maitland Group South Africa Ltd and Quadridge Trust Services (Pty) Ltd for services rendered by their members in their capacity as directors of SASP.

Revenue share expense is the contractual sharing of the net interest income margin (after bad debt recoveries) with the controlling company.

# Accounting Policies

### 1.6 Commitments and Contingent Liabilities (refer note 20)

Commitments represent the company's commitment to future transactions.

Contingent liabilities are provisions of the Company with an uncertain timing or amount. Contingent liabilities principally consist of third-party obligations underwritten by the company and letters of credit.

Commitments and contingent liabilities are not recognised but disclosed in the Annual Financial Statements.

### 1.7 Share capital (refer note 8)

**Ordinary share capital**
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of tax. Dividends are accounted for as distributions from equity in the period in which they are payable to shareholders. Ordinary share capital of the company purchased by the company, is recognised as a reduction in equity at the amount of consideration paid, including directly attributable costs, net of tax.

**Preference share capital as equity**
Preference share capital is classified as equity if it is non-redeemable, or it is redeemable only at the company's option or if dividends payable are discretionary at the option of the company.

Incremental costs directly attributable to the issue of preference shares are accounted for as a deduction from equity, net of tax.

Preference dividends are accounted for as distributions from equity when they become payable to shareholders.

Preference share capital of the company, purchased by the company, is recognised as a reduction to equity at the amount of the consideration paid, including directly attributable costs, net of tax. Preference shares repurchased by the Company are cancelled.

### 1.8 Financial instruments

Financial instruments, as reflected on the Statement of Financial Position, include all financial assets, financial liabilities and derivative instruments.

Financial assets are recognised on the date on which the company commits to purchase the asset. Financial liabilities are recognised on the date on which the Company becomes party to the contractual provisions of the financial liability.

Financial instruments are initially accounted for at fair value.

Transaction costs directly attributable to the acquisition of a financial asset or financial liability are recognised in profit or loss for financial instruments measured at fair value through profit or loss and, for all other financial instruments, against the financial instrument.

Subsequent to initial measurement, financial instruments are either measured at fair value through profit or loss, or amortised cost.

*Financial instruments at fair value through profit or loss*
Financial instruments at fair value through profit or loss consist of instruments held-for-trading and those financial instruments that the company has elected to designate at fair value through profit or loss.

Financial instruments at fair value are classified as held for trading if they are acquired or incurred for the purpose of selling or repurchasing in the short term. Financial assets and liabilities held for trading are measured at fair value. Gains or losses on held for trading financial assets and liabilities are recognised in profit or loss.

The Company has designated financial assets and liabilities at fair value through profit or loss for:

- 1.8.1 Financial assets or liabilities that are managed, evaluated and reported internally on a fair value basis; or
- 1.8.2 Where it eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- 1.8.3 Financial assets or liabilities that contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

**1.8 Financial instruments (continued)**

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, with fair value gains and losses reported in non-interest income, apart from those related to interest rate swaps. The fair value gains and losses recognized on interest rate swaps are included in net interest income. Interest income and interest expense on financial instruments designated at fair value through profit or loss are reported as such in profit or loss.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market.

Financial assets classified as loans and receivables are accounted for at amortised cost using the effective interest method, with interest income and impairment losses recognised in profit or loss.

**Measurement**

*Amortised cost*
Amortised cost financial assets and financial liabilities are measured at the amount determined on initial recognition, less principal repayments and cumulative amortisation using the effective interest rate method, and any difference between the initial amount and the maturity amount, less any cumulative impairment losses.

*Borrowings*
Borrowings are recognised initially at fair value, generally being their issued proceeds, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost with interest recognised over the period of the borrowing, using the effective interest rate method, in profit or loss.

*Derecognition*
Financial instruments are derecognised on the date when the company commits to selling a financial asset or redeeming a financial liability.

The company derecognises a financial asset when:

1.8.4 The contractual rights to the cash flows arising from the financial asset have expired or have been forfeited; or
1.8.5 It transfers the financial asset, including, substantially, all the risks and rewards of ownership of the asset; or
1.8.6 It neither transfers nor retains, substantially, all the risks and rewards of ownership of the asset, and no longer retains control of the asset.

A financial liability is derecognised when the contractual obligations are discharged, cancelled, transferred or have expired.

The difference between the derecognised carrying amount of a financial asset or financial liability and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

*Offsetting financial instruments and related income*
Financial assets and liabilities are set-off and reported net in the Statement of Financial Position only when there is a legally enforceable right to do so and there is an intention and ability to settle or realise the asset and liability on a net basis or simultaneously.

# Accounting Policies

**1.8 Financial instruments (continued)**

**Impairment of financial assets**

The Company annually assesses financial assets not at FVTPL for impairment. Impairment occurs where there is objective evidence that a loss event has occurred after the initial recognition of the financial asset(s) and that the loss event has an impact on the future cash flows of the financial asset(s) that can be measured reliably.

*Financial assets carried at amortised cost*
Impairment is calculated as the difference between the carrying amount and the present value, of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss.

*Financial assets carried at cost*
Financial assets carried at cost comprise unquoted equity instruments not carried at fair value, as fair value cannot be reliably measured, or derivative assets linked to or to be settled by delivery of an unquoted equity instrument.

Impairment is recognised on financial assets carried at cost where cost of the financial asset exceeds the present value of estimated future cash flows arising from the financial asset.

Impairment losses recognised on financial assets carried at cost are not reversed.

## 2 Critical estimates, judgements, re-classification and error

The preparation of the Annual Financial Statements in accordance with IFRS requires management to make certain judgements, estimates and assumptions in its calculation of the carrying value of assets and liabilities and the reported amounts of profit or loss.

The assumptions, judgements and estimates used are based on historical experience and other factors that are believed to be reasonable.

Assumptions, judgements and estimates are reviewed on an ongoing basis, with revisions recognised in the period in which the revision was made, or in future periods if applicable.

### 2.1 Credit impairment of loans and advances (refer note 23.3)

2.1.1 *Performing loans and advances*

The company assesses its performing loan portfolio for impairment monthly using the incurred loss approach. The recoverable amount of performing loans is calculated on a portfolio basis, based on historical loss ratios, industry and Banking company specific economic and other conditions.

Impairment is recognised as the difference between the discounted estimated future cash flows (the recoverable amount) on the performing loans portfolio and its carrying value. The discount rate used to calculate the recoverable amount excludes consideration of any anticipated future credit losses.

Generally, a period of time will elapse between the occurrence of an impairment event and evidence of the impairment becoming evident, the "emergence period". The Company has provided for incurred but not reported (IBNR) losses which recognise potential losses on its portfolio of loans and advances that have not yet been evidenced. The IBNR provision is based on the probability that the loans and advances that are performing at the calculation date are within the emergence period.

2.1.2 *Non-performing loans and advances*

Non-performing loans comprise loans where there is evidence of impairment as a result of one or more past events or impairment triggers that have occurred since initial recognition.

Loans and advances are individually impaired where the company has identified objective evidence of a default event, such as being due but unpaid for a period of 90 days or more or where loan covenants have been breached. Estimates of future cash flows on individually impaired loans and advances are based on historical loss experience for assets with similar credit risk characteristics after considering the estimated recoverability of security in the company's possession.

The methodology used in determining impairments on non-performing Equipment Finance and Capital Equipment Finance loans and advances involves modelling expected cash flows and recoverability of security. These inputs are reviewed on a regular basis with reference to historical experience.

### 2.2 Fair value (refer note 23)

Fair value is the price that would be realised on the sale of an asset or paid to transfer a liability on an arm's-length basis to an unrelated party.

The company measures the fair value of a financial instrument using its quoted price in an active market. A market is regarded as active if transactions for the financial instrument take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The most accurate fair value of a financial instrument at initial recognition is normally the transaction price less the fair value of the consideration given or received. If the company determines that the fair value of a financial instrument (measured at amortised cost) at initial recognition differs from the transaction price, and the fair value is evidenced neither by a quoted price in an active market for an identical financial instrument nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value with the difference between the fair value at initial recognition and the transaction price recognised in profit or loss over the life of the instrument, but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

'Bid' prices in an active market are used to measure financial assets held at fair value, while 'ask' prices in an active market are used to measure financial liabilities held at fair value.

**2 Critical estimates judgements, re-classification and error (continued)**

**2.2 Fair value (continued)**

Financial asset portfolios, that are exposed to market risk and credit risk, are measured on the basis of a price that would be received when selling a net long position for a particular risk exposure. Financial liability portfolios, that are exposed to market risk and credit risk, are measured on the basis of a price that would be paid to transfer a short position for a particular risk exposure. Market risk and credit risk portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit will not be less than the amount payable by the company on demand, discounted from the first date on which the amount could be required to be paid.

The fair value of financial instruments that are not quoted in active markets or trade infrequently with little price transparency, requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions, and other risks affecting the specific instrument, and is determined by using valuation techniques which are validated and independently reviewed by qualified and experienced senior personnel within and external to the company.

The company's valuation methodologies comprise:
- Price/earnings multiple valuation methodology;
- Recent transaction prices and comparison with similar instruments;
- Net asset value;
- Discounted cash flow or earnings; and
- Black-Scholes.

Assumptions and inputs used in the valuation methodologies comprise:
- Risk-free interest rate;
- Benchmark interest rates;
- Credit spreads; and
- Liquidity and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices, and expected price volatilities and correlations.

Fair value estimates obtained from models are adjusted for factors such as liquidity risk or model uncertainties that the company believes an independent market participant would take into account when pricing a valuation.

*Fair value hierarchy*
Valuation models
The company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Transfers between levels are recognised at the end of the reporting period during which the change has occurred.

### 2 Critical estimates judgements, re-classification and error (continued)

### 2.3 Current and deferred taxation (refer notes 12 and 17)

The Company is subject to direct and indirect taxation charges. There are elements of uncertainty and resultant judgement involved in the ultimate determination of these tax balances and charges. Should the final outcome differ to that initially calculated, the impact is accounted for in the period in which this outcome is known.

### 2.4 Reclassification and correction of prior year errors

*2.4.1 Re-classification of certain assets*

During the year under review, management reviewed the nature of the detailed accounts included in the respective asset and liability line items on the face of the Statement of Financial Position. As part of this review, management identified that certain accounts were linked to the incorrect items on the face of the Statement of financial Position. Consequently, a reclassification was made between Other receivables and Trading assets. The re-classification is disclosed below. The re-classification did not have any impact on the 2016 Statement of Financial Position or retained earnings or the profit for the year.

*2.4.2 Interest rate swap- Correction of prior year error*

In order to hedge the basis risk in the South African Securitisation Programme (Pty) Ltd (SASP), there is a contractual interest rate swap transaction in place between Sasfin Bank Ltd and SASP. Per the contract SASP pays Sasfin Bank Ltd interest at a rate of Prime less 3.4% and Sasfin Bank Ltd pays SASP interest at a rate equivalent to the three-month Jibar. During the 2018 financial year, management conducted an analysis to value the swap and determined that it was accounted for incorrectly. The error has been corrected by restating each of the impacted financial statement line items for prior periods, as summarised below. The impact of this error was a reduction of Interest Expense of R8.220m, and an increase in the Taxation Expense of R2.302m. it had no impact on the 2016 Annual financial Statement.

*2.4.3 Cash in transit- Correction of prior year error*

During the year under review, management reviewed the nature of detailed accounts included in cash and cash balances on the face of the Statement of Financial Position. As part of the review management identified that certain accounts linked to cash and cash balances did not meet the definition of cash and cash equivalents, despite it being highly liquid, and should be classified as Other receivables per IFRS. Consequently, the error was corrected, and its impact is disclosed below. The prior period error did not have any impact on retained earnings or the profit for the year.

*2.4.4 Subordinated loans- corrections of prior period error*

During the year under review, management reviewed the nature of detailed accounts included in debt securities issued on the face of the Statement of Financial Position. As part of the review management identified that subordinated loans were incorrectly classified as debt securities issued and should be classified as long term loans (interest bearing liabilities) per IFRS. Consequently, the error was corrected, and its impact is disclosed below. The prior period error did not have any impact on retained earnings or the profit for the year.

## Notes to the Annual Financial Statements

**2.4 Reclassification and correction of prior year error (continued)**

**Impact on Financial Statement line items**

| | 2017 | | | |
|---|---|---|---|---|
| | **As previously reported** | **Re-classification** | **Prior period error** | **Restated** |
| | | **Increase / (Decrease)** | **Increase / Decrease)** | |
| | **R'000** | **R'000** | **R'000** | **R'000** |
| **Statement of financial position** | | | | |
| Cash and cash balances | 370 581 | - | (49 308) | 321 273 |
| Trading assets | - | 410 | 8 220 | 8 630 |
| Other receivables | 6 583 | (410) | 49 308 | 55 481 |
| Taxation | 17 742 | - | (3 203) | 15 440 |
| Debt securities issued | 2 819 193 | - | (309 465) | 2 509 728 |
| Long term loans | 20 900 | - | 309 465 | 330 365 |
| **Equity** | | | | |
| Retained earnings | 132 364 | - | 5 918 | 138 282 |
| **Statement of Comprehensive Income** | | | | |
| Interest expense | (265 365) | (40) | 8 220 | (257 185) |
| Net Interest Income | 138 437 | (40) | 8 220 | 146 617 |
| Operating costs | 171 496 | 40 | - | 171 536 |
| Income tax expense | (18 860) | - | (2 302) | (21 62) |
| Profit for the year | 48 880 | - | 5 918 | 54 798 |
| **Statement of cash flows** | | | | |
| Interest paid to suppliers | (436 941) | (40) | 8 220 | (428 761) |
| Increase/(Decrease) in trading assets | (16 286) | (40) | 8220 | (8 106) |
| (Decrease) / Increase in other receivables | (58 699) | 410 | 49 308 | (8 981) |
| (Decrease) / Increase in debt securities issued | 755 873 | - | (82 323) | 673 550 |
| Decrease) / Increase in long term loans | 6 650 | - | 82 323 | 88 973 |
| Cash at the beginning of the year | 271 271 | - | (18 944) | 252 327 |
| Cash at the end of the year | 370 581 | - | (49 308) | 321 273 |

| | 2016 | | | |
|---|---|---|---|---|
| | **As previously reported** | **Re-classification** | **Prior period error** | **Restated** |
| | | **Increase / (Decrease)** | **Increase / Decrease)** | |
| | **R'000** | **R'000** | **R'000** | **R'000** |
| **Statement of financial position** | | | | |
| Cash and cash balances | 271 271 | - | (18 944) | 252 327 |
| Other receivables | 27 556 | - | 18 944 | 46 500 |
| Debt securities issued | 2 063 320 | - | (227 142) | 1 836 178 |
| Long term loans | 14250 | - | 227 142 | 241 392 |

These reclassifications further impacted some of the amounts disclosed in notes 5, 6, 14 and 16.
These corrections further impacted some of the amounts disclosed in notes 4, 5, 10, 11, 14 and note 17.

# Notes to the Annual Financial Statements

### 2.5 Standards and Interpretations issued but not yet effective

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective for the year ended 30 June 2018 and have not been applied in preparing these Annual Financial Statements. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated. These include the following Standards and Interpretations that have been issued, with an indication of the estimated impact on the future financial statements of the company:

| ***Pronouncement*** | ***Title and details*** | ***Effective date*** |
| --- | --- | --- |
| *IFRS 9* | *Financial Instruments*<br>IFRS 9, Financial Instruments was approved and issued by the IASB in July 2014. IFRS 9 is effective for annual periods commencing on or after 1 January 2018. IFRS 9 is replacing IAS 39 Financial Instruments: Recognition and Measurement and will direct the accounting treatment by entities of their financial instruments going forward.<br><br>The Company has elected to adopt IFRS 9 retrospectively without restating comparatives i.e. restating opening retained income on 1 July 2018, from the effective date. The year ending 30 June 2019 is the first year in which IFRS 9 will be applied by SASP.<br><br>The following is a summary of the main differences between IFRS 9 and IAS 39:<br>• Changes to the classification and measurement of financial assets. The classification and measurement of financial assets are determined by the business model applied by SASP in managing its financial assets and the contractual cash flow characteristics of the financial assets;<br>• Moving from an incurred loss impairment model under IAS 39, to an<br>• expected credit loss (ECL) impairment model under IFRS 9; and<br>• Changes in the hedge accounting requirements and the application thereof.<br><br>SASP has reviewed all its current financial assets and financial liabilities against the revised classification and measurement criteria introduced by IFRS 9. Based on this review, SASP does not anticipate any significant changes in the classification and measurement of its financial assets and financial liabilities. The classification and measurement as well as the impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The Company does not intend to restate comparatives.<br><br>The change from an "incurred loss" model to an "expected loss" in accordance with IFRS 9, caused SASP to embark on an extensive project to update and build a new model to incorporate these changes. We anticipate that this model will continue to be enhanced and refined over time, as more data is being incorporated and analysed. Based on the initial results from the new model, we anticipate a decrease of R5.971 million (with a deferred tax impact of R1.672 million) in the provision for credit (impairment) losses, when first applying IFRS 9.<br><br>SASP currently does not apply hedge accounting and hence the changes in IFRS 9 with regards to hedge accounting are not expected to have any impact. | Annual periods beginning on or after 1 January 2018 |

## Notes to the Annual Financial Statements

| | | |
|---|---|---|
| *Amendment to IFRS 9* | *Prepayment Features with Negative Compensation – Amendments to IFRS 9*<br>In terms of IFRS 9, debt instruments can be measured at amortised cost or at fair value through other comprehensive income, subject to the contractual cash flows being "solely payments of principle and interest" on the principal amount outstanding (SPPI) and the instrument is held in an appropriate business model for that classification. This amendment to IFRS 9 clarifies that a financial asset passes the SPPI criteria irrespective of the event or circumstances that resulted in the early termination of the contracts and regardless of which party pays or receives the reasonable compensation for the early termination of the contract.<br><br>This amendment to IFRS 9 is not expected to have a significant impact on the recognition and measurement of financial assets recognised by the Company in accordance with IFRS 9. | Annual periods beginning on or after 1 January 2019 |
| *IFRS 15* | *Revenue from contracts with customers*<br>Revenue from contracts with customers replaces IAS 11: Construction Contracts, IAS 18: Revenue, IFRIC 13: Customer Loyalty Programmes, IFRIC: 15 Agreements for the Construction of Real Estate, IFRIC: 18 Transfer of Assets from Customers and SIC-31: Revenue – Barter of Transactions Involving Advertising Services into a single model that applies to all contracts with customers and two approaches to recognising revenue: at a point in time or over time. IFRS 15 details a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. IFRS 15: Revenue from Contracts with Customers replaces IAS 11: Construction Contracts, IAS 18: Revenue, IFRIC 13: Customer Loyalty Programmes, IFRIC 15: Agreements for the Construction of Real Estate, IFRIC 18: Transfer of Assets from Customers, and SIC-31: Revenue – Barter of Transactions Involving Advertising Services, into a single model that applies to all contracts with customers and two approaches to recognising revenue: at a point in time or over time. IFRS 15 details a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.<br><br>The requirements of IFRS 15 are not expected to have a material impact on revenue recognition by the Company. | Annual periods beginning on or after 1 January 2018 |
| *IFRS 16* | *Leases*<br>IFRS16 replaces IAS17: Leases, and sets out the principles for the recognition, measurements presentation and disclosure of leases for both parties to a contract - the customer or lessee and the supplier or lessor.<br><br>IFRS 16 includes a single model for lessees which will result in almost all Leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes new disclosure requirements for both lessees and lessors.<br><br>These amendments are not expected to have a material impact on the Company. | Annual periods beginning on or after 1 January 2019. |
| *Amendments to IFRS 4 and IFRS 9* | *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*<br><br>This amendment is intended to address concerns arising from implementing IFRS 9 Financial Instruments prior to implementing IFRS 17 Insurance Contracts, which is replacing IFRS 4 *Insurance Contracts*. The amendments introduce two options for entities issuing insurance contracts, namely a temporary exemption from applying IFRS 9 and an overlay approach.<br><br>These amendments are not expected to have an impact on the Company. | Annual periods beginning on or after 1 January 2018. |

## Notes to the Annual Financial Statements

| | | |
|---|---|---|
| *IFRS 17* | *Insurance Contracts*<br>IFRS 17 replaces the current standard on insurance contracts, IFRS 4. It creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. Amongst others, IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows, taking into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are further required to be measured based only on the obligations created by the contracts. An entity will also be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums.<br><br>These amendments are not expected to have an impact on the Company. | Annual periods beginning on or after 1 January 2021. |
| *IFRS 10 and IAS 28* | *Sale or contribution of assets between an investor and its associate or joint venture*<br>The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of business is key to determining the extent of the gain to be recognised.<br><br>These amendments are not expected to have an impact on the Company. | Annual periods beginning on or after 1 January 2018. |
| *IFRIC 22* | *Foreign Currency Transactions and Advance Considerations*<br>When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 *The Effects of Changes in Foreign Exchange Rates* is not clear on how to determine the transaction date for translating the related item. This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.<br><br>The Company does not expect a significant impact on the recognition of foreign currency transactions as a result of IFRIC 22. | Annual periods beginning on or after 1 January 2018. |
| *IFRIC 23* | *Uncertainty over Income Tax Treatments*<br>This standard clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the Annual Financial Statements.<br><br>IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:<br>• judgements made;<br>• assumptions and other estimates used; and<br>• the potential impact of uncertainties that are not reflected.<br><br>The Company does not expect IFRIC 23 to have a significant impact on the measurement of tax in the Annual Financial Statements | Annual periods beginning on or after 1 January 2019. |
| *Amendments to IFRS 2* | *Classification and Measurement of Share-based Payment Transactions*<br>Clarifications in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled have been included.<br><br>These amendments are not expected to have a significant impact on the Company. | Effective date is deferred by the IASB indefinitely. Adoption is still permitted. |

## Notes to the Annual Financial Statements

| | | |
|---|---|---|
| *Amendments to IAS 19* | Plan Amendment, Curtailment or Settlement<br>This amendment addresses the accounting for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period.<br><br>The amendment is not expected to have an impact on the Company. | Annual periods beginning on or after 1 January 2019. |
| *Amendments to IAS 28* | Long-term interests in associates and joint ventures<br>This amendment clarifies that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture, to which the equity method is not applied. It therefore implies that the expected credit loss model in IFRS 9 applies to such long-term interests.<br><br>The amendment is not expected to have an impact on the Company. | Annual periods beginning on or after 1 January 2019. |
| Amendments to IAS 40 | Transfers of Investment Property<br>This amendment clarifies when an entity should transfer property from or into Investment Property, i.e. transfers can only be made when there is evidence of a change in use. A mere change in management's intentions for the use of a property will not suffice.<br><br>This amendment is not expected to have an impact on the Company. | Annual periods beginning on or after 1 January 2018. |

All standards and interpretations relevant to the Company will be adopted at their effective date.

### 3 Financial risk management

Risk management is fundamental to the Company's business activities, enabling management to operate effectively in a changing and highly regulated environment. The Company remains committed to the objectives of increasing shareholder value by developing and growing the Company within its Board-approved risk appetite and by seeking an appropriate balance between risk and reward. The Company is governed by the financial risk management framework, policies and procedures implemented by the Group.

3.1 *Risk management framework*
Governance

The responsibility for risk management resides at all levels, from the Board through to all employees of the Sasfin Group. The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The ALCO and GRCMC, both of which are committees of the Sasfin Board, are responsible for monitoring Group risk management policies in their specified areas of responsibility. The GRCMC, ALCO, CLEC (previously CIC), and IT Committee have both Executive and Non-Executive Directors as members, including members of executive management as invitees. The GACC, DAC and REMCO have only Non-Executive Directors as members, with Executive Directors and members of senior management as invitees. The chair of each Board committee reports quarterly or as required to the Board on the activities of their respective committees.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls as well as to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions as well as products and services offered. The Group, through its training and management of standards and procedures, has developed a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group uses the following lines of defence:
- Business unit management is primarily responsible for risk management. Its assessment, evaluation and measurement of risk is integrated with the day-to-day activities of the business. This process includes the implementation of the Group risk management policies, identification of key areas of risk, and implementation of corrective action where required. Business unit management is also responsible for appropriate reporting to the governance bodies within the Group.
- The Group Risk and Group Compliance divisions are independent of line management. These Group functions are primarily responsible for setting the Group's risk and compliance management framework and policy, and providing oversight and independent reporting to executive management, ALCO, GRCMC and the Board.
- The GIA function provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and reports directly to the GACC. The GACC is responsible for monitoring compliance with the Group's risk and compliance management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The GACC is assisted in these functions by GIA, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the GACC.

3.2 *Risk types, definitions, governance standards, policies and procedures*
The Group has developed a set of policies, procedures and standards for each major risk type to ensure alignment and consistency in a manner in which the major risk types across the Group are identified, measured, managed and reported on. All policies and procedures are approved by GRCMC and applied consistently across the Group.

The risk governance principles in respect of market, credit and liquidity risk have remained relatively unchanged from the prior year.

3.2.1 *Credit risk*
This is the risk of loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation.

Credit risk arises principally from the Group's loans and advances, deposits placed with other banks, and negotiable securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (individual obligor default risk as well as country and sector risk).

*Management of credit risk*
The Board of Directors has delegated responsibility for the management of credit risk to the CLEC. The Group credit department, which reports to the Chief Operating Officer, is responsible for oversight of the Group's credit risk, including:

**3 Financial risk management (continued)**

***3.2.1 Credit risk (continued)***

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits, as approved and reviewed regularly by the Board, are allocated to business unit credit officers. Larger facilities may require approval by Group Credit, Head: Group Credit, CLEC or the Board;
- Reviewing and assessing credit risk. Group Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned;
- Limiting concentrations of exposure to counterparties, geographies and industries for loans and advances, deposits with banks and investment securities (refer note 36.1);
- Developing and maintaining the Group's risk indicators in order to categorise exposures according to the degree of risk of financial loss faced, and to focus management on the attendant risks. The risk system is used in determining where impairment provisions may be required against specific credit exposures. The current risk framework consists of four grades reflecting varying degrees of risk of default, availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee. Risk grades are subject to regular reviews by Group Risk;
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Group Credit on the credit quality of local portfolios and appropriate corrective action is taken; and
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated from the CLEC. Each business unit is also responsible for the quality and performance of its credit portfolio, and for monitoring and controlling all credit risks in its portfolios, including those subject to Group approval.

Regular audits of business units and Group Credit processes are undertaken annually by GIA.

*Deposits with other banks or money market funds*
The Group places funds on a daily basis with other banks or money market funds. These deposits are generally held on overnight call or on a short-term tenor, and are available on demand or at maturity. The deposits are made in accordance with the mandates and directives provided by ALCO and GRCMC. In terms of these policies, deposits can only be made with banking institutions or money market funds that are rated as AAA or AA by accredited global rating agencies, and may not exceed internal risk limits. Deposits with other banks or money market funds are reported to executive management on a daily basis, and to ALCO on a quarterly basis. Collateral is not held for deposits with other banks or money market funds.

*Impaired loans and securities*
These are loans and securities for which it is probable that the Group will be unable to collect all principal and interest due in accordance with the contractual terms of the loan/securities agreement(s). These loans are graded in the Group's internal credit risk grading system.

*Past due but not impaired loans*
These are loans and securities where contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available, and/or the stage of collection of amounts owed to the Group.

*Loans with renegotiated terms*
These are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

**3 Financial risk management (continued)**

***3.2.1 Credit risk (continued)***

The following requirements need to be met before a restructured loan may be reclassified as performing:

- The obligor's ability to meet the requirements of the revised terms and conditions must be established through at least 6 (six) consecutive months of adherence to the revised terms and conditions;
- In cases of wholesale obligors or obligors with payments dated longer than monthly, an evaluation may be done by the relevant credit mandate level, taking into account qualitative factors in addition to adherence to the revised terms and conditions. Such qualitative factors may include compliance with loan covenants and compliance with other existing loan obligations;
- In no case may any restructured credit exposure be reclassified as performing within 6 (six) months of the restructure; and
- The revised terms and conditions of the restructure, should still amortise the principal loan amount over the remaining term of the loan and must be well-documented for review by the SARB.

*Credit impairment*
The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a portfolio loan loss allowance established for Groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

*Write-off policy*
Loans and security balances (and any related allowances for impairment losses) are written off when it is determined that these loans and securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's or issuer's financial position resulting in the borrower/issuer no longer being in a position to pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

*Credit risk measurement and determination*
The Group uses internally developed models and practices to measure and manage credit risk, by utilising skilled resources to ensure it is properly managed and controlled. The Group has adopted the standardised approach in terms of Basel III to measure credit risk, and uses the regulatory risk buckets per the SARB as measurement criteria for assessing performing counterparties as follows:

| Categorisation of counterparty | SARB Risk-bucket |
|---|---|
| Performing loans and advances | A |
| Non-performing loans and advances | |
| -special mention | B |
| -sub-standard | C |
| -doubtful | D |
| -loss | E |

*Collateral for loans and advances*
The Group holds collateral against loans and advances in order to reduce credit risk. Although collateral is held, the Group's policy is to establish that loans and advances which are granted, are within the customer's capacity to repay the amount, rather than to rely on the collateral held against them. Estimates of the fair value of collateral are based on the value at the time of borrowing and are updated annually if an account is individually assessed for impairment. Collateral includes general notarial bonds over the client's stock and other assets, cession of debtor books as well as continuous covering mortgage bonds over property. Insurance taken out on loans and advances is also viewed as collateral.

*Concentration risk*
This is the risk of a material exposure by the Group to a small number of depositors, lenders, financial instruments, individuals, corporates, institutions or geographies.

**3 Financial risk management (continued)**

3.2.2 *Liquidity risk*

This is the risk that the Company may be unable to meet short-term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.

This risk is inherent in all banking and financial service operations and can be impacted by a range of institution specific and market-wide events.

*Management of liquidity risk*

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. ALCO sets limits and mandates for executive management to manage the liquidity risk within this framework.

Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of projected cash flows arising from future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, interbank loans and other interbank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units and subsidiaries are met through short-term loans from Treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements. The Group believes that the management of liquidity should encompass an overall Consolidated Statement of Financial Position approach, which consolidates all sources and uses of liquidity while maintaining a balance between liquidity, profitability and interest rate considerations

*Liquidity risk measurement*

The Group's daily liquidity position is monitored and reported in the form of cash flow projections in terms of key periods ranging from demand to long term. Regular liquidity stress testing is conducted under a variety of scenarios ranging from normal to severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Group, operating subsidiaries and foreign branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO. Sources of liquidity are regularly reviewed to maintain a wide diversification by financial product and form.

*Exposure to liquidity risk*

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash balances and investment grade debt securities for which there is an active and liquid market, less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. ALCO monitors the Group's exposure to liquidity risk in terms of internal benchmarks it has set and defined for Treasury to maintain.

To manage the liquidity risk arising from financial liabilities, the Group holds high-quality liquid assets comprising cash and cash balances, treasury bills, land bank bills, and negotiable certificates of deposit for which there is an active liquid market. These assets can be readily sold to meet liquidity requirements.

3.2.3 *Market risk*

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

It is the risk of change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse movements in market variables. The Group's market risks are:

- Interest rate risk – the risk of difference in the repricing characteristics of assets and liabilities; and
- Equity risk – the risk of an adverse change in the fair value of an investment in listed or unlisted equities.

*Settlement risk*

The Group is exposed to market price risk through its stock broker trading activities on behalf of clients and credit risk if counterparties fail to perform as contracted.

These risks are mitigated by the fact that the broker's client base comprises controlled clients (i.e. cash and/or scrip held before trading).

## Notes to the Annual Financial Statements

**3 Financial risk management (continued)**

3.2.3 *Market risk*

*Management of market risk*

The Group separates its exposures to market risks between trading and non-trading portfolios.

- Trading portfolios
  The Group applies a Value-at-Risk model using the previous five years' historical data as an input to monitor market risk. The Value-at-Risk model measures the amount of maximum loss which will not be exceeded with 99% probability as a result of normal but adverse market price movements over a 10-day holding period.
- Non-trading portfolios
  Non-trading portfolios are held by Treasury and are associated with fluctuations in the market price of assets and liabilities. Accordingly, the Group has exposure to interest rate risk and currency risk in respect of non-trading portfolios.

Overall authority for market risk is vested with ALCO. Group Risk is responsible for the development of detailed risk management policies (subject to review and approval by ALCO and GRCMC) and for the day-to-day review of their implementation. Included in market risk is equity investment risk arising from equity price changes in respect of listed and unlisted investments held by the Group as approved by CIC, GRCMC and ALCO respectively.

*Exposure to interest rate risk*

The Group limits its exposure to interest rate risk with interest rate swaps.

*Non-trading portfolios*

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the Board-delegated monitoring committee for compliance with these limits and is assisted by Group Risk in its day-to-day monitoring activities.

3.2.4 **Derivative financial instruments**

Derivatives are entered into in the normal course of business and no material losses are anticipated other than those which have been accounted for in profit or loss. All commitments or contingent commitments under derivative financial instruments are settled in cash.

*Notional principal*

Represents the gross notional value of all outstanding contracts as at year-end. The gross notional value is the sum of the absolute value of all purchases and sales of derivative instruments. This value will not affect the amount receivable or payable under a derivative contract due to the cash-settled nature of the various contracts. The gross notional value represents only the measure of involvement by the Group in derivative contracts and not its exposure to market or credit risks arising from such contracts.

*Interest rate swaps*

Interest rate swaps are used to hedge the Group's exposure to changes in the fair values of its notes and certain loans and advances attributable to changes in market interest rates. Interest rate swaps are matched to specific issuance of notes or loans and advances.

## Notes to the Annual Financial Statements

| | 2018 R'000 | 2017 R'000 |
|---|---|---|

### 4. Cash and cash balances

| | | Restated |
|---|---|---|
| Funds on call | 67 102 | 9 896 |
| Notice deposits maturing within three months | 402 556 | 311 377 |
| | 469 658 | 321 273 |

The bank accounts owned by the company are ceded as security for the notes - please refer note 10 and note 20.

### 5. Trading assets

| | | Restated |
|---|---|---|
| Derivatives - interest rate swaps | 18 258 | 8 630 |

### 6. Other receivables

| | | Restated |
|---|---|---|
| Loans to controlling company and fellow subsidiaries of controlling company (refer note 21) | 51 721 | 54 557 |
| Sundry debtors | 3 718 | 924 |
| | 55 439 | 55 481 |

### 7. Loans and advances

| | Total R'000 | Less than 1 year R'000 | Between 2 and 5 years R'000 |
|---|---|---|---|
| **30 June 2018** | | | |
| Gross Investment in lease | 4 114 762 | 1 648 925 | 2 465 837 |
| Equipment Rental Finance | 3 923 940 | 1 557 416 | 2 366 523 |
| Capital Equipment Finance | 190 822 | 91 509 | 99 313 |
| *Less: Unearned finance income* | (624 649) | (212 635) | (412 014) |
| Equipment Rental Finance | (595 417) | (201 263) | (394 154) |
| Capital Equipment Finance | (29 232) | (11 372) | (17 860) |
| Net Investment in Lease | 3 490 113 | 1 436 292 | 2 053 822 |
| Equipment Rental Finance | 3 328 523 | 1 536 154 | 1 972 369 |
| Capital Equipment Finance | 161 590 | 80 138 | 81 453 |
| Impairments | (124 351) | | |
| Impairment for non-performing loans and advances | (105 149) | | |
| Impairments for performing loans and advances | (19 202) | | |
| **Net loans and advances** | **3 365 762** | | |

| | Total R'000 | Less than 1 year R'000 | Between 2 and 5 years R'000 |
|---|---|---|---|
| **30 June 2017** | | | |
| Gross Investment in lease | 3 304 544 | 1 422 564 | 1 881 980 |
| Equipment Rental Finance | 3 148 327 | 1 352 565 | 1 795 762 |
| Capital Equipment Finance | 156 217 | 69 999 | 86 218 |
| *Less: Unearned finance income* | (482 201) | (168 375) | (313 826) |
| Equipment Rental Finance | (455 839) | (158 909) | (296 930) |
| Capital Equipment Finance | (26 362) | (9 465) | (16 897) |
| Net Investment in Lease | 2 822 344 | 1 254 189 | 1 568 154 |
| Equipment Rental Finance | 2 692 488 | 1 193 655 | 1 498 833 |
| Capital Equipment Finance | 129 855 | 60 534 | 69 321 |
| Impairments | (113 176) | | |
| Impairment for non-performing loans and advances | (99 888) | | |
| Impairments for performing loans and advances | (13 288) | | |
| **Net loans and advances** | **2 709 168** | | |

# Notes to the Annual Financial Statements

| | 2018 R '000 | 2017 R '000 |
|---|---|---|

## 8. Share capital

### 8.1 Authorised and issued

| | | |
|---|---|---|
| 100 000 Ordinary shares of R1 each | 100 | 100 |

### 8.2 Preference share capital

| | Rand | Rand |
|---|---|---|
| Authorised and issued<br>100 non-redeemable, non-cumulative preference shares of 1 cent each. | 1 | 1 |

### 8.3 Rights, preferences and restrictions

There are no restrictions attached to the ordinary shares as well as preference shares. There are no restrictions on the distribution of dividends and repayment of capital.

Issued shares are fully paid up.

## 9. Other payables

| | | |
|---|---|---|
| Interest bearing seller advances* | 67 737 | 47 026 |
| Loans from controlling company and fellow subsidiaries of controlling company | 63 003 | 10 184 |
| Accruals | 1 042 | 2 313 |
| VAT | 580 | 8 119 |
| | 132 362 | 67 642 |

*The Seller Advance bears interest at the one-month JIBAR rate. The Seller Advance relates to instalments received in advance from the Controlling company, relating to those loans and advances that are collected by a third party other than the Controlling company. Once the underlying loans and advances is settled, the Seller Advance is repaid to the Controlling company.

## Notes to the Annual Financial Statements

### 10. Debt securities issued

| | 2018 R '000 | 2017 R '000 |
|---|---|---|
| | | **Restated** |
| **Held at amortised cost** | | |
| Class A notes (ERS3A15) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.50%. Scheduled maturity date is 17 August 2017. | - | 191 060 |
| Class A notes (ERS3A17) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.39%. Scheduled maturity date is 17 August 2018. | 183 860 | 183 959 |
| Class A notes (ERS3A18) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.15%. Scheduled maturity date is 17 August 2017. Included in this is R10 000 000 held by Sasfin Bank. | - | 202 094 |
| Class B notes (ERS3A20) Unsubordinated, secured, compulsory redeemable, asset backed notes of R1 000 000 each. These notes bear interest at 3-month JIBAR plus 1.50%. Scheduled maturity date is 17 August 2018. | 178 833 | 178 929 |
| Class B notes (ERS3A21) Unsubordinated, secured, compulsory redeemable, asset backed notes of R1 000 000 each. These notes bear interest at 3-month JIBAR plus 1.84%. Scheduled maturity date is 17 August 2020. | 156 670 | 156 755 |
| Class B notes (ERS3A22) Unsubordinated, secured, compulsory redeemable, asset backed notes of R1 000 000 each. These notes bear interest at 3-month JIBAR plus 1.75%. Scheduled maturity date is 17 May 2019. | 179 898 | 179 995 |
| Class A notes (ERS3A23) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.75%. Scheduled maturity date is 17 August 2019. | 232 453 | 232 578 |
| Class B notes (ERS3B4) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3 month JIBAR plus 1.85%. Scheduled maturity date is 17 August 2019. | 100 068 | 100 122 |
| Class B notes (ERS3B5) Unsubordinated, secured, compulsory redeemable, asset backed notes of R1 000 000 each. These notes bear interest at 3-month JIBAR plus 2.15%. Scheduled maturity date is 17 May 2019. | 16 179 | 16 187 |
| Class C notes (ERS3C4) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.35%. Scheduled maturity date is 17 August 2019. | 35 399 | 35 418 |
| Class C notes (ERS3C5) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 3.15%. Scheduled maturity date is 17 May 2019. | 6 074 | 6 078 |
| **Balance carried forward** | **1 089 434** | **1 483 175** |

## Notes to the Annual Financial Statements

| | 2018 R '000 | 2017 R '000 |
|---|---|---|
| **10. Debt securities issued (continued)** | | |
| **Balance brought forward** | **1 089 434** | **1 483 175** |
| Class A notes (ERS3A24)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.50%. Scheduled maturity date is 17 August 2020. | 109 118 | - |
| Class A notes (ERS3A25)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.80%. Scheduled maturity date is 17 August 2022. | 284 014 | - |
| Class A notes (LRFA2)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.80%. Scheduled maturity date was 20 November 2019. | 282 736 | 282 805 |
| Class B notes (LRFB2)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.35%. Scheduled maturity date was 20 November 2019. | 53 046 | 53 058 |
| Class C notes (LRFC2)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.95%. Scheduled maturity date was 20 November 2019. | 17 788 | 17 697 |
| Class A notes (SLRA1)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.73%. Scheduled maturity date was 15 August 2019. | 261 878 | 262 026 |
| Class A notes (SLRA2)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.98%. Scheduled maturity date was 15 August 2021. | 279 156 | 279 313 |
| Class B notes (SLRB1)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.13%. Scheduled maturity date was 15 August 2019. | 30 529 | 30 555 |
| Class B notes (SLRB2)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.23%. Scheduled maturity date was 15 August 2021. | 45 349 | 45 366 |
| Class C notes (SLRC1)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.94%. Scheduled maturity date is 15 August 2019. | 35 444 | 35 463 |
| Class C notes (SLRC2)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 3.15%. Scheduled maturity date is 15 August 2021. | 20 259 | 20 270 |
| **Balance carried forward** | **2 508 751** | **2 509 728** |

## Notes to the Annual Financial Statements

| | 2018<br>R '000 | 2017<br>R '000 |
|---|---|---|
| **10. Debt securities issued (continued)** | | |
| **Balance brought forward** | **2 508 751** | **2 509 728** |
| Class C notes (SLRA3)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.5%. Scheduled maturity date is 15 November 2020. | 360 862 | - |
| Class C notes (SLRA4)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.75%. Scheduled maturity date is 15 November 2020. | 126 392 | - |
| Class C notes (SLRB3)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.25%. Scheduled maturity date is 15 November 2020. | 31 365 | - |
| Class C notes (SLRB4)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.3%. Scheduled maturity date is 15 November 2020. . | 37 438 | - |
| Class C notes (SLRC3)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.68%. Scheduled maturity date is 15 November 2020. | 25 308 | - |
| Class C notes (SLRC4)<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.9%. Scheduled maturity date is 15 November 2020. | 25 316 | - |
| | 3 115 432 | 2 509 728 |

| | | |
|---|---|---|
| **Maturity analysis** | | |
| Maturing within 1 year | 392 432 | 416 729 |
| Maturing after 1 year but within 5 years | 2 723 000 | 2 092 999 |
| | **3 115 432** | **2 509 728** |

The notes are secured by a cession of rentals and equipment underlying the instalment finance assets as well as the bank accounts owned by SASP - refer to notes 4, 7 and 20.

## Notes to the Annual Financial Statements

| | 2018 R '000 | 2017 R '000 |
|---|---|---|

### 11. Long term loans

| | | |
|---|---|---|
| **Interest bearing liability** | | **Restated** |
| Fintech (Pty) Ltd | - | 6 650 |
| Sasfin Private Equity Investment Holdings (Pty) Ltd (maturing 17 May 2019) | 8 750 | 8 750 |
| The Hollard Insurance Company Limited (maturing 17 August 2022) | 5 500 | 5 500 |

These loans are unsecured, bear interest at 3 month JIBAR plus 7% on a daily basis (or such rate as agreed from time to time). The interest owed on these loans at financial reporting date is disclosed under other payables.

These loans are subordinated in terms of the Priority of Payments (the order in which payments will be made to the company's creditors and the holders of debt securities) set out in the Master Definitions Agreement.

| | | |
|---|---|---|
| Sasfin Bank subordinated loans | 363 835 | 309 464 |
| | **378 085** | **330 365** |

The Sasfin Bank subordinated loans are secured and are repayable on the maturity date of the respective financing loans. The loans bears interest at 3-months JIBAR plus the percentage agreed upon.

### 12. Deferred tax

**Deferred tax on temporary differences arising from:**

| | | |
|---|---|---|
| Derivatives | - | 115 |
| Impairments and accruals | (7 967) | (7 614) |
| Rental instalment finance | 84 487 | 71 374 |
| **Total deferred tax liability** | **76 520** | **63 875** |

The deferred tax liability relates to income tax in the same jurisdiction, and the law allows net settlement.

**Reconciliation of deferred tax liability**

| | | |
|---|---|---|
| At beginning of year | 63 875 | 51 145 |
| Derivatives | (115) | 115 |
| Impairments and accruals | (353) | (417) |
| Rental instalment finance | 12 573 | 13 032 |
| Prior period adjustment | 540 | - |
| **At the end of the year** | **76 520** | **63 875** |

## Notes to the Annual Financial Statements

| | 2018 R '000 | 2017 R '000 |
|---|---|---|
| **13. Interest income** | | |
| Deposits with other banks | 30 817 | 25 827 |
| Equipment rental finance | 428 915 | 360 250 |
| Capital equipment finance | 18 453 | 17 617 |
| Other | - | 108 |
| | **478 185** | **403 802** |
| **14. Interest expense** | | |
| | | **Restated** |
| Intragroup funding | 47 062 | 36 208 |
| Debt securities | 251 117 | 212 875 |
| Fair value adjustments on the interest rate swap | (1 607) | 40 |
| Other | 4 030 | 8 062 |
| | **300 601** | **257 185** |
| **15. Non-interest income** | | |
| Income received on evergreen | 95 371 | 90 810 |
| Settlement profits | 22 379 | 23 366 |
| Fair value adjustments on financial instruments held at fair value through profit or loss | (484) | 484 |
| Other income | 4 746 | 2 914 |
| | **122 012** | **117 574** |
| **16. Operating cost** | | |
| The following disclosable items are included in Operating expenses: | | |
| Audit fee provision raised | 14 | 1 006 |
| Series manager fee | 2 180 | 5 722 |
| Series servicer fee | 49 757 | 41 499 |
| Revenue share expense | 84 658 | 99 913 |
| Commission paid -non staff | 19 270 | 17 416 |
| Staff cost | 214 | 243 |
| Other services | 4 291 | 5 737 |
| | **160 384** | **171 536** |

## Notes to the Annual Financial Statements

| | 2018 R '000 | 2017 R '000 |
|---|---|---|

### 17. Taxation

**Major components of the tax expense**

| | | Restated |
|---|---|---|
| **Current** | | |
| Capital Gains Tax | - | 107 |
| Income Tax - current year | 21 059 | 8 326 |
| Prior period overprovision | (496) | - |
| | **20 563** | **8 433** |
| **Deferred** | | |
| Originating and reversing temporary differences | 12 105 | 12 729 |
| Prior period adjustment | 540 | - |
| | **12 645** | **12 729** |
| Current | 20 563 | 8 433 |
| Deferred | 12 645 | 12 729 |
| | **33 208** | **21 162** |

**Reconciliation of the tax expense**

Reconciliation between applicable tax rate and average effective tax rate.

| | | |
|---|---|---|
| South African normal tax rate | 28,00 % | 28,00 % |
| Capital gains tax | (0,09)% | (0,16)% |
| Prior year under provision | 0,04 % | - % |
| **Effective tax rate** | **27,95 %** | **27,84 %** |

### 18. Taxation received/(paid)

| | | |
|---|---|---|
| Balance at beginning of the year | 15 440 | 3 773 |
| Current tax for the year recognised in profit or loss | (20 563) | (8 433) |
| Balance at end of the year | 8 738 | (20 100) |
| | **3 615** | **(20 099)** |

### 19. Notes to statement of cash flow

**19.1 Cash receipts from customers**

| | | |
|---|---|---|
| Interest income | 478 185 | 403 802 |
| Other income | 122 496 | 117 090 |
| | 600 681 | 520 892 |

**19.2 Cash paid to suppliers and employees**

| | | |
|---|---|---|
| Interest expense | 300 601 | 257 185 |
| Total operating expenses | 161 992 | 171 576 |
| | 462 593 | 428 761 |

# Notes to the Annual Financial Statements

## 20. Commitments and contingent liabilities

***Series Guarantee and Series Indemnity***

The Series Security SPV has guaranteed the Issuer's obligation to the Noteholders and the other Series Secured Creditors in terms of the Series Guarantee. The issuer has, in terms of the Series Indemnity, indemnified the Series Security SPV in respect of claims made against the Series Security SPV under the Series Guarantee. In terms of the Series Issuer Security Agreement, the Issuer's obligation to the Series Security SPV under the Series Indemnity has been secured by (i) a pledge and (ii) a pledge and cession in securitaem debiti, of the Series Assets relating to this Series, in favour of the Series Security SPV.

***Contingent liability***

*Legal proceedings*
Sasfin Bank Limited and SASP have instituted action for the recovery of approximately R20 million in the aggregate. The claim is in respect of a breach of a counterparty's obligations under various equipment and software leases. Management is confident about the prospects of recovery and is satisfied that the debtor is adequately impaired. The counterparty is defending the claim and has raised a counter-claim of approximately R56 million in respect of money already paid, for which it seeks a refund. The company is vigorously defending this counter-claim.

It is not yet possible to reliably estimate the possible outcome of this matter at this point in time.

In addition, the company is exposed to certain actual and potential claims in the ordinary course of its business, none of which are individually material. Based on information presently available and an assessment of the probability of these claims, the Directors are satisfied that the company has adequate provisions and/or insurance cover to meet such claims. As such, management it is not expecting any of these to have a material adverse effect on the company.

## 21. Events after the reporting date

SASP Series 1: The company redeemed R359 million of maturing notes in August 2018.

## 22. Related parties

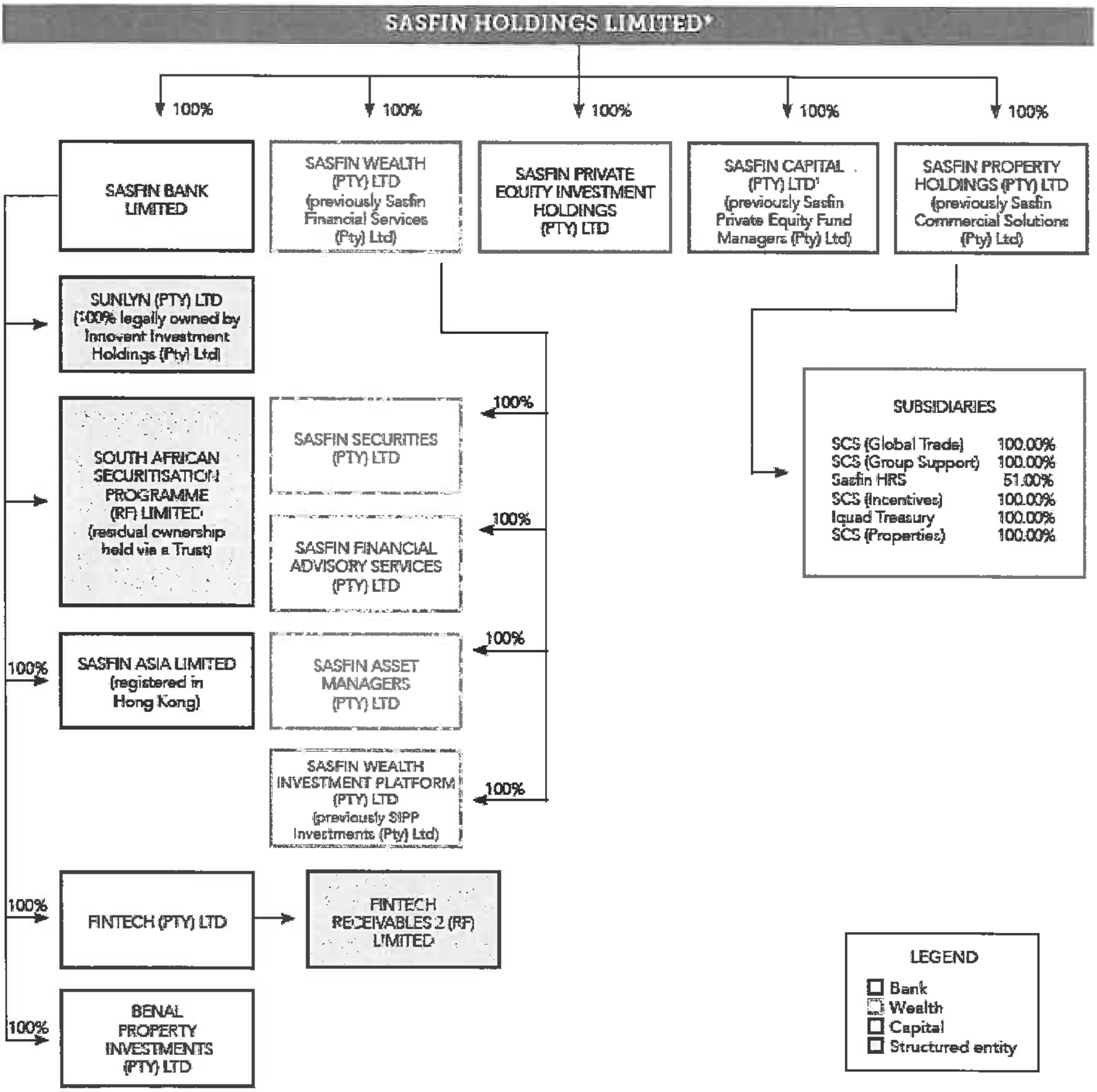
**Relationships**

| | |
|---|---|
| Legal owner | South African Securitisation Issuer Owner Trust |
| Series manager and controlling company | Sasfin Bank Limited |
| Directors | Refer to Directors Report on page 4 |

## Notes to the Annual Financial Statements

**22. Related parties (continued)**

**Holding company and subsidiaries of controlling company**



| | 2018 R '000 | 2017 R '000 |
|---|---|---|

### 22. Related parties (continued)

| **Related party balances** | | **Restated** |
|---|---|---|
| **Loan accounts - Owing (to)/ by Sasfin Bank Limited** | | |
| Revenue share | (19 461) | (17 473) |
| Subordinated loan | (363 918) | (309 466) |
| Seller advance | (67 737) | (47 026) |
| Vat refundable/(owed) on assets securitised | 8 325 | (4 048) |
| Servicer fee | (5 045) | (4 026) |
| Working capital | (26 764) | 65 323 |
| Issuer manager fee | (228) | (554) |
| Cash-in-transit | 49 840 | 49 308 |

The terms and conditions of the subordinated loan and seller advances have been disclosed in note 9 and 10 respectively. The revenue share, servicer fee and manager fee paid to SBL, are determined in terms of the Series Supplement.

| | | |
|---|---|---|
| **Loan accounts - Owing to Sasfin Private Equity Investment Holdings (Pty) Ltd, a fellow subsidiary of Sasfin Bank Limited** | | |
| First loss loans and interest | (12 750) | (15 630) |

## Notes to the Annual Financial Statements

### 22. Related parties (continued)

**Related party transactions**

| | 2018 R '000 | 2017 R '000 |
|---|---|---|
| **Amounts paid to Sasfin Bank Limited** | | |
| Revenue share | 84 658 | 99 913 |
| Subordinated loan – interest | 35 046 | 36 134 |
| Servicer fee | 48 577 | 40 553 |
| Seller advance – interest | 3 249 | 3 225 |
| Issuer manager fee | 2 180 | 5 722 |
| Dividend | 26 000 | 32 000 |
| Series standby servicer fee | 382 | 200 |
| **Amounts paid to Fintech (Pty) Ltd** | | |
| First loss loan – interest | 1 466 | 782 |
| Subordinated loan – interest | 12 221 | 6 254 |
| **Sale of loan book transaction between FR2 and SASP** | | |
| FR2 sale of lease book to SASP | - | 718 675 |
| **Amount paid to Sasfin Private Equity Investment Holdings (Pty) Ltd** | | |
| First loss loan – interest | 1 234 | 1 258 |
| **Amounts paid to Maitland Outsourced Securitisation Servicer (Pty) Ltd** | | |
| Series standby servicer fee | 752 | 747 |
| **Amounts paid for Corporate Administration and Governance services** | | |
| Maitland Group South Africa Ltd | 133 | 120 |
| TMF Corporate Services (SA) (Pty) Ltd | - | 58 |
| Quadridge Trust Services (Pty) Ltd | 80 | 65 |
| Sasfin Bank Limited | - | 7 979 |

**Directors emoluments**

With the exception of RDEB Sassoon, the directors are independent and are nominated by the trustee company in terms of Service Level Agreements with Maitland Group South Africa Limited and Quadridge Trust Services (Pty) Ltd. The audit committee consists of the same directors as the board of directors, except for Roland Sassoon. There are no prescribed officers.

D P Towers, E Deeiner and B Harmes are remunerated by Maitland Group South Africa Ltd. Maitland Group South Africa charges the Company a corporate and governance servicer fee totalling R0.133 million (2017 R0.120 million) for their services as directors.

RDEB Sassoon is the only director remunerated by the Sasfin Group.

| **Key management personnel compensation RDEB Sassoon** | 2018 | 2017 |
|---|---|---|
| Cash package | 3 641 930 | 3 779 362 |
| Other benefits (1) | 637 704 | 999 247 |
| Incentive bonus | 750 000 | 3 200 000 |
| | **5 029 634** | **7 978 609** |

(1) Other benefits comprise of provident fund, medical aid, group life, company car and cash-settled share options.

### 23. Classification of Financial assets and liabilities

Carrying value has been used where it closely approximates fair values. Fair value estimates are generally subjective in nature, and are made at a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available the most suitable measure for fair value is the quoted market price. In the absence of organised secondary markets for financial instruments such as loan deposits and unlisted derivatives, direct market prices are not always available. The fair value of such instruments was therefore calculated based on well-established valuation techniques using current market parameters. Changes in assumptions could affect these estimates and the resulting fair values. Derived fair value estimates can not necessarily be substantiated by comparison to independent markets and may not be realised in an immediate sale of the instruments. The discount rates used are the applicable JIBAR rates for the appropriate time buckets.

The table below sets out the company's classification of each class of financial assets and liabilities, their fair values and carrying amounts.

| **Assets** | **Held for trading** | **Loans and receivables** | **Outside scope of IAS 39** | **Total amount** |
|---|---|---|---|---|
| | **R'000** | **R'000** | **R'000** | **R'000** |
| **2018** | | | | |
| Cash and cash balances | - | 469 658 | - | 469 658 |
| Loans and advances | - | 3 365 762 | - | 3 365 762 |
| Other receivables | - | 55 439 | - | 55 439 |
| Trading assets | 18 258 | - | - | 18 258 |
| | **18 258** | **3 890 859** | **-** | **3 909 117** |
| **2017** | | | | |
| Cash and cash balances* | - | 321 273 | - | 321 273 |
| Loans and advances | - | 2 709 168 | - | 2 709 168 |
| Other receivables* | - | 55 481 | - | 55 481 |
| Trading assets* | 8 630 | - | - | 8 630 |
| Taxation | - | - | 15 440 | 15 440 |
| | **8 630** | **3 085 922** | **15 440** | **3 109 992** |

| **Liabilities** | **Amortised cost** | **Outside scope of IAS 39** | **Total amount** |
|---|---|---|---|
| | **R'000** | **R'000** | **R'000** |
| **2018** | | | |
| Long term loans | 378 085 | - | 378 085 |
| Debt securities issued | 3 115 432 | - | 3 115 432 |
| Other payables | 132 362 | - | 132 362 |
| Current payable | - | 8 738 | 8 738 |
| Deferred tax | - | 76 520 | 76 520 |
| | **3 625 879** | **85 258** | **3 711 137** |
| **2017** | | | |
| Long term loans | 330 365 | - | 330 365 |
| Debt securities issued | 2 509 728 | - | 2 509 728 |
| Other payables | 67 642 | - | 67 642 |
| deferred tax | - | 63 875 | 63 875 |
| | **2 907 735** | **63 875** | **2 971 610** |

*Restated- see note 2.4

## Notes to the Annual Financial Statements

**23. Classification of Financial assets and Financial liabilities (continued)**

**23.1 Financial Assets and liabilities measured at fair value**

**Valuation techniques used to derive level 2 fair value**

No changes have been made to the valuation technique.

The table below analyses financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that quoted market prices are used in the calculation of the fair value of the financial instruments and the levels have been defined as follows:

| | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 | Total R'000 |
|---|---|---|---|---|
| **2018** | | | | |
| Trading assets-Derivatives | - | 18 258 | - | 18 258 |
| **2017 (restated)** | | | | |
| Trading assets-Derivatives | - | 8 630 | - | 8 630 |

**23.2 Financial Assets and liabilities not measured at fair value**

| | 2018 | | | 2017 (restated) | | |
|---|---|---|---|---|---|---|
| | **Level 1 R'000** | **Level 2 R'000** | **Level 3 R'000** | **Level 1 R'000** | **Level 2 R'000** | **Level 3 R'000** |
| **Financial Assets** | - | **3 835 420** | **55 439** | - | **3 030 441** | **55 481** |
| Cash and cash balances | - | 469 658 | - | - | 321 273 | - |
| Loans and advances | - | 3 365 762 | - | - | 2 709 168 | - |
| Other receivables | - | - | 55 439 | - | - | 55 481 |
| **Financial Liabilities** | **3 479 267** | - | **146 612** | - | **2 819 193** | **88 542** |
| Debt securities issued | 3 115 432 | - | - | - | 2 509 728 | - |
| Long term loans | 363 835 | - | 14 250 | - | 309 465 | 20 900 |
| Other payables | - | - | 132 362 | - | - | 67 642 |

The carrying amount of financial assets and financial liabilities, recognised at amortised cost, is considered a reasonable approximation of fair value.

### 24. Financial Risk Management

**Capital management**

The Company manages its capital to achieve a prudent balance between maintaining appropriate capital levels to support business growth and to provide stakeholders with returns on a sustainable basis.

The management of company's capital is governed by the Transactional Documents. The Company's Dividend policy governs the distribution of excess reserves.

The company's primary objectives when managing capital are to safeguard the company's ability to continue as a going concern. As the company is a controlled structured entity, the company's sources of additional capital and policies for distribution of excess capital may also be influenced by the company's capital management objective. The company is not subject to any externally imposed capital requirements.

The company defines "capital" as including all components of equity plus loans from companies with no fixed terms of repayment, less unaccrued proposed dividends. Trading balances that arise as a result of trading transactions with other company companies are not regarded by the company as capital. On this basis the amount of capital employed at 30 June is as follows:

| | **R'000** | **R'000** |
|---|---|---|
| Share capital | 100 | 100 |
| Total reserves | 197 880 | 138 282 |
| Loan from Hollard Insurance Company Limited | 5 500 | 5 500 |
| Loan from Sasfin Private Equity Investment Holdings | 8 750 | 8 750 |
| Loan from Fintech (Pty) Ltd | - | 6 650 |
| | **212 230** | **159 282** |

## Notes to the Annual Financial Statements

**24. Financial risk management (continued)**

**24.1 Liquidity risk**

| Contractual maturity analysis of financial liabilities | Carrying amount | Gross Outflow | No fixed terms of repayment | Less than 1 month | 1-3 months | 4 -12 months | 1-5 years | >5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **2018** | | | | | | | | | |
| Debt securities issued | 3 115 432 | 3 610 871 | - | - | 426 079 | 378 054 | 2 806 738 | - | 3 610 871 |
| Other payables | 132 362 | 132 362 | - | - | 132 362 | - | - | - | 132 362 |
| Long term loans | 378 385 | 454 235 | - | - | 5 591 | 25 525 | 423 119 | - | 454 235 |
| | **3 625 879** | **4 197 468** | **-** | **-** | **403 579** | **403 579** | **3 229 857** | **-** | **4 197 468** |

| 2017 | Carrying amount | Gross Outflow | No fixed terms of repayment | Less than 1 month | 1-3 months | 4 -12 months | 1-5 years | >5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| Debt securities issued | 2 509 728 | 2 973 295 | - | - | 445 427 | 143 198 | 2 384 670 | | 2 973 295 |
| Other payables | 67 642 | 67 642 | - | - | 67 642 | - | - | - | 66 501 |
| Long term loans | 330 365 | 389 186 | - | - | 4 579 | 20 387 | 364 220 | - | 389 186 |
| | **2 907 735** | **3 430 123** | **-** | **-** | **517 648** | **163 585** | **2 748 890** | **-** | **3 430 123** |

| 2018 | Debt securities issued | Long term loans | Other payables | Total |
|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 |
| Current liabilities | 804 133 | 31 116 | 132 362 | 967 611 |
| Non-current liabilities | 2 806 738 | 423 119 | - | 3 229 857 |
| | **3 610 871** | **454 235** | **132 362** | **4 197 468** |

| 2017 | Debt securities issued | Long term loans | Other payables | Total |
|---|---|---|---|---|
| Current liabilities | 588 625 | 24 966 | 67 642 | 681 233 |
| Non-current liabilities | 2 384 670 | 364 220 | - | 2 748 890 |
| | **2 973 295** | **389 186** | **67 642** | **3 430 123** |

# Notes to the Annual Financial Statements

24. Financial risk management (continued)

## 24.1 Liquidity risk

| Contractual maturity analysis of financial assets | Carrying amount | Gross Inflow | Less than 1 month | 1-3 months | 4 -12 months | 1-5 years | >5 years | Non-contractual | Total |
|---|---|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **2018** | | | | | | | | | |
| Cash and cash balances | 469 658 | 469 658 | 469 658 | - | - | - | - | - | 469 658 |
| Loans and advances | 3 365 762 | 3 365 762 | 152 459 | 258 580 | 1 025 249 | 2 053 825 | - | (124 351) | 3 365 762 |
| Trading assets | 18 258 | 18 258 | - | - | - | 1 739 | 16 519 | - | 18 258 |
| Other receivables | 55 439 | 55 439 | 49 840 | - | 5 599 | - | | | 55 439 |
| | **3 909 117** | **3 909 117** | **671 957** | **262 298** | **1 030 484** | **2 055 619** | **16 519** | **(124 351)** | **3 909 117** |

| | Carrying amount | Gross Inflow | Less than 1 month | 1-3 months | 4 -12 months | 1-5 years | >5 years | Non-contractual | Total |
|---|---|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **2017** | | | | | | | | | |
| Cash and cash balances | 321 273 | 321 273 | 321 273 | - | - | - | - | | 321 273 |
| Loans and advances | 2 709 168 | 2 709 168 | 133 836 | 226 167 | 892 180 | 1 570 161 | - | (113 176) | 2 709 168 |
| Trading assets | 8 630 | 8 630 | 484 | - | - | (74) | 8 220 | | 8 630 |
| Other receivables | 55 481 | 55 481 | 49 308 | 924 | 5 249 | - | - | | 55 481 |
| | **3 094 552** | **3 094 552** | **504 901** | **227 091** | **987 429** | **1 570 087** | **8 220** | **(113 176)** | **3 094 552** |

| | Cash and cash balances | Loans and Advances | Trading assets | Other receivables | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **2018** | | | | | |
| Current assets | 469 658 | 1 436 288 | - | 55 439 | 1 961 385 |
| Non-current assets | - | 1 929 474 | 18 258 | - | 1 947 787 |
| | **469 658** | **3 365 762** | **18 313** | **55 439** | **3 909 172** |
| **2017** | | | | | |
| Current assets | 321 273 | 1 252 183 | - | 55 481 | 1 628 937 |
| Non-current assets | - | 1 456 985 | 8 630 | - | 1 465 615 |
| | **321 273** | **2 709 168** | **8 630** | **55 481** | **3 094 552** |

### 24. Financial risk management (continued)

### 24.1 Liquidity risk (continued)

The liquidity mismatches forecast are highly improbable to actually occur. The Company closely manages its liquidity positions by including various buffers into its daily liquidity monitoring reports.

This is the risk that the Company may be unable to meet short -term financial demands. This usually occurs due to the inability to convert a security or hard assets to cash without a loss of capital and/or income in the process.

This is inherent risk in all financial service operations and can be impacted by a range of institution-specific and market-wide events.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Companies reputation.

The management of the Companies liquidity is governed by the Transaction Documents and the Priority of Payments. To manage the liquidity risk arising from financial liabilities, the company holds sufficient liquid assets comprising cash and cash balances. The Company applies a staggered maturity approach to debt securities issued to manage the concentration of risk of maturing notes.

### 24.2 Market risk

The tables summarise the Company's exposure to interest rate risk through categorisation of assets and liabilities into time buckets, determined as being the earlier of the contractual re-pricing date or maturity. The company limits its exposure to interest rate risk with interest rate swaps.

| **2018** | **Up to 1 month R'000** | **1 - 3 months R'000** | **4 - 12 months R'000** | **1 - 5 years R'000** | **Total R'000** |
|---|---|---|---|---|---|
| Cash and cash balances | 469 658 | - | - | - | 469 658 |
| Loans and advances | 3 291 605 | 3 532 | 43 902 | 151 074 | 3 490 113 |
| **Total assets** | **3 761 263** | **3 532** | **43 902** | **151 074** | **3 959 771** |
| **Liabilities** | | | | | |
| Long term loans | - | 378 085 | - | - | 378 385 |
| Debt securities issued | - | 3 115 432 | - | - | 3 115 432 |
| **Total liabilities** | **-** | **3 493 517** | **-** | **-** | **3 493 517** |
| **Net repricing gap** | **3 761 263** | **(3 489 985)** | **43 902** | **151 074** | **466 255** |
| **Cumulative repricing gap** | **3 761 263** | **271 279** | **315 181** | **466 255** | **466 255** |
| 200bp parallel shock interest rate increase | 6 301 | 956 | 4 305 | 22 961 | 34 523 |
| 200bp parallel shock interest rate Decrease | (1 529) | 8 586 | 38 637 | 206 067 | 251 761 |

**24 Financial risk management (continued)**

**24.2 Market risk (continued)**

| **2017** | **Up to 1 month R'000** | **1- 3 months R'000** | **4 - 12 months R'000** | **1- 5 years R'000** | **Total R'000** |
|---|---|---|---|---|---|
| Cash and cash balances | 321 273 | - | - | - | 321 273 |
| Loans and advances | 2 590 979 | 1 302 | 22 327 | 94 560 | 2 709 168 |
| **Total assets** | **2 912 252** | **1 302** | **22 327** | **94 560** | **3 030 441** |
| **Liabilities** | | | | | |
| Long term loans | - | 330 365 | - | - | 330 364 |
| Debt securities issued | - | 2 509 728 | - | - | 2 509 728 |
| **Total liabilities** | **-** | **2 840 093** | **-** | **-** | **2 840 093** |
| **Net repricing gap** | **2 912 252** | **(2 838 791)** | **22 327** | **94 560** | **190 348** |
| **Cumulative repricing gap** | **2 912 252** | **73 461** | **95 788** | **190 348** | **190 348** |
| 200bp parallel shock interest rate increase | 5 061 | 654 | 2 944 | 15 703 | 24 362 |
| 200bp parallel shock interest rate | (433) | 8 600 | 38 700 | 206 401 | 253 268 |

The 2018 200 basis point shock has been recalculated on a consistent basis with 2017, which has been aligned to the company's regulatory reporting of Market Risk.

## Notes to the Annual Financial Statements

### 24. Financial risk management (continued)

### 24.3 Credit Risk

| 2018 | Performing loans and advances | Past due but not impaired | Impaired | Gross maximum exposure | Security against impaired | Net impaired exposure |
|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Cash and cash balances | 469 658 | - | - | 469 658 | - | - |
| Loan and advances | 3 336 762 | 4 263 | 149 088 | 3 490 113 | 43 940 | 105 148 |
| - Equipment finance | 3 176 087 | 4 263 | 148 173 | 3 328 523 | 43 650 | 104 523 |
| - Capital equipment finance | 160 675 | - | 915 | 161 590 | 290 | 625 |
| Other receivables | 55 439 | - | - | 55 439 | - | - |
| Trading assets | 18 258 | - | - | 18 258 | - | - |
| | **3 880 117** | **4 263** | **149 088** | **4 033 468** | **43 940** | **105 148** |

| | |
|---|---|
| Less: Credit impairments for loans and advances (non-performing) | (105 149) |
| Less: Credit impairments for loans and advances (performing) | (19 202) |
| | **3 909 117** |
| **Represented by the following statement of financial position items:** | |
| Cash and cash balances | 469 658 |
| Loans and advances | 3 365 762 |
| Trading assets | 18 258 |
| Other receivables | 55 439 |
| | **3 909 117** |

| 2017 | Performing loans and advances | Past due but not impaired | Impaired | Gross maximum exposure | Security against impaired | Net impaired exposure |
|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Cash and cash balances | 321 273 | - | - | 321 273 | - | - |
| Loan and advances | 2 680 816 | 1 034 | 140 495 | 2 822 344 | 40 607 | 99 888 |
| - Equipment finance | 2 550 959 | 1 034 | 140 495 | 2 692 488 | 40 607 | 99 888 |
| - Capital equipment finance | 129 856 | - | - | 129 856 | - | - |
| Other receivables | 55 481 | - | - | 55 481 | - | - |
| Trading assets | 8 630 | - | - | 8 630 | - | - |
| | **3 051 667** | **1 034** | **140 495** | **3 094 552** | **40 607** | **99 888** |

| | |
|---|---|
| Less: Credit impairments for loans and advances (non-performing) | (99 888) |
| Less: Credit impairments for loans and advances (performing) | (13 288) |
| | **3 094 552** |
| **Represented by the following statement of financial position items:** | |
| Cash and cash balances | 321 273 |
| Loans and advances | 2 709 168 |
| Other receivables | 55 481 |
| Trading assets | 8 630 |
| | **3 094 552** |

| | 2018 R'000 | 2017 R'000 |
|---|---|---|

**24. Financial risk management (continued)**

**24.3 Credit risk (continued)**

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| *Credit impairment charges* | | |
| Net impairment raised for non-performing loans | 14 492 | 13 765 |
| Increase in allowance | 5 261 | 33 099 |
| Amounts written off, net of recoveries | 9 231 | (19 335) |
| Net impairment raised for performing loans | 5 914 | 2 931 |
| Increase in allowance | 5 914 | 2 931 |
| Amounts written off, net of recoveries | - | - |
| | **20 406** | **16 695** |

**Reconciliation of allowance for credit impairments for loans and advances**

| | Equipment Rental Finance R'000 | Capital Equipment Finance R'000 | Total R'000 |
|---|---|---|---|
| **2018** | | | |
| **Non-performing loans** | | | |
| Balance at the beginning of the year | 99 888 | - | 99 888 |
| Net impairment raised/ (released) | 4 636 | 625 | 5 261 |
| **Balance at end of the year** | **104 524** | **625** | **105 149** |
| **Performing Loans** | | | |
| Balance at the beginning of the year | 13 024 | 264 | 13 288 |
| Net impairment raised/ (released) | 5 836 | (102) | 5 914 |
| **Balance at end of the year** | **19 040** | **162** | **19 202** |
| **Total credit impairments** | **123 564** | **787** | **124 351** |

| | Equipment Rental Finance R'000 | Capital Equipment Finance R'000 | Total R'000 |
|---|---|---|---|
| **2017** | | | |
| **Non-performing loans** | | | |
| Balance at the beginning of the year | 66 465 | 324 | 66 789 |
| Net impairment raised/ (released) | 33 423 | (324) | 33 099 |
| **Balance at end of the year** | 99 888 | - | **99 888** |
| **Performing Loans** | | | |
| Balance at the beginning of the year | 9 940 | 417 | 10 358 |
| Net impairment raised/ (released) | 3 084 | (153) | 2 930 |
| **Balance at end of the year** | 13 024 | 264 | 13 288 |
| **Total credit impairment** | **112 912** | **264** | **113 176** |

A 5% (2017:5%) increase or decrease in the probability of Default and Loss Given Default rates, results in a R0.87 million (2017: R1.08 million) increase and R0.84 million (2017: R1.04 million) decrease respectively, to the impairment of performing loans.

## Notes to the Annual Financial Statements

**24. Financial risk management (continued)**

**Past due but not impaired loans and advances**

| **Loans and advances** | **Between 1 and 30 days** | **31 - 60 days** | **61 - 90 days** | **> 90 days** | **Net impaired exposure** |
|---|---|---|---|---|---|
| | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** |
| **2018** | | | | | |
| Equipment Finance | 3 049 | 915 | 299 | | 4 263 |
| Capital equipment finance | - | - | - | - | - |
| | 3 049 | 915 | 299 | | 4 263 |
| **2017** | | | | | |
| Equipment Finance | 889 | 137 | 8 | | 1 034 |
| Capital equipment finance | - | - | - | - | - |
| | 889 | 137 | 8 | | 1 034 |

**Impaired exposure of non-performing loans and advances**

| | **Special mention** | **Sub-standard** | **Doubtful** | **Loss** | **Net impaired exposure** |
|---|---|---|---|---|---|
| **2018** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** |
| Equipment rental finance | 1 677 | 496 | 3 871 | 98 480 | 104 524 |
| Capital equipment finance | 625 | - | - | - | 625 |
| | 2 302 | 496 | 3 871 | 98 480 | 105 149 |
| **2017** | | | | | |
| Equipment rental finance | 479 | 211 | 6 599 | 92 599 | 99 888 |

*Concentration risk of advances*
Sectorial analysis

| | **R'000** | **R'000** |
|---|---|---|
| Agriculture | 42 762 | 25 378 |
| Community, social and personal services | 1 087 420 | 640 043 |
| Construction | 106 050 | 96 189 |
| Electricity and water | 18 481 | 15 756 |
| Finance, real estate and business services | 789 898 | 559 362 |
| Manufacturing | 384 922 | 352 628 |
| Mining | 66 396 | 43 506 |
| Trade and accommodation | 777 117 | 911 650 |
| Transport and communication | 223 067 | 177 833 |
| **Total** | 3 490 113 | 2 822 345 |

**Collateral for advances**

| **Loans and advances** | **Security** |
|---|---|
| Equipment Finance | The Company retains full ownership of the assets and equipment financed throughout the duration of the contract. |
| Capital Equipment Finance | The primary collateral for Capital Equipment Finance is the plant/equipment being financed. However, other security such as general notarial bonds over other assets and continuous covering mortgage bonds over property are sometimes taken to increase the collateral cover. |

### 24. Financial risk management (continued)

Given the nature of the finance lease rental agreement, whereby the underlying assets are legally owned by the company, management is comfortable that at inception of the agreement, the value of the underlying asset equates to the amount due. The value of the asset is not subsequently reassessed unless there is default.

| | Gross exposure R'000 | Security: Fixed assets R'000 | Unsecured R'000 |
|---|---|---|---|
| **2018** | | | |
| **Loans and advances** | | | |
| Equipment Rental Finance | 3 328 523 | 3 026 643 | 301 880 |
| Capital Equipment Finance | 161 590 | 145 106 | 16 484 |
| | 3 490 113 | 3 171 749 | 318 364 |
| **2017** | | | |
| **Loans and advances** | | | |
| Equipment Rental Finance | 2 692 488 | 2 434 717 | 257 771 |
| Capital Equipment Finance | 129 855 | 115 465 | 14 390 |
| | 2 822 343 | 2 550 182 | 272 161 |

**Collateral held against individually impaired assets**

| | Gross exposure R'000 | Security: Fixed assets R'000 | Unsecured R'000 |
|---|---|---|---|
| **2018** | | | |
| **Loans and advances** | | | |
| Equipment Rental Finance | 148 173 | 43 650 | 104 523 |
| Capital Equipment Finance | 915 | 290 | 625 |
| | 149 088 | 43 940 | 105 148 |
| **2017** | | | |
| **Loans and advances** | | | |
| Equipment Rental Finance | 140 495 | 40 607 | 99 888 |
| Capital Equipment Finance | - | - | - |
| | 140 495 | 40 607 | 99 888 |

### 24.4 Derivative financial instrument

| | Within 1 year R'000 | Net fair value R'000 | Positive fair value R'000 | Negative fair value R'000 | Notional principal R'000 |
|---|---|---|---|---|---|
| **2018** | | | | | |
| Interest rate swap | 1 739 | 1 739 | 1 739 | - | 1 669 203 |
| **2017** | | | | | |
| Interest rate swap | 410 | 410 | 410 | - | 694 414 |

# GLOSSARY OF TERMS

| TERM | DEFINATION |
|---|---|
| Priority of Payment | The order in which payments will be made to the company's creditors and the holders of debt securities |
| Series guarantee | Series guarantee Is the written deed executed by Series Security SPV Incorporated in favour of Series Secured Creditors |
| Series Indemnity | This is the written agreement entered between the issuer and the Series Security SPV incorporated in |
| Series Issuer | South African Securitisation Programme (RF) Limited |
| Series secured creditors | Creditors of the issuer as set out in the Priority of Payments that are party to Series Transaction Agreement |
| Series Security SPV | Security SPV Propriety Limited is the SPV incorporated in respect of SASP for the benefit of the noteholders |
| Series Transaction Agreement | Agreements entered between, among others, the issuer and one or more parties |