

sasfin
HOLDINGS LIMITED



ANNUAL REPORT
2006

OUR MISSION

To be the preferred specialist banking and financial services provider in our chosen markets.

OUR MARKETS

Entrepreneurial corporate, commercial and private clients seeking wealth creation, enhancement and preservation.

OUR VALUES

The Sasfin Group has identified the following core values as being imperative to the achievement of its objectives.



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DEFINITIONS

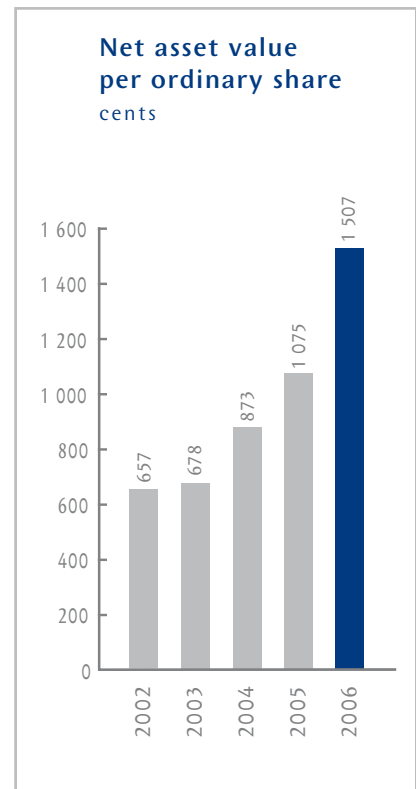
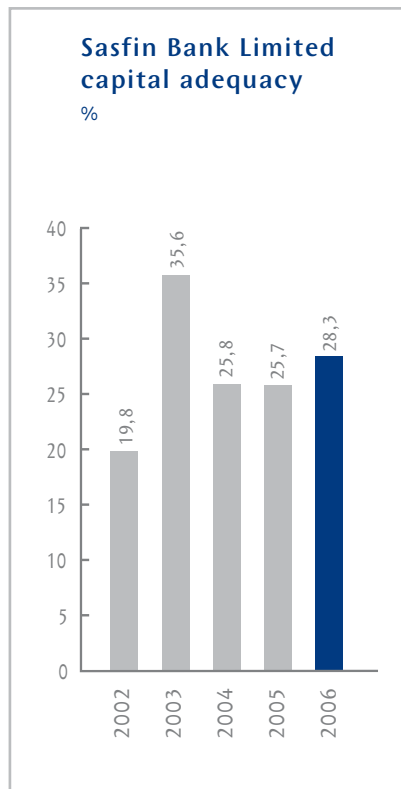
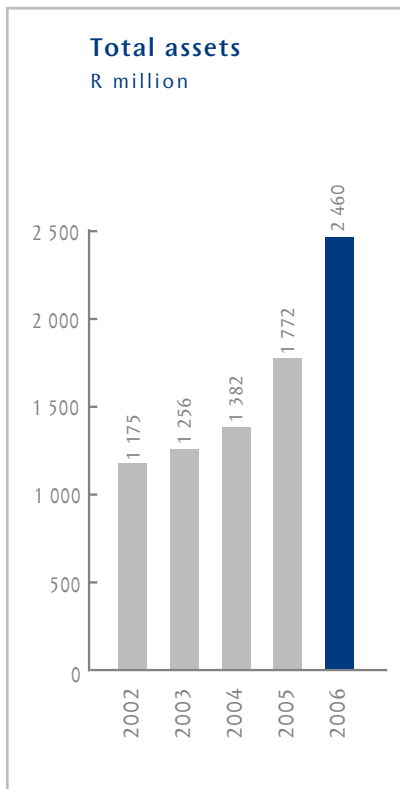
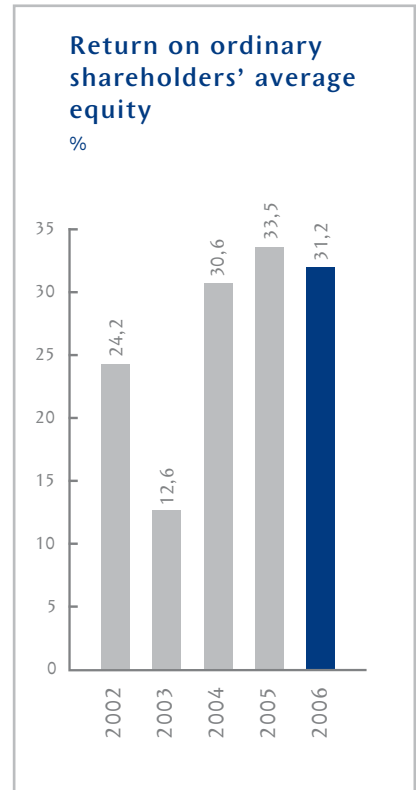
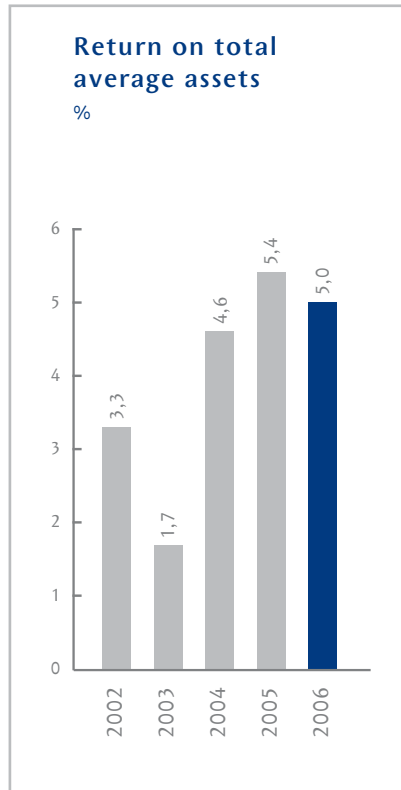
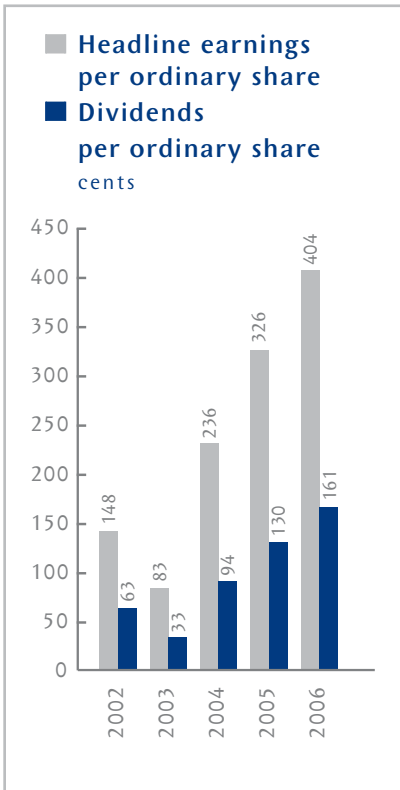
FAM	Faranani Asset Managers (Pty) Limited
FSC	Financial Sector Charter
InnoVent	InnoVent Investment Holdings (Pty) Limited
InnoVent Rentals	InnoVent Rental and Asset Management (Pty) Limited
PIB	PIB Financial Services (Pty) Limited
Pioneer	Pioneer Employee Benefits (Pty) Limited
Premier	Premier Freight (Pty) Limited
Royal AG	Royal Africa Gateway (Pty) Limited
Sasfin or the Company or the Group	Sasfin Holdings Limited
SBM	SBM Nedbank International Limited of Mauritius
SFPS	Sasfin Frankel Pollak Securities (Pty) Limited
SIAM	Sasfin Investment and Asset Managers (Pty) Limited
The Bank	Sasfin Bank Limited
The JSE	JSE Limited
The SARB	South African Reserve Bank

SALIENT FEATURES

Years ended 30 June

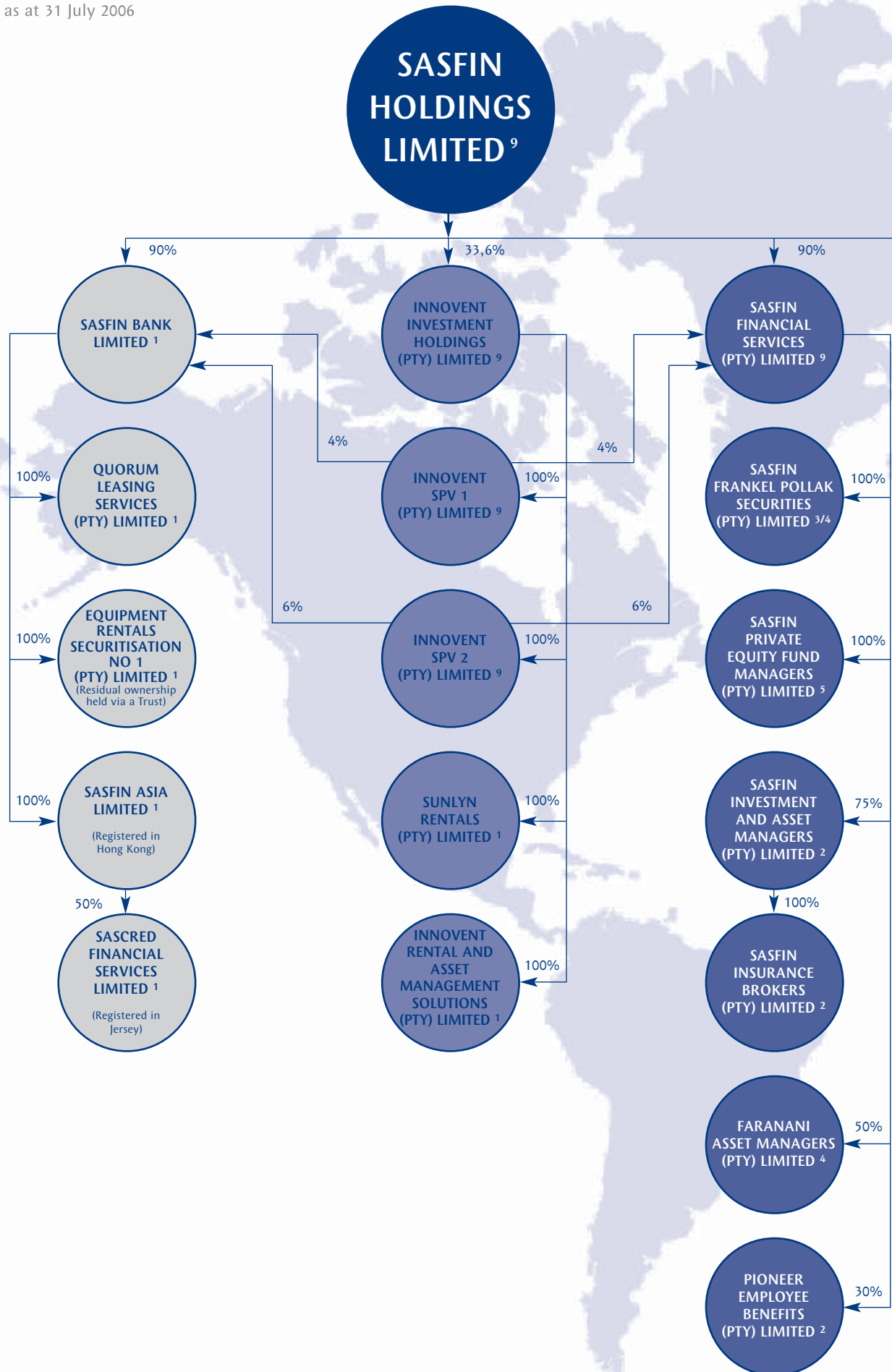
- Headline earnings per ordinary share – 404 cents **↑ 23,7%**
- Ordinary dividends per share – 161 cents **↑ 23,8%**
- Return on ordinary shareholders' average equity **31,2%**
- Return on total average assets **5%**
- Efficiency ratio improved from 61,1% to 57,9%

	2006	2005	2004	2003	2002
Balance sheet					
Total assets (Rm's)	2 460	1 772	1 382	1 256	1 175
Total gross loans and advances (Rm's)	1 223	1 115	991	888	816
Non-performing loans and advances (Rm's)	64	27	32	45	41
Gross loans and advances growth (%)	9,6	12,6	8,8	38,5	57,5
Income statement					
Headline earnings (Rm's)	106	85	60	20	34
Earnings attributable to ordinary shareholders (Rm's)	156	85	60	20	34
Financial performance					
Return on ordinary shareholders' average equity (%)	31,2	33,5	30,6	12,6	24,2
Return on total average assets (%)	5,0	5,4	4,6	1,7	3,3
Operating performance					
Net interest margin on interest bearing assets (%)	6,7	8,5	8,5	6,2	6,0
Non-interest income to total income (%)	76,5	65,6	64,6	67,9	77,9
Efficiency ratio (%)	57,9	61,1	68,2	87,6	76,5
Non-performing advances to total gross loans and advances (%)	5,2	2,4	3,2	5,1	5,0
Share statistics					
Headline earnings per ordinary share (cents)	404	326	236	83	148
Earnings per ordinary share (cents)	596	328	236	83	148
Diluted earnings per ordinary share (cents)	577	316	233	83	148
Diluted headline earnings per ordinary share (cents)	391	315	233	83	148
Dividends per ordinary share relating to income for the year (cents)	161	130	94	33	63
Dividends per preference share (cents)	790	503	–	–	–
Net asset value per ordinary share (cents)	1 507	1 075	873	678	657
Capital adequacy					
Group capital to risk weighted assets (%)	36,6	37,0	24,9	30,6	15,7
Sasfin Bank Limited capital to risk weighted assets (%)	28,3	25,7	25,8	35,6	19,8
Employees					
Permanent staff complement	487	435	451	467	499

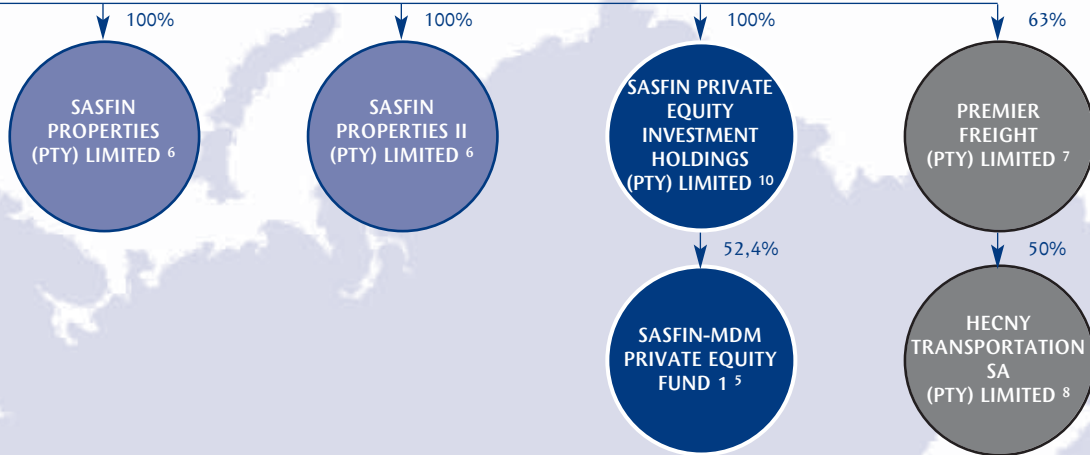


GROUP STRUCTURE

as at 31 July 2006



as at 31 July 2006



KEY

- 1 – Banking businesses
- 2 – Insurance and financial planning businesses
- 3 – Securities trading
- 4 – Portfolio management
- 5 – Private equity management
- 6 – Property owning
- 7 – Customs clearing
- 8 – Freight forwarding
- 9 – Investment holding
- 10 – Private equity investment



Martin Glatt
Chairman

It gives me great pleasure to present the 2006 Annual Report of the Company, the 19th since its listing on the JSE in 1987.

2006 has been another excellent year for Sasfin. Headline earnings were R106 million, 25,3% up on last year. This excludes an exceptional after tax profit of R49 million realised from the disposal of the Group's shares in the JSE, but includes an exchange profit of R14 million resulting from the transfer from Rand to US Dollars of funds, in anticipation of the acquisition of SBM which is still under consideration by the Regulators.

Based on its 1987 listing price of 60 cents per share and its closing price at year end of 3 200 cents (including the dividends paid during the period), Sasfin has yielded an average annual return on equity of 31,2%, a compound annual growth rate in headline earnings per share of 25,0% and a compound annual return to shareholders of 26,6%.

DEVELOPMENTS AT SASFIN

The Bank issued to its black-owned associate, InnoVent, 10% of its share capital, which is funded by preference shares issued in favour of the Company.

Sasfin has strengthened its position in the entrepreneurial banking and financial services market by setting up a private equity unit, which has already made a useful contribution. In order to further expand this unit, Sasfin successfully issued a second tranche of R100 million of non-redeemable preference shares.

Sasfin is restructuring its securitisation structure to allow for a multitude of asset classes, including fixed property loans. The revised securitisation structure will be able to make use of short-term funding and will generally be more flexible.

SIAM acquired control of the business of PIB, a financial planning business, which has been merged into SIAM, which is now under the capable management of Gavin Came, the former Chief Executive Officer of PIB.

THE ECONOMIC ENVIRONMENT

Increases in interest rates in the United States of America and elsewhere threaten to retard world economic growth. This, coupled with excessive domestic consumer spending, an up tick in inflation, a large current account deficit and some negative sentiment about emerging markets has weakened the Rand and other South African financial markets. The recent increases in interest rates announced by the SARB are a positive step in dealing with these issues and further interest hikes are likely.

Nonetheless, I remain confident that South Africa is on track to achieve improved economic growth for the benefit of all its inhabitants.

It is indeed a privilege to be part of the very successful transformation that is taking place in this country and it is humbling to witness the amazing home-grown talent that is making enormous contributions in all walks of life. It would, however, be remiss of me not to caution against some areas that remain of concern, viz.:

- the continual high rate of unemployment and poverty
- inflexible labour policies and militant unions
- serious levels of violent and white collar crime
- the AIDS pandemic.

COMPLIANCE

The comprehensive compliance and corporate governance requirements prescribed by the SARB and other regulatory authorities ensure the integrity of the financial sector, enhancing confidence in the country and promoting investment and sound economic growth. Notwithstanding the high cost and skills requirements associated with compliance, Sasfin maintains levels of best practice in this important area.

Sasfin is very fortunate to have an excellent team of risk and compliance officers, who remain on top of the wave of new laws and regulations, which include:

- Financial Intelligence Centre Act
- Financial Advisory and Intermediary Services Act
- Financial Sector Charter
- International Financial Reporting Standards
- The Banking Association's Code of Banking Practice
- King Committee: King II Report
- Basel II Capital Accord
- National Credit Act.

BLACK ECONOMIC EMPOWERMENT

Sasfin is committed to the principles of the FSC for black economic empowerment, with which it is determined to achieve a high level of compliance and has made, and will continue to make, good progress in all areas covered by this Charter.

The Bank is delighted to have appointed two black non-executive directors to its board, one of whom is female.

PROSPECTS

It is expected that in the short term, interest rates will continue to rise, negatively affecting the stock market and the business climate in general, which will result in harsher business conditions for Sasfin. However, I believe that these conditions are unlikely to be protracted and that the economy will maintain its long-term trend of strong expansion, particularly in the entrepreneurial markets in which Sasfin specialises. I therefore remain optimistic that Sasfin, which is well resourced with excellent management and staff, with great products and systems and with strong capital adequacy and liquidity, will continue to grow and increase profits at a good rate.

WELCOME AND APPRECIATION

I welcome both Dolly Mokgatle and Shahied Rylands as non-executive directors to the board of the Bank. Dolly has a BProc and LLB degree and serves on the boards of Electricity Distribution Industry Holdings Company and National Electricity Regulator of South Africa. Shahied is an executive director of Royal AG and represents Royal AG on the board and executive committee of InnoVent, which, *inter alia*, now has a 10% shareholding in the Bank. I have no doubt that these new directors will make a significant contribution to Sasfin in the future.

I express my appreciation to my fellow directors and staff who have performed admirably in achieving these excellent results and in strengthening the Sasfin infrastructure. In particular, I thank our executive directors, Roland Sassoon, Alan Greenstein and Malcolm Segal, for their continued dedicated commitment and valued contribution during the past year. A special acknowledgement goes to Dennis Paizes who has indicated that he will resign from all his Group activities from the date of our Annual General Meeting. Dennis has been a long-standing friend and supporter of Sasfin and has been a director since 1998. His contribution has always been appreciated and valued and we wish him well on his retirement. I also thank the SARB and our professional advisors for their guidance, our clients for their invaluable support and our shareholders for their faith in the Group.



Martin Glatt
Chairman

11 September 2006



Roland Sassoon
Chief Executive Officer

SASFIN'S NICHE

Entrepreneurs have a pioneering spirit, with a propensity to sail uncharted waters. This is often accompanied by a lack of financial sophistication. Accordingly, they invariably require a proactive and highly personalised banking service. With its entrepreneurial background, carefully selected human resources, ample financial resources and comprehensive range of products, Sasfin is well equipped to service the entrepreneurial corporate, business and private client.

RESULTS

It is pleasing to report that headline earnings for the year under review increased by 25,3% to R106 million, representing returns on ordinary shareholders' average equity of 31,2% (2005: 33,5%) and on total average assets of 5% (2005: 5,4%).

PROSPECTS

As predicted last year, the economy has started to come off the boil. Interest rates worldwide are on the increase, a trend from which South Africa cannot escape in view of its:

- consumer spending boom over the past few years
- widening current account deficit in relation to GDP
- up tick in inflation.

The authorities wisely increased rates in June and August, each time by 50 basis points, and are likely to continue to do so for the next few months.

The fundamentals of the South African economy are nevertheless strong, and it is unlikely that any downturn, induced by higher interest rates, will be severe or protracted.

In June 2006, Sasfin issued a further R100 million of perpetual, variable rate preference share capital at a premium, thereby reducing the yield from 75% to 70% of prime. It is intended to use the proceeds of this issue to fund the Group's growing investment in private equity, which now includes property.

Whilst the interest rate increases will negatively affect Sasfin's various business units, Sasfin is well positioned to ride out the expected dip in the economy and to continue to produce excellent results, although this will naturally depend on the extent of the economic downturn.

CAPITAL ADEQUACY

On 30 June 2006, the capital adequacy of the Bank was 28,3% (2005: 25,7%) comfortably above the required minimum of 10%. The R100 million raised through the issue of preference shares, referred to above, has been loaned to the Bank. The Group capital adequacy was 36,6% (2005: 37%).

OVERVIEW PER OPERATING DIVISION AND SUPPORT DEPARTMENT

At the request of the SARB, the Group is being restructured so that all the Bank's non-banking activities are housed under a separate subsidiary of the Company. The new organogram of the Group is set out on pages 4 and 5 of this report.

BUSINESS BANKING

Contribution 2006:	R54,7 million
Contribution 2005:	R46,8 million

This division provides financing facilities for equipment, trade and debtors.

Rental Finance Unit

This business unit, which specialises in rental finance for office automation equipment, had a difficult year, with taxed profit down 18% to R28,5 million (2005 : R34,8 million) as margins have been squeezed by increased competition. This unit is nevertheless entrenched as a pre-eminent provider of office equipment rental finance and is currently undergoing good growth.

Sasfin has the oldest securitisation structure in South Africa, having been introduced in 1991. This structure is now being re-engineered to convert it into a comprehensive Domestic Medium-Term Note programme, capable of accommodating differing:

- asset classes
- originators
- funding maturities, including short term.

As a small banking group, Sasfin's ability to attract deposits is limited and thus its securitisation structure is vital for sustainability and growth.

InnoVent Rentals, a big ticket, residual rental company in which Sasfin has an indirect 33,6% shareholding, has continued to expand and improve its profit contribution.

Business Finance Unit

This unit houses the Bank's trade, debtor and capital equipment finance activities. Overall, performance for the year was excellent, achieving an increased taxed profit of R17,1 million, up by 43%. The relatively strong Rand continued to be positive for import trade finance, with increased import volumes coming through from this unit's growing client base. In addition, the positive economic climate also enhanced Sasfin's debtor finance unit, which experienced good growth in turnover. Sasfin's investigation of foreign markets has been fruitful with trade finance business commencing, mainly in Africa.

A decision was taken to grow Sasfin's capital finance activities by employing a team of marketing managers. This has proved to be a resounding success.

The proposed acquisition of SBM, which awaits regulatory approvals, will play an enormous role in developing Sasfin's international trade finance business as SBM:

- has a strong base of depositors, resulting in increased capacity and a reduced cost of borrowing
- has a low cost base
- will establish offshore letters of credit and forward exchange contracts for Sasfin's clients.

CAPITAL

Contribution 2006: R22,5 million

Contribution 2005: R15,6 million

This division undertakes Private Equity investment and provides corporate finance services, both to its clients and the Group. It also includes the Group's Treasury, which funds the activities of the Group, through Sasfin's capital, including preference shares, its securitisation structure and its deposit book.

Private Equity Unit

The Sasfin board has earmarked a maximum of 5% of total assets for investment in private equity, which, based on the 2006 balance sheets of Sasfin and SBM, amounts to R150 million, for which purpose it has issued a second tranche of R100 million of preference shares yielding 70% of prime.

Sasfin increased its investor participation in Sasfin-MDM Private Equity Fund I ("Fund I") from 13,6% to 52,4%, and its shareholding in Sasfin Private Equity Fund Managers (Pty) Limited from 58,2% to 100% for an investment consideration of R34,8 million.

Fund I is a fully invested closed fund that holds a diverse portfolio of investments in telecommunications, technology, distribution and service companies. The carrying value of Sasfin's investment in Fund I was written up at 30 June 2006 based on the mark to market adjustment determined by the fund's Governing Board. Additionally, Fund I returned surplus funds to investors during the year.

Sasfin Private Equity Fund II ("Fund II") has recently been established. Its investment focus is primarily to provide growth and development capital to companies with strong entrepreneurial leadership. There is excellent scope within Sasfin for Private Equity investment as it experiences strong deal flow of quality investment opportunities emanating primarily from its Business Finance unit.

To date, Fund II has committed to two investments being a low-end retail clothing chain and a shopping centre refurbishment. Several more investment opportunities are currently being evaluated, and this unit is developing property related capabilities.

Corporate Finance Unit

This unit provides investment banking, corporate finance and JSE Sponsor/Alt^x Designated Advisor services to listed and unlisted companies, and focuses on companies with a market capitalisation of up to R10 billion and is the largest player in its target market on the JSE.

This unit has concluded a number of significant transactions for its clients during the past year, which has resulted in sterling results.

The unit plays a strategic role within Sasfin, including structuring and implementation of the Group's recent BEE transaction and second R100 million preference share issue.

Treasury and Securitisation Unit

This unit is responsible for Group funding, which includes the management of its securitisation structure. It offers clients a range of domestic money market products and securitisation commercial paper.

The unit has performed well in raising the required funding for Sasfin's lending businesses, with deposits increasing by 56% to R627 million (2005: R402 million). It also successfully raised R100 million of perpetual preference share capital for investment in private equity. The Group's securitisation commercial paper remained constant at R670 million.

As mentioned above, the current securitisation scheme is being converted to an evergreen Domestic Medium Term Note programme that will enable Sasfin to securitise various asset classes at an attractive cost through the issuance of long-, medium- and short-term commercial paper.

The Bank has applied to become an Authorised Dealer in Foreign Exchange to enable it to provide a wide range of foreign exchange services.

PERSONAL WEALTH

Contribution 2006: R23,1 million

Contribution 2005: R17,1 million

This division comprises the stockbroking, portfolio management and asset management subsidiary, SFPS, which is now 117 years old and the life assurance, investment and financial planning units of subsidiary, SIAM. It also offers clients international stockbroking, asset management and trust and fiduciary services.

The healthcare, short-term insurance, and Regulation 28 Consulting activities, and the Group's investment in Pioneer, now fall within the Specialised Services division and are dealt with under that section.

Stockbroking and Asset Management Unit

SFPS had another exceptional year, buoyed by strong stock market activity. Funds under administration grew by 42,14% from R15,5 billion to R21,9 billion with managed fees exceeding the target of 25% of total income. All branches were profitable. SFPS disposed of its shareholding in the JSE, at a substantial profit.

The Sasfin International Fund, registered in Luxembourg and managed by Edmond de Rothschild Asset Managers, Paris (a member of Groupe LCF Rothschild), has attracted almost US\$14 million in investments. The strong Rand and diminished appetite for foreign investment during the review period hampered the growth of this fund. A weakening of the Rand against major currencies should result in heightened demand for this product. SFPS increased its suite of collective investment products through the introduction of two new funds, the Sasfin TwentyTen Fund and the Sasfin Socially Responsible Fund.

FAM, a black-empowered asset management company, established jointly with Worldwide Capital Limited, has not yet commenced business as Financial Services Board approval is still awaited.

Plans for the new financial year include the FAM launch, the introduction of a broader range of products, including new generation single stock futures, Contracts For Difference and alternative asset management offerings. This should increase revenue streams and attract new clients.

Financial Planning Unit

It has long been Sasfin's stated intention to build critical mass in this area and to offer financial planning as part of an integrated wealth management offering. With effect from January 2006, SIAM acquired the business of PIB, a long-established financial planning consultancy based in Pretoria and Johannesburg, and introduced two senior managers as equity holders in SIAM. Gavin Came, the new chief executive officer, has been focused on the client-facing aspects of the business by appointing new planners and attending to a reliable and replicable client engagement process. It is expected that with the inevitable penetration of the broader Sasfin client base, profitability in this business will improve significantly.

SPECIALISED SERVICES

Contribution 2006: R5,7 million

Contribution 2005: R5,0 million

This division comprises the Group's Freight, Healthcare Consulting, Regulation 28 Consulting, short-term insurance broking and employee benefits units.

Freight Services Unit

Once again, Premier had an exceptional year and has managed to improve on last year's financial performance, which was in itself an all time record.

This mature and focused company remains committed to providing international logistics and customs clearing services to a wide range of companies, spanning many different industries, requiring long-term relationships with a freight company that can support their logistics needs at a competitive price.

For the new financial year, Premier opened dedicated trade desks to take advantage of the increased trade with China and India, which are becoming major trade partners of South Africa. These trade desks are manned by specialist staff, who are knowledgeable in these important markets.

The cross-selling opportunities between Premier and the Bank continue to be exploited with good results.

Regulation 28 Pension Fund Trustee Consultancy Unit

This unit has been placed on a sounder and more sustainable footing, with SIAM benefiting from its success in obtaining new business.

Healthcare Consulting Unit

This unit made an excellent contribution in the 2006 financial year, having increased its membership base by 11% and retained its status as one of South Africa's leading healthcare brokers. The unit is being geared for the fundamental changes planned for this market.

Employee Benefits Administration and Consulting Unit

Pioneer is now 30% owned and made a positive contribution in 2006.

Short-term Insurance Broking Unit

Sasfin Insurance Brokers (Pty) Limited, which is wholly owned by SIAM, covers the short-term insurance requirements of the Sasfin Group and its clients and effectively broke even. Volumes are starting to build in this business unit.

SUPPORT SERVICES

Finance and Administration

This department oversees Group accounting and statutory reporting to the SARB, with whom it maintains open and constructive communication channels. It is also responsible for Group administration. It discharges its responsibilities with efficiency and integrity, employing best practices.

Compliance

Howard Brown, B.A. LL.B. (Wits) Dip. Corp. Law (cum laude) (Unisa) took over as head of this department, following the retirement of Bill Blair. Bill set up this department and brought with him a wealth of experience. We thank him for maintaining the highest standards in this important function throughout his tenure and wish him well on his retirement. This independent department, established and operational in terms of Regulation 47 of the Banks Act, continues to act as a key interface with the regulatory authorities and is an essential component of the Group's risk management framework. Further details are provided in our expanded compliance report on page 24 of this report.

Internal Audit

This department continues to operate efficiently and competently, with its independence assured by reporting functionally to the Chairman of the Audit and Compliance committee, who is a non-executive director of Sasfin. Internal Audit has direct access to the Chairman of the Bank and reports administratively to the Chief Executive Officer.

Risk and Credit

This department plays a key role in supporting Sasfin's ongoing progress as a successful banking group. Experienced senior officials are responsible for ensuring that Sasfin continues to effectively manage its credit and other risks within the parameters of the organisation's risk management framework. Sasfin's approach is based on tried and tested policies and procedures, which are revisited continuously to maintain alignment within a changing macro-economic environment. Ongoing changes to the regulatory environment, in particular the Basel II Accord, have demanded new IT solutions and enhancements, to satisfy the various regulatory bodies charged with overseeing the administration and implementation of these requirements. It is particularly pleasing that the level of credit impairments has remained well within Sasfin's risk tolerance level, while maintaining an effective balance between risk propensity and profitability.

Marketing

This department underwent a positive restructure this year, splitting into focused service areas. It handles all ongoing Group initiatives including public relations, direct marketing, new product launches, events, advertising and promotional requirements. A new advertising agency has been commissioned as a full service agency to strategically communicate with Sasfin's markets, as the brand continues to mature. Business development has surged, both internally through active cross selling and Customer Relationship Management initiatives, as well as through its extended network of Accredited Business Introducers, a programme for accountants and financial intermediaries. The business development area has been identified for further growth.

Information Technology

Sasfin's in-house IT department manages, controls and maintains the electronic backbone of the Sasfin Group.

Due to the rapid expansion of the Group and the additional regulatory requirements, further investment in the core network infrastructure was necessary to deliver and enhance services, both locally and for planned international operations, leveraging new unified communications technologies to achieve greater efficiencies and cost savings for the Group. In addition, new systems are being rolled out for the Group's lending businesses, and preparations are being made in advance of the JSE Project ORION. Further investment has been made in the areas of Disaster Recovery and Business Continuity in conformance with regulatory and operational requirements.

Considerable effort is going into ensuring Sasfin's readiness for the Basel II Accord compliance requirements. The department's innovative work in this area is currently under consideration by Microsoft as a potential rapid solutions accelerator for the financial services sector.

Human Resources

Naseema Fakir, BCom, MBL, takes over as head of this department, following the retirement of Sonia Rees. We thank Sonia for her significant contribution to the Group whilst heading up this department since its inception, and wish her well on her retirement. The department has worked towards increasing the overall racial diversity of the workforce, including the number of black and female managers within the business, and has created awareness of the need for employment equity and diversity amongst managers. Over the last two years, this department has been committed to achieving FSC human resources targets, which is an ongoing exercise. This department has identified affirmative action key talent within the organisation, and those individuals are being nurtured and mentored to achieve their potential. During the last two years, six staff members were sent abroad on leadership courses.

This department strives to create a sustainable culture of equity and diversity through competent staff who are representative of the broad South African demographics. Sasfin aims to recruit, reward and retain a motivated and skilled pool of employees in an endeavour to become a preferred employer in the banking industry.

With HIV/Aids being an ongoing concern in South Africa, the department has engaged in relevant training, communication and education for all staff, thus creating a high level of employee awareness within the Group.

FINANCIAL SECTOR CHARTER

Sasfin has submitted its 2005 empowerment scorecard to the FSC Council and is pleased to report that its empowerment programme is ahead of schedule. The Group is well placed to achieve the 2008 Charter targets. Worthy of note is Sasfin's BEE transaction, in which InnoVent acquired a 10% shareholding in the Bank, thereby satisfying one of the key ownership and control targets of the Charter.

Of concern is that the FSC Council and other stakeholders are still engaged in a process of aligning charter targets with those contained in the Department of Trade and Industry's updated Codes of Good Practice on Broad Based Black Economic Empowerment. While the necessity of this process is understood, it unfortunately creates a moving target and engenders a degree of uncertainty in the banking industry.

WELCOME AND APPRECIATION

I welcome Dolly Mokgatle and Shahied Rylands as non-executive directors of the Bank, with whom I look forward to a long and rewarding association.

I am very grateful to each of Sasfin's dedicated and extremely competent directors, general managers and staff for their wonderful service to the Group. In particular, I thank Alan Greenstein and Malcolm Segal for their sterling commitment.

I also thank Sasfin's clients for their loyalty and support, and our professional advisors and the Registrar of Banks and his office, for their sound guidance. I look forward in the year ahead to further enhancing the "win-win" relationships that exists with all Sasfin's stakeholders.



Roland Sassoon
Chief Executive Officer

11 September 2006

INTRODUCTION

Risk can be described as the possibility that unforeseen future events could occur which could impact on the ability of the Group to achieve its desired objectives. However, without an optimum level of risk appetite an organisation could lose its entrepreneurial drive and become moribund, unable to achieve certain elements of its core strategic, operational, financial and compliance objectives.

It follows therefore that our risk management approach must provide mechanisms to address the identification and evaluation of actual and potential risk areas, together with a balanced approach to the process of avoidance, reduction, sharing or acceptance of each risk.

In a worst case scenario any failure to manage substantive risk effectively can have severe and potentially catastrophic consequences. Accordingly, risk management is a key focus of management processes within Sasfin and addresses a wide spectrum of risks. These include credit, funding, liquidity and interest rate risks, market, business and operational risks which include pricing, market penetration, service levels, the security of our staff, assets and information, business disruption, legal documentation or contractual risk, technology risk, settlement, payment and processing risk, reputational risk, fraud risk and compliance with regulatory and statutory requirements.

PHILOSOPHY

The Group recognises that the business of banking and financial services is conducted within an environment of complex interrelated risks. By realising that risk and control is the responsibility of all, we proactively identify risk in delivering products and services to the market in an efficient and cost effective manner.

Our risk management programme supports the analysis of problems from various angles, not only to identify the risk mitigation activities, but also to anticipate and act on potential opportunities – thereby challenging conventional wisdom to create better solutions.

We regard risk management as being one of our competitive advantages.

STRUCTURE

Risk is managed and monitored in accordance with the risk management framework of the board of directors, board committees, executive and operational management, compliance officers and the risk management functions of the operational units.

In addition, the Internal Audit function provides the board and management with an independent assessment of the effectiveness of the risk management processes within the Group.

The risk control framework is designed to ensure:

- the detection and minimisation of significant risks;
- the reliability of financial information;
- the reliability and integrity of operational processes; and
- compliance with statutory and regulatory requirements.

The key committees carrying risk management responsibilities are:

- Board of Directors (Sasfin and subsidiaries)
- Group Executive Management
- Directors' Affairs
- Directors' Review
- Asset and Liability
- Risk Management
- Credit Review
- Group and subsidiaries' Audit and Compliance
- IT Steering
- Human Resources and Remuneration
- Basel II Steering.

ENTERPRISE RISK MANAGEMENT (“ERM”)

To support the Basel II Capital Accord imperatives relative to the determination and alignment of strategic objectives, capital requirements and risk management, we have developed an ERM system, which has been rolled out across the organisation.

Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting across the enterprise. It is designed to identify potential events that may affect the entity and manage risks to remain within its risk appetite to provide reasonable assurance regarding the achievement of entity objectives.

Our approach to the management of key risk areas is as follows:

Credit risk

Represents the risk of loss incurred directly by providing credit or indirectly by assuming a financial obligation or by becoming exposed to counterparty failure.

Credit risk exists in both on- and off-balance sheet exposures and may arise because of non-performance by a borrower, counterparty or an issuer such as a securities firm.

Credit risk management processes are governed by the Group's credit policy guidelines. These guidelines are reviewed regularly and any amendments thereto are subject to the evaluation and approval of the relevant board of directors. Facilities granted to counterparties are governed by internal and prudential limits which restrict large exposures relative to the Group's capital.

Large facilities are approved by the Credit Review committee, with facilities above R12,5 million requiring approval by the Group Board of Directors.

Counterparty creditworthiness is evaluated in terms of policy guidelines and limits are set before credit is granted.

Risk mitigation includes:

Trade finance... Various types of collateral are obtained to secure the exposure but the primary security is usually Notarial Bonds over movables, and ownership over goods financed.

Debtor finance... Various types of collateral are obtained to secure the exposure but the primary security is usually the receivables purchased.

Equipment finance... The primary security is the asset being financed.

The provisioning policy of the Group is conservative and satisfies regulatory requirements.

Liquidity risk

The risk arising from the inability of the Group to accommodate decreases in liabilities or to fund increases in assets in full, at the right time, place and currency.

This area of risk is closely monitored by the Asset and Liability committee and is managed according to the policies of the committee and in accordance with the following process:

- maintenance of balance sheet liquidity ratios;
- assessment of depositor concentration in terms of the overall funding mix;
- ensuring an adequate portfolio of marketable assets and short-term investments; and
- liquidity contingency plans relevant to changing needs.

Interest rate risk

The risk that fluctuating interest rates will unfavourably affect the Group's earnings and the value of its assets, liabilities and/or capital.

This area of risk is closely monitored by the Asset and Liability committee, which approves the policies and limits for the management of interest rate risk and monitors these exposures and the effectiveness of the risk management processes.

Group Treasury's responsibility is to establish and maintain an interest rate risk management framework and to recommend appropriate risk limits.

Market risk

The risk of loss due to adverse movements in the market, for example, where interest rates rise as a result of changes in such factors as exchange rates, commodity prices and market liquidity.

Approach:

- The Board of Directors grants general authority to undertake market risk. Limits are set for individual business units to contain losses within specified limits in the event of adverse market movements.
- Prospective investments require formal authorisation and have to undergo deal sanctioning. Market risk from investments is managed in accordance with its purpose and strategic benefit. Periodic reviews and reassessments are undertaken.
- Limited foreign exchange risk arises due to the low value of such transactions. It is Group policy not to have any material uncovered foreign exchange transactions.

Operational risk

The risk of loss resulting from inadequate or failed internal processes, people and systems and/or from external events. Operational risk incorporates legal risk.

It includes the potential for loss arising from flaws or malfunctioning in automated systems, failures in internal financial and administrative controls and non-compliance with Group policies and procedures. Moreover, it covers loss from error, fraud and other criminal activities.

Operating risk also includes the following risk subsets:

- **Transaction risk**

The risk during the life cycle of a transaction, where a material deviation could occur from management's intentions and expectations relating to that transaction. Life cycle stages comprise execution, recording, interpretation, documentation or settlement of a transaction. Examples include improper capture, failure to detect and manage unauthorised transactions and faulty processing and recording of transaction details.

- **Internal control risk**

This includes the risk of failure of established controls and procedures, processing errors and unauthorised or fraudulent transactions. Examples include traders exceeding limits, rogue trading, fraud detection, money laundering, security failures and management override.

- **System risk**

This results from system malfunction or non-availability. Examples include design or programming error, model or methodology error and incomplete contingency planning against systems, telecommunications and power failure.

- **Business continuity**

Business continuity planning can be described as the proactive process required to develop business plans to address all possible major disruptions in each substantive area of the business and to ensure that all critical systems and functions can be recovered within acceptable timeframes.

Business continuity plans are updated on an ongoing basis, including enhancements to the disaster recovery component of our plan.

Our business continuity framework is supported by comprehensive information security, physical security and risk and compliance policies.

Control mechanisms have been established within the different divisions to manage operational risk. Divisional management apply their specialised knowledge of the markets in which they operate to fine-tune their risk control procedures and systems of internal control.

Our ERM system is currently in process of being rolled out across the organisation.

Group policy is aimed at inculcating a culture of risk awareness, ethics and value generation.

BASEL II CAPITAL ACCORD

The Basel II Steering committee ensures that we timeously comply with all relevant requirements.

A detailed implementation project is well underway to address the alignment of our overall risk management strategies and processes, which includes the Internal Capital Adequacy Assessment Process, with best practice and the Basel II framework.

The Group has retained KPMG to act in an advisory capacity.

Management is confident that the project will be successfully implemented within the stipulated timeframes.

The Bank has participated in both the QIS 4 and QIS 5 surveys conducted by the SARB.

INTERNAL AUDIT

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.

It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Internal Audit function utilises risk based audit methodologies and standards that are consistent with the Standards for the Professional Practice of Internal Auditing as advocated by the Institute of Internal Auditors.

This department has performed effectively over the past 12 months and we are satisfied that they add significant value to the Group.

The Bank's independent compliance function has been established and operates in terms of Regulation 47 of the Banks Act and is an integral component of the Bank's risk management framework. The objective of the function is to ensure that the Bank continuously manages its regulatory and statutory risks and complies with applicable laws, regulations and supervisory requirements. At the strategic level, Sasfin sees compliance as a tool supporting an effective level of corporate governance within the organisation.

Over the last few years, the Bank has been faced with a veritable raft of new regulation and regulatory changes, which has placed considerable additional pressure on the Bank, and indeed its clients, to ensure that the Bank satisfies the demands of the regulatory environment.

At the request of the SARB, Sasfin's compliance function has been separated from the risk management function, which has itself been restructured to facilitate the additional responsibilities arising from Enterprise Risk Management and the Basel II Capital Accord. This restructuring supports best practice principles and has strengthened management of both Risk and Compliance.

The Financial Intelligence Centre Act in particular has introduced onerous requirements relative to the identification of clients and the reporting of suspicious transactions. Within the banking industry client support for the requirements of the Act has been variable and the Minister of Finance replaced the original 30 June 2004 deadline with a set of new staggered target dates, culminating in a 30 September 2006 deadline for "low risk" clients. As at June 2006, Sasfin achieved a compliance level in excess of 98% and is redoubling its efforts to reach 100% in line with the final target date set by the Minister. The SARB is currently undertaking on-site Money Laundering compliance reviews across the banking industry and Sasfin was subject to this process during March/April of this year. The feedback received from the SARB was positive.

The FSC came into being in August 2002 following a Nedlac Financial Sector Summit. The key objectives of the FSC were to commit the financial sector to:

"actively promoting a transformed, vibrant and globally competitive financial sector that reflects the demographics of South Africa, and contributes to the establishment of an equitable society by effectively providing accessible financial services to black people and by directing investment into targeted sectors of the economy".

The Group has submitted its 2005 empowerment scorecard to the FSC Council and is pleased to report that its empowerment programme is ahead of schedule. The Group is well placed to achieve its 2008 Charter targets. Worthy of note is Sasfin's BEE empowerment deal in which InnoVent acquired a 10% shareholding in the Bank, thereby satisfying one of the key ownership and control targets of the Charter.

In terms of Regulation 39 of the Banks Act, the Bank's Board of Directors is required to report to the Registrar of Banks on the effectiveness of the system of internal controls relating to financial and regulatory reporting and their compliance with the Banks Act and Regulations. To the best of its knowledge, the Board of Directors of the Bank is of the opinion that there are no indications of any material breakdown in the functioning of these controls, procedures and systems, during the period under review.

While the cost of compliance is increasing in parallel with the escalating regulatory load, a rigorous compliance regime is essential to the future well being and strategic development of the Group.

Sasfin prides itself on being a good corporate citizen, recognising that effective corporate governance practices are essential to achieving and maintaining trust and confidence in both the organisation and the banking system as a whole. Sasfin actively manages its corporate governance through the relationships between management, the boards of directors, shareholders and other stakeholders. To this end, Sasfin endorses the principles incorporated in the Code of Corporate Practices and Conduct as set out in the King II Report which forms the basis upon which the Group's commitment to sound corporate governance is pursued. Sasfin also endorses the FSC in order to raise the skills and fully incorporate the enormous talent of the previously disadvantaged members of the South African society. The various committees of the boards of directors are charged with monitoring and evaluating conformity with the provisions of these requirements, as well as International Financial Reporting Standards, the requirements of the JSE, the Banks Act and all the other statutes and regulations to which the Group is bound to ensure integrity, accountability, transparency and equal opportunity in the conduct of the Group's various business enterprises.

REGULATORY ENVIRONMENT

Given the important financial intermediation role of banks in a sophisticated economy, their high degree of sensitivity to potential difficulties arising from ineffective corporate governance and the need to safeguard depositors' funds, corporate governance for banking organisations is of great importance to both local and international financial systems and merits targeted supervisory guidance.

The SARB, through its Bank Supervision Department, carries the responsibility for ensuring that a sound and well-regulated banking system exists in South Africa and that prudent risk management practices are embedded within the banking environment. The directors of a bank are required in terms of the Banks Act to report annually to the Registrar of Banks on the efficacy of the systems of internal control and to provide reasonable assurance as to the integrity and reliability of the financial statements, as well as on Corporate Governance. Additionally, the directors are required to safeguard, verify and maintain accountability for the Bank's assets.

The Bank has a compliance programme, which is under the control of a General Manager who reports to the Chief Executive Officer and who has unrestricted access to the Chairman of the Audit and Compliance committee. The JSE, which is regulated by the Financial Services Board, regulates the activities of SFPS. SIAM falls under the regulatory arm of the Financial Services Board.

The directors bear responsibility for setting and maintaining the Group's systems of internal controls and protecting its assets and earnings against material financial loss. They are committed to discharging these responsibilities as cost-effectively as possible. Business risks are assessed on an ongoing basis and risk management procedures are modified and implemented as needed. The Group has a comprehensive reporting system, which is monitored and reviewed monthly by management and the directors. The system facilitates budgetary control, provides reasonable assurance as to the accuracy of financial statements and safeguards the Group's assets. The Group is preparing for Basel II as stated elsewhere in this report.

THE KING II CODE OF CORPORATE PRACTICES AND CONDUCT

The boards of directors of companies in the Group are committed to maintaining the standards of integrity and openness detailed in the Code of Corporate Practices and Conduct recommended in the King Report on Corporate Governance. Sasfin adheres both to the specified provisions of the King Code and to its underlying principles of fairness, transparency, accountability, social responsibility and environmental consciousness.

THE BOARDS OF DIRECTORS

The responsibilities of the Group's boards of directors include reviewing and guiding corporate strategy, risk propensity, budgets and business plans. These boards meet regularly to monitor executive management and thereby retain full and effective control over their operations. The Chairpersons of the Company, the Bank and its main subsidiaries, are all non-executive directors. These boards include non-executive directors of sufficient calibre, experience and number for their views to carry significant weight in business decisions. The various boards are responsible for setting policy, monitoring corporate performance and overseeing major capital expenditure. Where necessary, independent professional advice is canvassed. The company secretary ensures that statutory and other procedures are followed.

SASFIN HOLDINGS LIMITED AND SASFIN BANK LIMITED BOARD CHARTER

The boards subscribe to good corporate governance and strive to be effective in lending and controlling the companies. As a bank-controlling company or bank, the boards recognise that they are bound by the Banks Act and as such, consist of both executive and non-executive directors (including independent directors) to the extent appropriate in terms of that Act. The concept of a unitary board, consisting of executive directors, with their intimate knowledge of the business, and non-executive directors who can bring a broader view to the Company's activities, particularly those who have intimate knowledge of banking and financial service industries, remains the favoured board structure. Management of business risk and the exercise of commercial judgement are the essence of this mutual association and exchange of business experience and knowledge. The boards accept they have a collective responsibility to provide effective corporate governance that involves a set of relationships between management, the boards, shareowners and other relevant stakeholders, in a manner whereby the boards:

- determine the entity's purpose and values
- determine the strategies to achieve the entity's purpose (that is, its strategic intent and objectives as a business enterprise) and to implement its values (that is, its organisational behaviour and norms to achieve its purpose) in order to ensure that it survives and thrives
- exercise leadership, enterprise, integrity and judgement in directing the entity so as to achieve its continuing prosperity
- ensure that procedures and practices are in place that protect the entity's assets and reputation
- monitor and evaluate the implementation of strategies, policies, management performance criteria and business plans

- ensure compliance with all relevant laws, regulations and codes of best business practice
- ensure that technology and systems used are adequate to run the business properly and for it to compete through the efficient use of its assets, processes and human resources
- identify key risk areas and key performance indicators in order to generate economic profit, so as to enhance shareowner value in the long term and recognise the wider interests of society
- regularly assess performance and effectiveness as a whole, and that of individual directors, including the Chief Executive Officer, and
- ensure that the entity has developed a succession plan for its executive directors and senior management.

The boards strive to focus on performance in directing the commercial and economic fortunes of the entity, and not only concentrate on issues of conformance. The boards recognise that enterprise is the disposition to engage in undertakings of risk and are constituted in a manner that provides a balance between enterprise and control. All directors recognise that absolute integrity is necessary to meet their onerous obligations and responsibilities.

The boards comprise a balance of executive and non-executive directors, with a majority of non-executive directors, of whom sufficient are independent of management for minority interests to be protected, and conform to the “four-eyes” principle as required by the SARB. The boards also take cognisance of gender and racial mix, where this is practical.

The boards are selected from individuals of integrity, who can bring a blend of knowledge, skills, objectivity, experience and commitment to the board under the firm and objective leadership of a chairperson (preferably an independent non-executive director), and who accept the responsibilities and duties that the post entails and who provide the direction necessary for effective boards. Non-executive directors are appointed for a three-year period and are not automatically re-appointed.

The boards strive to exercise objective judgement on the corporate affairs of the business enterprise, independent from management and insist on sufficient management information to enable a proper and objective assessment to be made by the directors collectively. The boards guide and set the pace of the entity’s operations and future developments. In so doing, the boards regularly review and evaluate the present and future strengths, weaknesses and opportunities of, and threats to the entity. Comparisons with competitors, locally and internationally, and best practice are major ingredients in this process – especially in the era of the global economy and the rapid transmission of information electronically.

The boards recognise that transactions between the entity and its managers, directors or large or dominant shareowners are rife with potential conflicts of interest. The personal interests of directors or persons closely associated with the directors do not take precedence over those of the entity and its shareowners. All directors avoid conflicts of interest, even where these can only be perceived to exist. Full and timely disclosure of any conflict, or potential conflict, are made known to the board. Where an actual or potential conflict does arise, on declaring their interest, directors may participate in the debate and/or vote on the matter, but must give careful consideration to their integrity in such circumstances and the potential consequences it may have for the board, the entity and themselves personally, but in any major issue are expected to recuse themselves.

Any director with a substantial interest in the entity, such as a major shareowner, should recognise the potential for a conflict of interest and accept that his/her primary duty and responsibility is to always act in the interests of the entity. The boards, in motivating management and employees effectively and productively, promote a culture that supports enterprise and innovation with appropriate short- and long-term performance related rewards that are fair and achievable. The boards seek to drive the business enterprise proficiently through proper and considered decision-making processes, and recognise entrepreneurial endeavour amongst its management without contravening laws and regulations. However, prudent risk management is the essence of all decision making.

The boards recognise that companies do not act independently from the societies in which they operate. Accordingly, corporate actions are compatible with societal objectives concerning social cohesion, individual welfare and equal opportunities for all. At times, however, a trade-off is considered between short-term social costs and decisions that derive longer-term benefits for the entity and thereby those having an interest in it.

The boards determine a policy for the frequency, purpose, conduct and duration of their meetings and those of their formally established committees. They also adopt efficient and timely methods for informing and briefing board members before meetings. The information needs of the boards must be well defined and regularly monitored. Each member is allowed to play a full and constructive role in the boards' affairs and has a responsibility to be satisfied that the boards have been furnished with all the relevant information before making a decision. The boards meet at least once a quarter and more frequently if necessary, and make use of board-appointed committees to assist the managing of the business on a more frequent basis. Minutes of these meetings are circulated to all board members.

EXECUTIVE DIRECTORS

There are three executive directors on the boards of the Company and the Bank, namely the Chief Executive Officer, the Managing Director and a further executive director responsible for Sasfin Capital and Finance. A clear demarcation exists between the executive functions of these directors and the functions of the non-executive Chairman of the two main boards. The boards' Human Resources and Remuneration committee determines the emoluments and perquisites of executive directors.

NON-EXECUTIVE DIRECTORS

In addition to three executive directors and a non-executive chairman, the boards consist of a further four independent non-executive directors in the case of the Company and six non-executive directors in the case of the Bank. Non-executive directors offer independent judgement to management and, other than their fees, and in some cases shareholdings, there are no extraneous factors that might materially influence their judgement. If there is an actual or potential conflict of interest, the non-executive directors concerned are excused from the related decision-making process. The non-executive directors' fees are market related and reflect their committed time and levels of responsibility. Non-executive directors are selected through a formal process and when new non-executive directors are appointed by existing directors, such appointments require confirmation at the next Annual General Meeting. Non-executive directors are appointed for specific terms and their re-appointment is not automatic.

BOARD COMMITTEES

The boards have established the following committees and ensure that each committee is chaired by a non-executive director and has a membership of a majority of non-executive directors, except the Credit Review committee (as large exposures are agreed by the board), the Directors' Strategy and Review committee and the Basel II Steering committee, who do not have a majority of non-executive directors, and the Executive Management committee, which is chaired by the Chief Executive Officer.

- Audit and Compliance
- Executive Management
- Risk Management
- Directors' Affairs
- Human Resources and Remuneration
- Directors' Strategy and Review
- Asset and Liability
- Information Technology Steering
- Credit Review
- Basel II Steering

These committees conform to statutory requirements, where applicable. Further management committees, as required, are approved by the boards.

The boards reserve specific powers and define levels of materiality and delegate other matters to the committees and management with the necessary written authority. Any such delegations by the boards have due regard for the directors' statutory and fiduciary responsibilities to the Group/Bank, while taking into account strategic and operational effectiveness and efficiencies.

The strategies, policies, mutually agreed management performance criteria and business plans of the entities are clearly defined and reliable measurements have been put in place. The directors have implemented a risk framework which ensures comprehensive assessments against accurate and relevant financial and non-financial information, as appropriate, and which are obtainable from the Group's own internal reporting systems as well as from external sources, so that an informed assessment can be made of all issues facing the boards. Accordingly, the boards ensure that internal control procedures provide reliable and valid information for monitoring and evaluation. The internal controls include not only financial matters, but also operational and compliance controls and management of the business risks associated with the entity.

THE AUDIT AND COMPLIANCE COMMITTEE

The Group Audit and Compliance committee is chaired by an independent non-executive director, and includes a further two independent non-executive directors and an executive director.

The executive directors, the general managers: Audit and Compliance, Risk Management, Group Finance, and the Chief Operating Officer of SIAM, the Internal Auditor, and the External Auditors attend the committee by invitation and have unrestricted access to the committee Chairman.

With the agreement of the SARB, the mandate of the committee has been expanded to cover compliance matters over and above the following responsibilities:

- ensuring the effectiveness of the systems of internal control
- ensuring that appropriate systems exist to validate the integrity of the accounting and financial systems
- assessing the effectiveness of the internal audit, risk and compliance functions, and
- reviewing the scope and quality of the external audit.

This committee also reviews any internal matters raised in the key risk committees mentioned in the Risk Management section of this document. In addition, SFPS, SIAM and Premier also have Audit committees which report into the Group Audit and Compliance committee.

The Internal Audit function reports administratively to the CEO. The Chairman of the Group Audit and Compliance committee meets separately with the Internal Auditor on a monthly basis, and with the External Auditors on a quarterly basis. In addition, the Internal Auditor has direct access to the Chairman of the Group Audit and Compliance committee should the need arise.

RISK MANAGEMENT COMMITTEE

The Group Risk Management committee is chaired by an independent non-executive director and includes a further independent non-executive director and the Chief Executive Officer.

DIRECTORS' AFFAIRS COMMITTEE

The Directors' Affairs committee is chaired by a non-executive director and includes a further three independent non-executive directors. Boards and board committees all undertake a self-assessment annually in order to ensure high governance standards.

The Group Executive committee consists of all executive directors and senior management, and by invitation, the board Chairman and two independent non-executive directors. These meetings enhance transparency, share information, good corporate governance and understanding of the business.

In addition to the above, the Company's board has appointed independent non-executive directors to the following boards/committees, which meet at appropriate intervals:

SFPS
SIAM
Subsidiary Audit committees

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Due to the size of the organisation, the Group has a combined Human Resources (HR) and Remuneration committee, which functions as a single committee of the Company and Bank boards respectively:

- The committee assists the board in providing management with guidance on the adequacy and efficiency of remuneration and HR policies, procedures and practices that are applied within the Group.
- These policies, amongst others, cover the following aspects:
 - conditions of and remuneration for the appointment of both executive and non-executive directors (the Directors' Affairs committee attends to appointments, performance and succession plans for positions in this category)
 - conditions of and remuneration for appointment of senior management, and
 - guidelines for the appointment of other management and personnel.
- Comprehensive HR policies, which include those matters dealt with in the FSC related to Black empowerment.
- Comprehensive procedures which ensure compliance with laws and regulatory requirements and which ensure that structures are in place which enable agreed policies to be carried out effectively in:
 - Empowerment
 - Staff training and development
 - Promotions
 - Identification of key people
 - Succession planning of key posts below executive director level
 - Performance reviews, salary and commission payments
 - Disciplinary hearings and employment termination
 - Recruitment
 - Employment Equity.

The committee consists of two non-executive directors (one as Chairman) for a period concurrent with their term of appointment to the board of directors. In addition, the Group Managing Director also serves on the committee.

Directors' interests, emoluments and share options are shown elsewhere in this report on pages 41, 42 and 86.

The record of attendance at board and committee meetings by the directors of Sasfin for 2006 is as follows:

	Sasfin Holdings Limited board	Sasfin Bank Limited board	Human Resources and Remuneration committee	Audit and Compliance committee	Risk Management committee	Credit Review committee	Asset And Liability committee	Directors' Affairs committee	Directors' Strategy and Review committee	Basel II Steering committee
Meetings planned	4	4	4	4	4	11	11	4	8	2
Meetings held	4	4	4	4	4	10	10	4	7	2
DIRECTORS										
CN Axten	3	3	–	3	3	8	7	3	6	–
ETB Blight	4	4	–	4	4	5*	9	4	6	2
MB Glatt	4	4	4	–	–	–	–	4	7	–
AW Greenstein	4	4	4	4	4	9	9	4	7	2
D Paizes	4	4	4	4	–	–	–	–	–	–
RDEB Sassoon	4	4	–	4	4	10	10	4	7	2
ML Smith	4	4	–	–	–	–	–	–	–	–
M Segal	4	4	–	4	–	–	–	–	7	1

*Attends meetings on a quarterly basis only.

Where no attendance is recorded, the director concerned is not a committee member.

INTRODUCTION

Sasfin is acutely aware of the role of business in society. It has therefore embraced business ethics within integrated sustainability reporting by adopting the “triple bottom line” sustainability reporting relating to the environment, society and the economy. Many of the issues arising from the adoption of the sustainability reporting structure have been incorporated into the FSC. As a responsible corporate citizen, a regulated institution and a signatory to the Charter, Sasfin is committed to implementing the requisite practices and policies throughout the organisation in a meaningful and appropriate way for the long-term benefit of the Group, its various stakeholder groupings and the community in which it exists.

The South African banking and financial services sector is dominated by five very large entities. Although Sasfin’s scale of operations is considerably smaller, it has nevertheless achieved much and is proud of what it has achieved in the context of corporate social investment and sustainability. It has a long history of positive interaction with the wider community which has always positively reflected the moral conscience of the Group.

The Group is committed to creating and developing social capital – informal networks, accumulated know-how and trust that make Sasfin effective. This is the product of many interrelated policies and practices.

SHAREHOLDERS

Sasfin has historically adopted a policy of transparency in relation to both formal and informal shareholder communication, as well as interfacing with potential shareholders, analysts and the media. Sasfin consistently strives to improve its annual report and make it more user-friendly and meaningful. However, Sasfin does not limit its shareholder communication to this report. Sasfin has a formal investor relations programme. It also has in place a regular programme of media intervention, where it seeks to develop closer relationships with media members and to assist them in understanding and appreciating the nuances of the Group. Within the parameters of the applicable regulations, the Group’s Chief Executive Officer regularly responds to approaches from shareholders, the media, financial analysts and other interested parties for information about the Group and its operations.

The Group continues to work on improving its segmental reporting and on creating an accurate picture of its sources of business, capital and cost allocations amongst business units and the viability of each business unit within the context of the overall Group. This should help to further explain the Group’s performance to investors.

Sasfin also adheres to the Promotion of Access to Information Act and has created a comprehensive manual to give effect to these responsibilities.

CLIENTS

Sasfin, as a banking and financial services group, attracts a diverse range of clients across its business units. Sasfin services both companies and individuals through its specialist lending and wealth creation activities. Sasfin's core finance facilities have been offered to clients for more than a quarter of a century and its stock-broking and portfolio management activities for more than a century. Sasfin recognises the diversity of its target markets and the different requirements of its client bases, while at the same time employing strategies to enhance its cross-sell ratio and to retain and attract new clients. Our client base reflects the fact that we have exceeded the BEE targeted investment and credit extension targets set out in the Charter.

Historically, Sasfin has focused on the Small and Medium Enterprise ("SME") market in terms of its core lending activities and on the High Net Worth Individual ("HNWI") market in terms of its wealth management activities. It sees a virtual circle between the two, with HNWIs providing a steady and reliable source of funding for the bank's lending activities.

Sasfin considers itself a specialist in its target markets, which are growth areas in which Sasfin will continue to participate. Sasfin is committed to facilitating the growth of the SME sector which is an essential component of the South African economy and which must flourish if South Africa is to achieve the growth targets required to reduce unemployment and poverty as outlined by government. Sasfin is proud to focus on this vital sector at a time when it is generally being neglected by the big banks.

Sasfin has been able to broaden its range of products and services and thereby embrace the wider needs of its markets. It has acquired and integrated a private equity division into the Group and has also acquired a specialised financial advisory business which complements and has added both skills and resources to its financial planning unit. Sasfin will continue to prudently consider extending its existing range of services where opportunities exist.

Sasfin has regular client interactions including a monthly Asset Management Forum at which investment issues are profiled, a businesspersons' networking club (held approximately every six weeks), client lunches and cocktail functions, client visits undertaken by senior management and regular client newsletters. These interactions are not only designed to raise awareness of Sasfin in the community, but also serve to educate clients and improve the overall standard of business in the wider community.

Sasfin sponsors a programme known as "The SME Scene" on Classic FM and Business Day in order to educate the SME sector on commercial and financial matters. Sasfin also works closely with financial intermediaries to enable them to increase their product offering to include Sasfin's range of products.

Sasfin understands that its clients largely measure it in terms of its service levels. Its size, structure and approach allow it to offer a personal service – unique in many ways – and to develop a deep understanding of its clients' financial needs. Sasfin subscribes to the Code of Banking Practice and submits to the jurisdiction of the Ombudsman for Banking Services. Sasfin currently uses the services of an external independent market survey specialist to undertake client satisfaction surveys aimed at improving product and service quality.

STAFF DEVELOPMENT

Employee development, well-being and transformation are critical success factors for the Group. Sasfin recognises that its human resources and intellectual capital are its most valuable resources and it has implemented policies and practices focused on enhancing the standard of its human resources, improving capacity and recognising and rewarding achievement.

Employee development does not of course exist in a vacuum. Sasfin is aware of the historic imbalances which still exist in our society. Sasfin has created a transformation committee to deal specifically with legislation which has been put in place since 1994 and which deals with redressing past imbalances, particularly the Employment Equity Act and the Skills Development Act. The board will continue to formulate, monitor and review all aspects of the Group's broad based BEE policies and ensure that the Group aligns its employment policies with the Charter targets and enhances cultural diversity and gender sensitivity.

In the financial year under review, the Group's headcount increased to 487. This reflects the acquisitions reported elsewhere in this Annual Report, as well as strong organic growth. Staff turnover for the year was 1,55%, well within the average for the banking sector.

Various incentive and reward programmes are in use at Sasfin aimed at rewarding excellent performance. Allocations in terms of this scheme are dealt with elsewhere in this Annual Report.

Sasfin has applied considerable resources to training. Internal training courses have been developed and are offered to staff. External training is also offered and encouraged. These are both work function specific and focused on self development. Our dedicated training facility, equipped with the latest technology and training aids, continues to be well utilised.

Sasfin currently has two staff members studying for an MBA or other post-graduate qualifications. It is also proud that one of its staff members qualified with an MBL in the year under review. Sasfin has also created specific training modules to ensure that staff is able to meet the demands created by the implementation of Basel II.

Sasfin has embraced the concept of learnerships. It has successfully employed two former learners and currently has three mentored positions and three learnerships. Two learnerships also exist at Premier. Sasfin has continued its association with the He'atid leadership programme and sent an additional three Sasfin staff members to Israel during June 2006.

Sasfin acknowledges the huge impact that HIV/AIDS has had and will continue to have on the South African economy, on its social structure and on its workforce, and is committed to contributing towards combating this scourge. Thankfully Sasfin has had very few HIV/AIDS cases amongst its staff. The Group has formulated and implemented an HIV/AIDS policy under the auspices of its Human Resources department. It offers counselling to staff who are exposed to HIV/AIDS sufferers within their family units and supports many HIV/AIDS related charitable and other concerns through its Corporate Social Investment programmes. Sasfin has also taken a proactive stance and has implemented AIDS

awareness courses for staff. It is anticipated that, due to the relatively high educational level of most of Sasfin's staff, and the well documented correlation between HIV/AIDS and low educational levels, the prevalence of the scourge on Sasfin's staff will be markedly lower than that prevailing in the general South African population.

THE FINANCIAL SECTOR CHARTER

Sasfin is committed to the FSC and its principles of transformation. During the year under review, the Group implemented a BEE transaction which saw black-owned entities acquiring a 10% stake in the Bank, which now complies with the current ownership targets specified in the FSC. The Bank also identified two suitable black directors who have been recently appointed.

The General Manager, Compliance, together with the Human Resources Manager and the Transformation committee, are tasked on behalf of the board with ensuring compliance in terms of work-force restructuring, procurement and other operational areas. The Group has submitted its first annual report to the Charter council. Its overall scores reflect substantial progress towards the FSC targets. Regrettably, the Charter council is still not in a position to provide any of the banks with a rating but Sasfin expects feedback from the Charter council which will enable it to refine its programmes. The Group is aiming for an A rating from the Charter council when ratings become available. The FSC still conflicts in a number of areas with the Code of Practice published by the Department of Trade and Industry and a process of alignment, driven by relevant stakeholders, is currently underway. Once this exercise has been completed Sasfin will be able to fine tune its policies where necessary.

39% of Group staff and 26% of management staff consist of previously disadvantaged individuals. Women comprise 70% of the Group's total staff complement. These figures, when broken down further, reflect that 12.5% of senior management, 18.18% of middle managers and 50% of junior management consist of previously disadvantaged employees. The Group Executive Management committee monitors the achievement of target objectives on a monthly basis, and the Group board reviews progress at its quarterly meetings.

Sasfin has already adapted its procurement policies to align with the requirements of the FSC and has achieved a score of 12,73 out of a possible maximum of 15 in its inaugural report to the Charter council.

The highlight of the year under review was the acquisition of a 10% shareholding in the Bank by two wholly-owned subsidiaries of InnoVent. InnoVent is a black-owned and operated financial services holding company. The transaction was financed by Sasfin out of its own resources. Further details of the structure of the BEE transaction are set out elsewhere in this report.

Sasfin will continue to identify and support appropriate black empowerment initiatives and opportunities in all areas of its business activities.

GOVERNMENT AND REGULATORS

Sasfin strives to be a moral and law abiding corporate citizen. It supports democracy but does not contribute to any specific political party. Sasfin's personnel are free to determine their own political party affiliations.

Sasfin puts considerable effort into building constructive and transparent relationships with its regulators, the primary relationship being with the Registrar of Banks and his department of banking supervision at the SARB. In addition, Sasfin is regulated by the JSE and the Financial Services Board of South Africa.

Sasfin complies with the listing requirements of the JSE and ensures compliance on an ongoing basis as required from time to time by changes to those requirements.

Sasfin has also applied for a Foreign Exchange Licence and an Authorised Financial Services Provider licence in terms of FAIS, both of which are currently pending.

SOCIAL RESPONSIBILITY

For South Africa to succeed as a winning nation, it must foster the development of entrepreneurial businesses. This has become a neglected market segment following the demise of most small to medium sized banks and the big banks' focus on the mass and mature business markets. Sasfin is one of the few South African banks geared to providing the personalised service that this market needs and in so doing, plays a meaningful role in the development of the South African economy and the broadening of opportunities for new business entrants, many of whom were previously marginalised by the mainstream economy.

The Group gives back to the community by supporting institutions that are efficiently controlled and ensure that the funds reach those in need.

Sasfin supports a number of programmes aimed at the upliftment of the disadvantaged, as well as other worthwhile social causes, including:

- Business Against Crime
- Captain Crime Stop
- Educational Alive
- Girls and Boys Town SA
- He'atid Educational Programmes
- Johannesburg Children's Home
- Kuka Training and Upliftment Project
- President Nelson Mandela Park and Educational Environment Resource Centre in Mamelodi
- READ Educational Trust
- Sasfin/MaAfrika Tikkun Child Headed Household Centre for AIDS Orphans (this is part of the Nelson Mandela Children's Fund)
- Star Schools
- Tsiba Education.

THE ENVIRONMENT

Sasfin is committed to the sustainable use of the world's scarce resources. Sasfin has committed itself to improving the energy efficiency and utilisation of power at its premises. Sasfin has installed modern energy efficient backup generators at its head office and ensures that all its electric and electronic equipment complies with international emission and energy saving standards.

Sasfin has a policy of withholding financial assistance from any organisation that it considers to be engaged in socially, morally or environmentally reprehensible activities.

The directors are responsible for monitoring the preparation of and the integrity of the annual financial statements and related information included in this report.

In order for the board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The board has ultimate responsibility for the system of internal control and reviews its operation through various forums.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Company's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The external auditors are responsible for reporting on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards, the provisions of the Companies Act, Banks Act and the JSE listing requirements and incorporate disclosure in line with the accounting philosophy of the Group and the Company. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors believe that the Company will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the annual financial statements.

The annual financial statements for the year ended 30 June 2006 set out on pages 41 to 90 were approved by the Board of Directors on 6 September 2006 and are signed on its behalf by:



MB Glatt
Non-executive Chairman



RDEB Sassoon
Chief Executive Officer

11 September 2006

In terms of Section 268(G)(d) of the Companies Act, 1973, as amended, I hereby certify that the Company has lodged with the Registrar of Companies, for the financial year ended 30 June 2006, all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



S Jackson
Group Secretary

11 September 2006

TO THE MEMBERS OF SASFIN HOLDINGS LIMITED

We have audited the annual financial statements of Sasfin Holdings Limited ("the Company") and the Group annual financial statements of Sasfin Holdings Limited ("the Group") set out on pages 41 to 90 for the year ended 30 June 2006. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these annual financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual financial statements fairly present, in all material respects, the financial position of the Company and the Group at 30 June 2006 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa.

PKF

PKF (Jhb) Inc.

Registration number 1994/001166/21

Registered Auditors

Johannesburg

11 September 2006

KPMG Inc

KPMG Inc.

Registration number 1999/021543/21

Registered Auditors

Johannesburg

11 September 2006

Nature of business

The Company is a bank-controlling company listed under the "Financials: Speciality and Other Finance sector" of the JSE Limited, whose subsidiaries provide a wide range of complementary banking, financial and related services to its target market of entrepreneurial commercial, corporate and private clients.

Financial results

The results of the Company and the Group are set out in the annual financial statements and accompanying notes.

Directors and company secretary

The directors of the Company are:

CN Axten, ETB Blight, MB Glatt, AW Greenstein, D Paizes, RDEB Sassoon, M Segal (appointed 6 September 2005) and ML Smith.

S Jackson is the company secretary at the date of this report. His business and postal address are shown on page 96.

Directors' interests

At the financial year-end the directors held, directly and indirectly, interests in the Company's issued ordinary share capital as reflected below:

	2006			2005		
	Direct beneficial Number	Indirect non-beneficial Number	Total Number	Direct beneficial Number	Indirect non-beneficial Number	Total Number
MB Glatt	–	2 763 902	2 763 902	–	2 763 902	2 763 902
AW Greenstein	143 305	–	143 305	–	–	–
D Paizes	25 000	–	25 000	25 000	–	25 000
RDEB Sassoon	–	11 538 907	11 538 907	–	11 439 999	11 439 999
	168 305	14 302 809	14 471 114	25 000	14 203 901	14 228 901

At the financial year-end the directors held, directly and indirectly, interests in the Company's non-redeemable, non-cumulative, non-participating preference shares:

	2006			2005		
	Direct beneficial Number	Indirect non-beneficial Number	Total Number	Direct beneficial Number	Indirect non-beneficial Number	Total Number
MB Glatt	–	10 000	10 000	–	–	–
D Paizes	2 000	–	2 000	2 000	–	2 000
RDEB Sassoon	–	3 000	3 000	–	–	–
	2 000	13 000	15 000	2 000	–	2 000

Details of share options held by executive directors are given on page 86.

There have been no changes to the above holdings since the year-end to the date of this report.

Directors' emoluments

The emoluments of the directors of the Company for the year ended 30 June 2006 were as follows:

	Services as directors R	Cash package * R	Other benefits ** R	Incentive bonus*** R	Total 2006 R	Total 2005 R
Executive directors						
RDEB Sassoon	–	1 621 656	320 896	959 000	2 901 552	1 843 431
AW Greenstein	–	1 477 152	121 056	810 000	2 408 208	1 936 085
M Segal	–	1 424 079	271 615	–	1 695 694	–
Non-executive director						
MB Glatt	322 500	–	–	–	322 500	300 000
Independent non-executive directors						
CN Axten	177 375	–	–	–	177 375	140 000
ETB Blight	224 714	–	–	–	224 714	241 000
D Paizes	112 875	–	–	–	112 875	97 500
ML Smith	80 625	–	–	–	80 625	60 000
	918 089	4 522 887	713 567	1 769 000	7 923 543	4 618 016

* The emoluments to the executive directors are paid by subsidiaries of the Company.

** Other benefits comprise: provident fund, medical aid, group life and company car.

*** The incentive bonuses paid relate to performances in the prior financial year.

Group Share Incentive Scheme

Information on options granted to employees and executive directors under the Group Share Incentive Scheme is given on pages 86 and 87.

Analysis of shareholders

The analysis of ordinary and preference shareholders is given on page 91.

Subsidiaries, special purpose entities, associated and joint venture companies

The interests in subsidiaries, special purpose entities, associated and joint venture companies that were considered material to the Group's financial position and results, are set out in note 38 on pages 81 and 82.

The interest of the Company in the aggregate net income and losses after taxation (before inter-group dividends) of subsidiaries, special purpose entities, associated and joint venture companies is:

	2006 R'000	2005 R'000
Net income	157 292	85 819
Net losses	843	715

Events subsequent to balance sheet date

The SENS announcement dated 10 May 2006 indicated the acquisition of SBM Nedbank International Limited by Sasfin Asia Limited for a purchase consideration of USD24,1 million. This transaction is still under consideration by the South African Reserve Bank at the date of this report and therefore has not been taken into account in the attached financial statements.

Dividends**Ordinary share dividends**

On 10 October 2005, a final ordinary dividend of 89 cents per share was paid to ordinary shareholders registered on 7 October 2005.

On 18 April 2006, an interim dividend of 62 cents per share was paid to ordinary shareholders registered on 13 April 2006.

On 23 October 2006, a final ordinary dividend of 99 cents per share will be paid to ordinary shareholders registered on 20 October 2006.

Preference share dividends

On 3 October 2005, a dividend of 401,51 cents per share was paid to preference shareholders registered on 30 September 2005.

On 3 April 2006, a dividend of 396,99 cents per share was paid to preference shareholders registered on 31 March 2006.

On 16 October 2006, a dividend of 392,77 cents per share will be paid to preference shareholders registered on 13 October 2006.

Share capital**Ordinary share capital**

There were no changes in the authorised share capital. 562 304 shares were issued to the Sasfin Share Incentive Trust during the financial year ended 30 June 2006.

Preference share capital

905 000 shares were issued at a premium of R110,49 per share on 9 June 2006.

BALANCE SHEETS

at 30 June

	Note	Group		Company	
		2006 R'000	2005 R'000 Restated	2006 R'000	2005 R'000 Restated
ASSETS					
Cash and cash balances	2	681 635	296 553	–	–
Short-term negotiable securities	3	24 922	19 377	–	–
Loans and advances	5	1 189 078	1 089 708	–	–
Other receivables	4	394 783	263 743	18	–
Taxation	6	171	1 885	–	–
Investment securities	7	61 157	53 157	2 356	33 772
Investments in associated and joint venture companies	8	49 413	1 376	66 748	–
Deferred tax asset	9	463	3 053	–	–
Subsidiary companies	10			161 802	94 904
Property, plant and equipment	11	49 376	43 243	–	–
Intangible assets and goodwill	12	9 080	–	–	–
Total assets		2 460 078	1 772 095	230 924	128 676
LIABILITIES AND EQUITY					
Equity					
Ordinary share capital	18	266	260	267	261
Ordinary share premium	19	23 259	19 554	23 904	20 462
Reserves		377 186	259 988	6 908	8 093
Preference share capital	20	19	10	19	10
Preference share premium	21	199 259	99 636	199 259	99 636
Total equity attributable to equity holders of the parent		599 989	379 448	230 357	128 462
Minority interest		68 639	16 997	–	–
Total equity		668 628	396 445	230 357	128 462
Liabilities					
Deposits from other banks	13	78 512	35 801	–	–
Other deposits	14	626 851	402 020	–	–
Other payables	15	320 900	200 115	382	214
Provisions	16	10 670	8 239	–	–
Investment securities	17	670 830	668 223	–	–
Taxation	6	39 670	15 334	185	–
Deferred tax liability	9	44 017	45 918	–	–
Total liabilities		1 791 450	1 375 650	567	214
Total liabilities and equity		2 460 078	1 772 095	230 924	128 676
Commitments and contingencies	22	265 183	55 429	–	–

	Note	Group		Company	
		2006 R'000	2005 R'000 Restated	2006 R'000	2005 R'000 Restated
Interest income	23	205 143	196 115	1	13
Interest expense	24	92 552	84 960	198	2
Net interest income		112 591	111 155	(197)	11
Impairment losses on loans and advances	5	7 571	7 154	–	–
Net income from lending activities		105 020	104 001	(197)	11
Other income	25	366 297	211 602	48 151	38 070
Operating income		471 317	315 603	47 954	38 081
Operating expenses		245 444	197 231	1 020	993
Profit from operations	26	225 873	118 372	46 934	37 088
Share of associated and joint venture companies' income		4 277	1 321	–	–
Profit before taxation		230 150	119 693	46 934	37 088
Income tax expense	27	55 472	28 682	737	–
Profit for the period		174 678	91 011	46 197	37 088
Profit attributable to:					
Minority interest		10 244	4 890	–	–
Preference shareholders		7 985	1 017	7 985	1 017
Equity holders of the parent		156 449	85 104	38 212	36 071
Profit for the period		174 678	91 011	46 197	37 088
Weighted average number of shares in issue ('000)		26 271	25 923		
Earnings per ordinary share (cents)	28.4	595,5	328,3		
Diluted earnings per ordinary share (cents)	28.6	577,2	316,3		
Dividends per ordinary share relating to profit for the period (cents)		161,0	130,0		
Of which interim		62,0	41,0		
Of which final		99,0	89,0		
Dividends per preference share relating to profit for the period (cents)		789,76	503,23		
Of which dividend number 1			101,7		
Of which dividend number 2			401,5		
Of which dividend number 3		396,99			
Of which dividend number 4		392,77			

STATEMENTS OF CHANGES IN EQUITY

for the years ended 30 June

	Ordinary share capital and premium R'000	Distributable reserves R'000	Share-based payment reserve R'000	Available-for-sale reserve R'000	Regulatory general credit-risk reserve R'000	Total ordinary shareholders' equity R'000	Preference share capital and premium R'000	Minority interest R'000	Total shareholders' equity R'000
GROUP									
Balance at 30 June 2004	16 976	206 280	–	628	1 000	224 884	–	12 378	237 262
Adjustment on adoption of IFRS	–	184	329	–	–	513	–	342	855
Restated balance at 30 June 2004	16 976	206 464	329	628	1 000	225 397	–	12 720	238 117
Available-for-sale portfolio fair value adjustment	–	–	–	1 121	–	1 121	–	747	1 868
Profit for the period	–	86 121	–	–	–	86 121	–	4 890	91 011
<i>Total income and expense for the period</i>	–	86 121	–	1 121	–	87 242	–	5 637	92 879
Issue of shares	2 838	–	–	–	–	2 838	99 646	–	102 484
Equity-settled share-based payments	–	–	413	–	–	413	–	–	413
Transfer to regulatory general credit-risk reserve	–	(3 400)	–	–	3 400	–	–	–	–
Preference share dividends	–	(1 017)	–	–	–	(1 017)	–	–	(1 017)
Ordinary share dividends	–	(35 071)	–	–	–	(35 071)	–	(1 360)	(36 431)
Balance at 30 June 2005	19 814	253 097	742	1 749	4 400	279 802	99 646	16 997	396 445
Available-for-sale portfolio fair value adjustment	–	–	–	68	–	68	–	30	98
Profit for the period	–	164 434	–	–	–	164 434	–	10 244	174 678
<i>Total income and expense for the period</i>	–	164 434	–	68	–	164 504	–	10 274	174 776
Issue of shares	3 711	–	–	–	–	3 711	99 632	–	103 343
Change in shareholding of subsidiaries	–	–	–	–	–	–	–	41 968	41 968
Equity-settled share-based payments	–	–	367	–	–	367	–	–	367
Transfer to regulatory general credit-risk reserve	–	(600)	–	–	600	–	–	–	–
Preference share dividends	–	(7 985)	–	–	–	(7 985)	–	–	(7 985)
Ordinary share dividends	–	(39 686)	–	–	–	(39 686)	–	(600)	(40 286)
Balance at 30 June 2006	23 525	369 260	1 109	1 817	5 000	400 711	199 278	68 639	668 628
COMPANY									
Balance at 30 June 2004	18 658	6 519	–	–	–	25 177	–	–	25 177
Adjustment on adoption of IFRS	–	–	329	–	–	329	–	–	329
Restated balance at 30 June 2004	18 658	6 519	329	–	–	25 506	–	–	25 506
Profit for the period	–	37 088	–	–	–	37 088	–	–	37 088
<i>Total income and expense for the period</i>	–	37 088	–	–	–	37 088	–	–	37 088
Issue of shares	2 065	–	–	–	–	2 065	99 646	–	101 711
Equity-settled share-based payments	–	–	413	–	–	413	–	–	413
Preference share dividends	–	(1 017)	–	–	–	(1 017)	–	–	(1 017)
Ordinary share dividends	–	(35 239)	–	–	–	(35 239)	–	–	(35 239)
Balance at 30 June 2005	20 723	7 351	742	–	–	28 816	99 646	–	128 462
Profit for the period	–	46 197	–	–	–	46 197	–	–	46 197
<i>Total income and expense for the period</i>	–	46 197	–	–	–	46 197	–	–	46 197
Issue of shares	3 448	–	–	–	–	3 448	99 632	–	103 080
Equity-settled share-based payments	–	–	367	–	–	367	–	–	367
Preference share dividends	–	(7 985)	–	–	–	(7 985)	–	–	(7 985)
Ordinary share dividends	–	(39 764)	–	–	–	(39 764)	–	–	(39 764)
Balance at 30 June 2006	24 171	5 799	1 109	–	–	31 079	199 278	–	230 357

CASH FLOW STATEMENTS

for the years ended 30 June

	Note	Group		Company	
		2006 R'000	2005 R'000 Restated	2006 R'000	2005 R'000 Restated
Cash flows from operating activities					
Cash receipts from customers	29	519 079	408 550	46 579	38 083
Cash paid to customers, employees and suppliers	29	(330 064)	(273 988)	(1 218)	(995)
Cash inflow from operating activities	29	189 015	134 562	45 361	37 088
Taxation paid	30	(28 733)	(16 711)	(552)	–
Dividends paid	31	(47 671)	(36 088)	(47 749)	(36 256)
Cash flows from operating activities before changes in operating assets and liabilities		112 611	81 763	(2 940)	832
Changes in operating assets and liabilities		109 851	(29 317)	(18)	128
Increase in loans and advances		(106 941)	(138 409)	–	–
(Increase)/decrease in other receivables		(131 040)	(106 121)	(18)	47
Increase in deposits		224 831	134 573	–	–
Increase in other payables and provisions		123 001	80 640	–	81
Net cash from operating activities		222 462	52 446	(2 958)	960
Cash flows from investing activities		(21 894)	(42 915)	(100 122)	(102 671)
Proceeds from the disposal of property, plant and equipment		2 621	811	–	–
Proceeds from the sale of investment securities		56 638	–	2 108	–
Acquisition of property, plant and equipment		(16 036)	(9 739)	–	–
Increase in goodwill and intangible assets		(9 080)	–	–	–
Increase in investment securities		(8 000)	(33 660)	31 416	(33 772)
Increase in investments in associates and joint ventures		(48 037)	(327)	(66 748)	–
Increase in subsidiary companies		–	–	(66 898)	(68 899)
Net cash flows from financing activities		147 348	103 757	103 080	101 711
Issue of shares		103 343	102 484	103 080	101 711
Increase in minority interest		41 398	(271)	–	–
Increase in investment securities		2 607	1 544	–	–
Net increase in cash and cash equivalents		347 916	113 288	–	–
Cash and cash equivalents at the beginning of the year		280 129	166 841	–	–
Cash and cash equivalents at the end of the year	32	628 045	280 129	–	–

The annual financial statements of Sasfin Holdings Limited (“the Company”) for the year ended 30 June 2006 comprise the Company and its subsidiaries, together referred to as “the Group”, and the Group's interest in associates and jointly controlled entities.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1. STATEMENT OF COMPLIANCE

The consolidated financial statements are prepared in accordance with, and comply with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act of 1973. The consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the revaluation of certain financial assets and liabilities.

These are the Group's first consolidated financial statements prepared in accordance with IFRS.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in note 39.

2. BASIS OF PREPARATION

The accounting policies are consistent with those applied in the previous year, except for changes made as a result of the adoption of IFRS. The revised policies have been consistently applied to both years presented.

The financial statements are presented in South African Rand, rounded to the nearest thousand. They are prepared on the historical cost basis except for the following which are stated at fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale.

The transition to IFRS has been performed in accordance with IFRS 1 – First Time Adoption of International Reporting Standards. IFRS 1 requires full retrospective application of IFRS, however, in certain instances retrospective application is exempt due to cost and practical considerations.

The following dates are applicable for the transition:

- 1 July 2004 – being the date of transition to IFRS, this is the start of the earliest period of comparative information.
- 30 June 2005 – being the twelve month comparative period to 30 June 2006.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have significant affect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 40.

3. BASIS OF CONSOLIDATION

3.1 Subsidiaries

Subsidiaries are those entities over whose financial and operating policies the Group has the power to exercise control, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The Group financial statements incorporate the assets, liabilities and results of the Company and its subsidiaries. The results of the subsidiaries are included from the effective date of acquisition and until control ceases.

Special purpose entities

Where the Group, in substance, has rights to obtain the majority of the benefits of an entity, such entity is consolidated in the same manner as subsidiary companies.

Accordingly, the Group's securitisation vehicle, Equipment Rentals Securitisation No. 1 (Pty) Limited, the warehouse vehicle, Sasfin Warehouse No. 1 (Pty) Limited and the Sasfin Share Incentive Trust have been consolidated.

3.2 Associates

An associate is an entity over which the Group has the ability of exercising significant influence but which it does not control. Investments in associated companies are equity accounted in the Group financial statements, from the date that significant influence commences until significant influence ceases. Equity accounted income represents the Group's proportionate share of profits of these entities. The Group's investment in an associate is written down when it is considered to be impaired. Goodwill is included in the investment balance.

3.3 Joint ventures

A joint venture is an entity controlled jointly by the Group and one or more other ventures in terms of a contractual arrangement. Investments in joint ventures are proportionately consolidated in the Group financial statements, from the date that joint control commences until the date that joint control ceases.

3.4 Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

4. INTANGIBLE ASSETS

4.1 Goodwill

Goodwill represents the cost of acquisition over the fair value of the Group's share of net assets, on the acquisition date of the subsidiary, associated company, joint venture or net assets. In respect of business acquisitions that have occurred since 1 July 2004, goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is no longer amortised, but is tested at least annually or more frequently if required, for impairment or changes in estimated future benefits.

The classification and accounting treatment of business combinations that occurred prior to 1 July 2004 has not been restated in preparing the Group's opening IFRS balance sheet at 1 July 2004.

"Negative goodwill" arising on an acquisition is recognised directly in profit or loss.

4.2 Software development

Direct software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Group and have a probable economic benefit exceeding one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of overheads.

Direct software development costs recognised as intangible assets are amortised on the straight-line basis over the expected useful lives of the assets, being between two and five years. Capitalised computer software is carried at cost less accumulated amortisation and less accumulated impairment losses. Computer software is tested annually for impairment or changes in estimated future benefits.

5. FINANCIAL INSTRUMENTS

Financial instruments, as reflected on the balance sheet, include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, associated companies and joint ventures, employee benefit plans, property, plant and equipment, deferred taxation, taxation payable, intangible assets and goodwill. Financial instruments are accounted for under IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement.

Initial recognition

Financial instruments are recognised on the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the time frame established by regulation or market convention ('regular way' purchases) are recognised at trade date, which is the date on which the Group commits to purchase the asset. Financial liabilities are recognised on trade date, which is when the Group becomes a party to the contractual provisions of the financial instrument.

Initial measurement

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental to the Group and directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

Subsequent to initial measurement, financial instruments are either measured at fair value or amortised cost, depending on their classification:

Financial assets and financial liabilities at fair value through profit or loss

Financial instruments at fair value through profit or loss consist of trading instruments and instruments that the Group has elected, on initial recognition date, to designate at fair value through profit or loss.

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, with fair-value gains and losses (excluding impairment losses, interest income and interest expense calculated on the amortised-cost basis relating to those interest-bearing instruments that have been designated as at fair value through profit or loss) reported in non-interest revenue as they arise. Impairment losses calculated on financial assets using the amortised cost basis are recognised in the income statement under impairment losses on loans and advances. Interest income and interest expense calculated on the amortised-cost basis are reported in interest income and expense.

Non-trading financial liabilities

All financial liabilities, other than those at fair value through profit or loss, are classified as non-trading financial liabilities and are measured at amortised cost.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the intent and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available-for-sale. Held-to-maturity financial assets are measured at amortised cost, with interest income and impairment recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Group as at fair value through profit or loss or available-for-sale. Financial assets classified as loans and receivables are carried at amortised cost, with interest income and impairment recognised in the income statement. The majority of the Group's advances are included in the loans and receivables category.

5. FINANCIAL INSTRUMENTS (continued)

Available-for-sale financial assets

Financial assets are classified as available-for-sale where the intention with regard to the instrument and its origination and designation does not fall within the ambit of the other financial asset classifications. Available-for-sale instruments are typically assets that are held for a longer period and in respect of which short-term fluctuations in value do not affect the Group's hold or sell decision.

Available-for-sale financial assets are measured at fair value, with fair-value gains and losses recognised directly in equity along with the associated deferred taxation. When available-for-sale equity instruments are determined to be impaired to the extent that the fair value decline is prolonged and significant, the resultant losses are recognised in profit or loss.

Embedded derivatives

Certain derivatives embedded in other financial and non-financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives and recognised on a standalone basis, when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value, with unrealised gains and losses reported in profit or loss.

If it is not possible to determine the fair value of the embedded derivative, the entire hybrid instrument is categorised as at fair value through profit or loss and measured at fair value, with changes in fair value being recognised in profit and loss.

Measurement basis of financial instruments

Amortised cost

Amortised-cost financial assets and financial liabilities are measured at fair value on initial recognition, plus or minus the cumulative amortisation using the effective interest rate method and any difference between that initial amount and the maturity amount, less any cumulative impairment losses.

Fair value

Direct and incremental transaction costs are included in the initial fair value of financial assets and financial liabilities, other than those at fair value through profit or loss. The best evidence of the fair value of a financial asset or financial liability at initial recognition is the transaction price, unless the fair value of the instrument is evidenced by comparison with other current observable market transactions in the same instrument or based on a valuation technique whose variables include only market observable data.

If quoted bid prices are unavailable, the fair value of financial assets and financial liabilities is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the balance sheet date.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. In cases where the fair value of financial liabilities cannot be reliably determined, these liabilities are recorded at the amount due.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and have to be settled by delivery of such unquoted equity instruments, are not measured at fair value but at cost. Fair value is considered reliably measurable if:

- the variability in the range of reasonable fair value estimates is not significant for that instrument; or
- the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

5. FINANCIAL INSTRUMENTS (continued)

Derecognition

All financial assets and financial liabilities are derecognised on trade date, which is when the Group commits to selling a financial asset or redeeming a financial liability.

The Group derecognises a financial asset when and only when:

- the contractual rights to the cash flows arising from the financial asset have expired or have been forfeited by the Group; or
- it transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability is derecognised when and only when the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or has expired.

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

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that come to the attention of the Group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's 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. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

5. FINANCIAL INSTRUMENTS (continued)

Assets carried at amortised cost (continued)

The Group first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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 (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value, because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative net loss that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for the period.

Offsetting financial instruments and related income

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off and there is an intention of settling on a net basis or realising the asset and settling the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the balance sheet, with the exception of those relating to hedges, which are disclosed in accordance with the profit or loss effect of the hedged item.

6. HEDGING

6.1 Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risk arising from operational, financing and investing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments held for risk management are measured at fair value in the balance sheet. The treatment of changes in fair value depends on their classification into the following categories:

6. HEDGING (continued)

6.2 Fair value hedges

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

7. PROPERTY, PLANT AND EQUIPMENT

7.1 Owned assets

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment includes expenditure directly attributable to the acquisition of property, plant and equipment. Subsequent costs are included in the carrying amount of the asset, or recognised as a separate asset, when it is probable that future economic benefits are expected to flow to the Group.

Repairs and maintenance of property, plant and equipment are recognised directly in the income statement. Profits or losses on disposal of assets are included in the income statement.

Certain items of property, plant and equipment that had been revalued to fair value on 1 July 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

7.2 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets which are leased in terms of financial lease agreements are capitalised at the lower of fair value and the present value of minimum lease payments at inception of the lease. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated between finance charges and capital repayment using the effective rate method.

7.3 Depreciation

Depreciation is calculated on the straight-line basis, at rates which are estimated to amortise the assets to their anticipated residual values over their useful lives. The assets' residual values and useful lives are reviewed and adjusted annually, if appropriate.

Buildings	50 years
Computer equipment	3 years
Computer software	2 years
Furniture, fittings and office equipment	6 – 10 years
Motor vehicles	5 years
Plant and equipment	5 years

Land is not depreciated.

8. FOREIGN CURRENCIES

8.1 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Gains and losses arising on translation to South African Rand are recognised in the income statement. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to South African Rand at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using exchange rates at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to South African Rand at foreign exchange rates ruling at the dates the fair value was determined.

8. FOREIGN CURRENCIES (continued)

8.2 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to South African Rand at foreign exchange rates ruling at the balance sheet date. Revenue and expenses are translated into South African Rand at the average rate of exchange during the year. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

9. PROVISIONS

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

10. INSTALMENT FINANCE

10.1 Group as the lessor

Rental, lease and instalment sale contracts are regarded as financing transactions, with rentals and instalments receivable, less unearned finance charges, being included in advances on the balance sheet. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance charges.

Lease income is recognised over the term of the lease using the net investment method, which reflects the period rate of return.

10.2 Group as the lessee

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Penalties for early termination of operating lease contracts are recognised as an expense in the period in which termination took place.

Payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the liability outstanding.

11. REVENUE

11.1 Interest income and interest expense

Interest is recognised on a time proportion basis, taking into account the carrying amount and the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the carrying amount on the financial statements. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Where financial assets have been impaired, the accrual of interest income based on the original terms of the loan is discounted, any increase of the present value of impaired loans to the passage of time is recorded as interest income.

11. REVENUE (continued)**11.2 Fees and commission**

Fee and commission income is recognised in the income statement on an accrual basis in accordance with the terms of the relevant agreements.

11.3 Other

Revenue, other than interest, fees and commission, which includes fair value gains or losses, foreign exchange gains, dividends from investments and net gains on the sale of assets, is recognised in profit or loss when the amount of revenue from the transaction or service can be measured reliably.

12. COMMITMENTS AND CONTINGENCIES

Items are classified as commitments where the Group commits itself to future transactions or if the items will result in the acquisition of assets.

Transactions are classified as contingencies where the Group's obligations depend on uncertain future events and principally consist of third-party obligations underwritten by banking subsidiaries.

13. FUNDS UNDER ADMINISTRATION

Where Group companies hold and invest funds on behalf of clients and act as trustees in any fiduciary capacity, the assets and liabilities representing these activities are not reflected on the balance sheet. Income relating to these activities is recognised in the income statement in the period in which the services are rendered.

14. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, short-term negotiable securities and short-term interbank funds net of interbank funding, all of which are available for use by the Group, unless otherwise stated.

15. IMPAIRMENT

The carrying amounts of the Group's assets, other than deferred tax assets (see accounting policy 17) and financial instruments (see accounting policy 5), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

16. EMPLOYEE BENEFITS

16.1 Defined contribution plan

Payments to defined contribution plans are charged as an expense in the income statement as they fall due and all employees are required to be members of the defined contribution provident fund.

16.2 Share-based payment transactions

The share option scheme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense in the income statement, with a corresponding increase in equity. The fair value is measured at grant date and spread on a straight-line basis over the vesting period, based on the Group's estimate of share options that will eventually vest.

The Group has applied the requirements of IFRS 2 to share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of share options after 7 November 2002 that were not vested as of 1 July 2004, the effective date of transition to IFRS.

Fair value is measured by use of the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

17. INCOME TAX

Income taxation on the profit or loss for the year comprises current and deferred taxation. Income taxation is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

17.1 Current tax

Current tax comprises income tax payable, calculated on the basis of expected taxable income for the year using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for prior years.

Secondary taxation on companies (STC) that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividend.

17.2 Deferred tax

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected realisation of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax is charged to the income statement, except to the extent that it relates to a transaction that is recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

18. SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged in providing either products or services, which is subject to risks and rewards that are different from those of other segments.

Segment results include revenue, impairments, expenses and taxes directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from internal transactions or from transactions with other Group segments. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to a segment or can be allocated to the segment on a reasonable basis.

19. COMPARATIVE FIGURES

Where necessary, comparative figures are restated to be consistent with the disclosure in the current year. Details of restatements are provided in note 42.

20. GENERAL CREDIT-RISK RESERVE

A general credit-risk reserve has been recognised as a separate component of equity. This reserve comprises the difference between the impairments as calculated in terms of IAS 39, and the Group's impairment policy, as prescribed by the South African Reserve Bank.

21. FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because the specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

These financial guarantee contracts are classified as insurance contracts as defined in IFRS 4 *Insurance Contracts*. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the balance sheet date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company performs liability adequacy tests on financial guarantee contract liabilities to ensure that the carrying amount of the liabilities is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the Company discounts all expected contractual cash flows and compares this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made.

22. SHARE CAPITAL

Share capital issued by the Company is recorded as the proceeds received, net of direct issue costs. Ordinary and preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or it is redeemable only at the Company's option.

Dividends are recognised as distributions within equity in the period in which they are payable to shareholders.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

	Business Banking R'000	Sasfin Capital R'000	Specialised Services R'000	Personal Wealth R'000	Elimination of inter-group items and other R'000	Total R'000
1. SEGMENT REPORTING						
1.1 Business segments						
2006						
Interest income	175 554	71 940	1 290	5 611	(49 252)	205 143
Interest expense	92 929	41 950	3 611	3 314	(49 252)	92 552
Net interest income	82 625	29 990	(2 321)	2 297	–	112 591
Impairment losses on loans and advances	7 930	(359)	–	–	–	7 571
Net income from lending activities	74 695	30 349	(2 321)	2 297	–	105 020
Other income	111 521	28 924	59 246	177 298	(10 692)	366 297
Operating income	186 216	59 273	56 925	179 595	(10 692)	471 317
Operating expenses	104 491	16 204	41 985	93 456	(10 692)	245 444
Net income from operations	81 725	43 069	14 940	86 139	–	225 873
Share of associated and joint venture companies' income	3 958	–	319	–	–	4 277
Profit before taxation	85 683	43 069	15 259	86 139	–	230 150
Income tax expense	27 211	9 163	5 030	14 068	–	55 472
Profit for the period	58 472	33 906	10 229	72 071	–	174 678
Profit attributable to:						
Minority interest	3 621	2 126	4 497	–	–	10 244
Preference shareholders	–	7 985	–	–	–	7 985
Equity holders of the parent	54 851	23 795	5 732	72 071	–	156 449
Profit for the period	58 472	33 906	10 229	72 071	–	174 678
Headline earnings	54 697	22 449	5 732	23 172	–	106 050
Total assets	1 341 131	687 500	102 188	372 574	(43 315)	2 460 078
Total liabilities	660 848	739 553	49 100	385 264	(43 315)	1 791 450
Capital expenditure	9 711	1 436	2 660	2 229	–	16 036
Depreciation	5 280	162	1 177	1 313	–	7 932
2005						
Interest income	180 303	52 631	964	3 345	(41 128)	196 115
Interest expense	95 636	26 377	2 931	1 144	(41 128)	84 960
Net interest income	84 667	26 254	(1 967)	2 201	–	111 155
Impairment losses on loans and advances	6 864	290	–	–	–	7 154
Net income from lending activities	77 803	25 964	(1 967)	2 201	–	104 001
Other income	69 313	6 845	45 467	91 148	(1 171)	211 602
Operating income	147 116	32 809	43 500	93 349	(1 171)	315 603
Operating expenses	81 708	9 822	29 570	77 302	(1 171)	197 231
Profit from operations	65 408	22 987	13 930	16 047	–	118 372
Share of associated and joint venture companies' income	1 196	–	–	125	–	1 321
Profit before taxation	66 604	22 987	13 930	16 172	–	119 693
Income tax expense	19 597	6 333	5 004	(2 252)	–	28 682
Profit for the period	47 007	16 654	8 926	18 424	–	91 011
Minority interest	–	–	4 890	–	–	4 890
Preference shareholders	–	1 017	–	–	–	1 017
Equity holders of the parent	47 007	15 637	4 036	18 424	–	85 104
Profit for the period	47 007	16 654	8 926	18 424	–	91 011
Headline earnings	46 807	15 637	5 031	17 141	–	84 616
Total assets	1 356 163	202 096	78 784	155 742	(20 690)	1 772 095
Total liabilities	755 188	441 711	51 135	148 306	(20 690)	1 375 650
Capital expenditure	7 989	24	1 105	621	–	9 739
Depreciation	5 275	28	1 352	1 548	–	8 203
1.2 Geographical segments						
The business segments are all South African based.						

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the years ended 30 June

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
2. CASH AND CASH BALANCES				
Money on call	312 378	130 715	–	–
Fixed deposits maturing within three months	359 265	157 062	–	–
Balance with the South African Reserve Bank	9 992	8 776	–	–
	681 635	296 553	–	–
The maturity analysis is based on the remaining period to contractual maturity from year-end.				
Interbank deposits of Equipment Rentals Securitisation No.1 (Pty) Limited ceded as security for investment securities as per note 17	108 764	111 382	–	–
Interbank deposits of Sasfin Asia Limited pledged as security for trade finance related facilities	42 000	32 500	–	–
3. SHORT-TERM NEGOTIABLE SECURITIES				
<i>Held-to-maturity assets</i>				
Land Bank bills maturing within three months	11 931	8 954	–	–
Treasury bills maturing within three months	12 991	10 423	–	–
	24 922	19 377	–	–
The maturity analysis is based on the remaining period to contractual maturity from year-end.				
4. OTHER RECEIVABLES				
Derivatives at fair value	10 870	461	–	–
Freight forwarding and customs clearing	75 150	77 221	–	–
Stockbroking clients	251 057	149 808	–	–
Loans to associates	6 013	2 925	–	–
Other receivables	51 693	33 328	18	–
	394 783	263 743	18	–
Where other receivables are not reflected at fair value, the carrying value is a reasonable approximate for fair value.				
Premier Freight (Pty) Limited accounts receivable of R65,2 million have been ceded to First National Bank Limited, a division of First Rand Bank Limited, to secure banking facilities granted to the company.				
In addition to this, the Credit Guarantee Insurance policy over the accounts receivable has been ceded to the bank.				

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
5. LOANS AND ADVANCES				
<i>Originated loans</i>				
<i>Category analysis</i>				
Instalment finance	915 915	858 187	—	—
Debtor finance	102 452	83 680	—	—
Trade finance	203 983	172 354	—	—
Other loans	342	1 118	—	—
<i>Gross advances</i>	1 222 692	1 115 339	—	—
Less specific impairment	26 510	19 811	—	—
Less portfolio impairment	7 104	5 820	—	—
	1 189 078	1 089 708	—	—
Where loans and advances are not reflected at fair value, the carrying value is a reasonable approximate for fair value.				
Advances of Sasfin Asia Limited and SasCred Financial Services Limited ceded as security for trade finance related facilities	136 330	32 458	—	—
Advances of Equipment Rentals Securitisation No.1 (Pty) Limited ceded as security for investment securities issued as per note 17	692 315	682 888	—	—
<i>Sectoral analysis</i>				
Agriculture	9 398	11 101	—	—
Community, social and personal services	235 139	217 299	—	—
Construction	25 896	19 928	—	—
Electricity and water	9 706	8 128	—	—
Finance, real estate and business services	242 228	200 576	—	—
Manufacturing	226 216	243 300	—	—
Mining	16 658	17 633	—	—
Trade and accommodation	390 213	326 552	—	—
Transport and communication	67 238	70 822	—	—
	1 222 692	1 115 339	—	—
<i>Geographic analysis</i>				
South Africa	1 221 373	1 115 339	—	—
Malawi	1 098	—	—	—
Australia	221	—	—	—
	1 222 692	1 115 339	—	—
<i>Maturity analysis</i>				
Maturing within one year	350 806	301 851	—	—
Maturing after one year but within five years	871 886	813 488	—	—
	1 222 692	1 115 339	—	—
The maturity analysis is based on the remaining periods to contractual maturity from year-end.				
IMPAIRMENTS				
Balance at the beginning of the year	25 631	32 310	—	—
Net recoveries/(write offs)	412	(13 833)	—	—
Charge to the income statement	7 571	7 154	—	—
Specific impairments raised	6 287	9 386	—	—
Portfolio impairments raised/(reversed)	1 284	(2 232)	—	—
Balance at the end of the year	33 614	25 631	—	—

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the years ended 30 June

	Group 2006			
	Outstanding balance R'000	Estimated recoverable amount R'000	Net exposure R'000	Specific impairment R'000
5. LOANS AND ADVANCES (continued)				
NON-PERFORMING LOANS AND ADVANCES				
Instalment finance	25 995	6 905	19 090	19 090
Debtor finance	11 720	8 399	3 321	3 321
Trade finance	26 026	22 269	3 757	3 757
Other loans	342	–	342	342
	64 083	37 573	26 510	26 510
<i>Sectoral analysis</i>				
Agriculture	200	54	146	146
Community, social and personal services	6 974	3 362	3 612	3 612
Construction	681	121	560	560
Finance, real estate and business services	6 763	1 033	5 730	5 730
Manufacturing	10 333	2 905	7 428	7 428
Mining	192	92	100	100
Trade and accommodation	36 471	29 195	7 276	7 276
Transport and communication	2 469	811	1 658	1 658
	64 083	37 573	26 510	26 510
	Group 2005			
	Outstanding balance R'000	Estimated recoverable amount R'000	Net exposure R'000	Specific impairment R'000
NON-PERFORMING LOANS AND ADVANCES				
Instalment finance	17 275	4 659	12 616	12 616
Debtor finance	6 210	1 601	4 609	4 609
Trade finance	2 488	619	1 869	1 869
Other loans	1 108	391	717	717
	27 081	7 270	19 811	19 811
<i>Sectoral analysis</i>				
Agriculture	241	5	236	236
Community, social and personal services	4 325	940	3 385	3 385
Construction	694	118	576	576
Finance, real estate and business services	5 030	1 872	3 158	3 158
Manufacturing	2 818	751	2 067	2 067
Mining	479	82	397	397
Trade and accommodation	11 892	2 702	9 190	9 190
Transport and communication	1 602	800	802	802
	27 081	7 270	19 811	19 811

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
6. TAXATION				
Normal taxation				
Current taxation prepaid	171	1 885	–	–
Current taxation liability	(39 670)	(15 334)	(185)	–
	(39 499)	(13 449)	(185)	–
7. INVESTMENT SECURITIES				
<i>Listed</i>				
Available-for-sale portfolio	5 750	5 635	–	–
Financial instruments held at fair value through profit and loss	2 356	33 772	2 356	33 772
<i>Unlisted</i>				
Available-for-sale portfolio	155	1 686	–	–
Financial instruments held at fair value through profit and loss	52 896	12 064	–	–
	61 157	53 157	2 356	33 772
Detailed information of all investments is obtainable from the Company Secretary.				
8. INVESTMENTS IN ASSOCIATED AND JOINT VENTURE COMPANIES				
8.1 Investments in associated and joint venture companies				
Shares at book value	44 773	298	66 748	–
Equity accounted earnings	4 640	1 078	–	–
	49 413	1 376	66 748	–
Loans receivable are not included in the net investment above. Summarised financial information of associated companies equity accounted:				
InnoVent Rental and Asset Management Solutions (Pty) Limited				
<i>Carrying value</i>	10 521	3 258		
<i>Balance sheet</i>				
Non-current assets	16 793	231		
Current assets	14 110	28 660		
Non-current liabilities	5 965	2 464		
Current liabilities	12 603	26 133		
Equity	12 335	294		
<i>Share of income</i>	4 321	430		
<i>Loan to the company</i>	6 013	2 398		
The loan is unsecured, interest-free and is repayable by no later than 30 November 2008.				
Pioneer Employee Benefits (Pty) Limited				
<i>Carrying value</i>	444	1 075		
<i>Balance sheet</i>				
Non-current assets	54	98		
Current assets	2 612	2 815		
Non-current liabilities	9	1 005		
Current liabilities	1 515	1 186		
Equity	1 142	722		
<i>Share of income</i>	319	125		
<i>Loan to the company</i>	–	825		
The loan is unsecured, bears interest at prime overdraft rates and has no fixed terms of repayment.				

for the years ended 30 June

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
8. INVESTMENTS IN ASSOCIATED AND JOINT VENTURE COMPANIES (continued)				
8.1 Investments in associated and joint venture companies (continued)				
Summarised financial information of joint ventures proportionately consolidated:				
SasCred Financial Services Limited				
<i>Carrying value</i>	17 352	766		
<i>Balance sheet</i>				
Current assets	29 148	2 308		
Current liabilities	18 022	150		
Equity	11 126	2 158		
<i>Share of income</i>	10 116	766		
<i>Loan to/(from) the company</i>	6 470	(298)		
The loan is unsecured, interest-free and is repayable within three months.				
8.2 Investments in joint ventures proportionately consolidated				
Hecny Transportation South Africa (Pty) Limited				
Group's proportionate share of assets and liabilities which is included in the figures of the consolidated financial statements:				
Property, plant and equipment	62	68		
Other receivables	8 017	6 344		
Other payables	3 669	2 942		
Net assets	4 410	3 470		
Group's proportionate share of income and expenses which is included in the figures of the consolidated financial statements:				
Net interest income	202	69		
Other income	5 233	4 458		
Operating expenses	2 844	2 544		
Net income before taxation and minority interest	2 591	1 983		
A schedule of associated and joint venture companies appears in note 38.				

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
9. DEFERRED TAX ASSETS				
<i>Deferred tax on temporary differences arising from:</i>				
Instalment finance	(31 142)	(33 544)	–	–
Tax losses	–	2 180	–	–
Fair value adjustments	(14 693)	(6 797)	–	–
Investment securities	(1 643)	(2 323)	–	–
Provisions	8 168	5 568	–	–
Other	(4 244)	(7 949)	–	–
	(43 554)	(42 865)	–	–
Deferred tax asset	463	3 053	–	–
Deferred tax liability	(44 017)	(45 918)	–	–
	(43 554)	(42 865)	–	–
10. SUBSIDIARY COMPANIES				
<i>Unlisted investments</i>				
Shares at carrying value – ordinary shares	–	–	21 912	21 812
Loans	–	–	138 781	72 350
Share-based payment reserve	–	–	1 109	742
	–	–	161 802	94 904
The loans to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.				
A detailed schedule of subsidiary companies appears in note 38.				

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the years ended 30 June

	Land and buildings R'000	Equipment R'000	Total R'000
11. PROPERTY, PLANT AND EQUIPMENT			
2006			
<i>Movement</i>			
Cost at the beginning of the year	27 865	67 618	95 483
Additions	1 288	14 748	16 036
Disposals	–	(6 769)	(6 769)
Cost at the end of the year	29 153	75 597	104 750
Accumulated depreciation at the beginning of the year	2 155	50 085	52 240
Depreciation charge for the year	493	7 439	7 932
Disposals	–	(4 798)	(4 798)
Accumulated depreciation at the end of the year	2 648	52 726	55 374
Carrying amount at the end of the year	26 505	22 871	49 376
2005			
<i>Movement</i>			
Cost at the beginning of the year	26 770	64 457	91 227
Additions	1 095	8 644	9 739
Disposals	–	(5 483)	(5 483)
Cost at the end of the year	27 865	67 618	95 483
Accumulated depreciation at the beginning of the year	1 687	47 510	49 197
Depreciation charge for the year	468	7 735	8 203
Disposals	–	(5 160)	(5 160)
Accumulated depreciation at the end of the year	2 155	50 085	52 240
Carrying amount at the end of the year	25 710	17 533	43 243
Summary of land and buildings:			
	Cost		
	R'000		
13 Scott Street, Waverley, Johannesburg			
Cost 1997	7 143		
Additions at cost – 1998	319		
1999	47		
2000	1 133		
2001	164		
2002	1 913		
2003	230		
2004	987		
2005	668		
2006	3		
Total	12 607		
15 Scott Street, Waverley, Johannesburg			
Cost 2001	11 910		
Additions at cost – 2002	499		
2003	371		
2004	2 054		
2005	427		
2006	1 285		
Total	16 546		
Land and buildings are encumbered for unutilised interbank facilities provided to Sasfin Bank Limited.			

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
12. INTANGIBLE ASSETS AND GOODWILL				
Intangible assets				
Software development				
Cost at the beginning of the year	–	–	–	–
Additions at cost	5 656	–	–	–
Impairment	–	–	–	–
Cost at the end of the year	5 656	–	–	–
Goodwill				
Cost at the beginning of the year	–	–	–	–
Additions at cost	3 424	–	–	–
Impairment	–	–	–	–
Cost at the end of the year	3 424	–	–	–
Total	9 080	–	–	–
Goodwill represents the excess of the fair value of certain assets and liabilities acquired by the Group during the course of the year.				
Impairment testing of goodwill is done annually, or more frequently if required, by comparing the net carrying value of the cash-generating units to the estimated value in use. No impairments resulting from impairment testing are required in this period.				
13. DEPOSITS FROM OTHER BANKS				
Call funding	78 512	35 801	–	–
	78 512	35 801	–	–
14. OTHER DEPOSITS				
Category analysis				
Demand deposits	492 809	261 579	–	–
Notice deposits	5 765	10 041	–	–
Fixed deposits	127 965	126 995	–	–
Negotiable certificates of deposit	312	3 405	–	–
	626 851	402 020	–	–
Geographic analysis				
South Africa	621 313	397 323	–	–
North America	317	581	–	–
Australia and New Zealand	4 094	4 116	–	–
United Kingdom	130	–	–	–
Israel	997	–	–	–
	626 851	402 020	–	–
Maturity analysis				
Withdrawable on demand	492 809	261 579	–	–
Maturing within one month	50 104	75 162	–	–
Maturing after one month but within six months	60 744	44 274	–	–
Maturing after six months but within 12 months	3 923	2 778	–	–
Maturing after one year but within five years	19 271	18 227	–	–
	626 851	402 020	–	–
The maturity analysis is based on the remaining period to contractual maturity from year-end.				

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the years ended 30 June

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
15. OTHER PAYABLES				
Capitalised finance leases	2 698	2 097	–	–
Fair value of derivatives	1 579	985	–	–
Audit fees and other services	2 239	2 133	80	120
Accounts payable	53 681	59 159	302	94
Stockbroking clients	260 703	135 741	–	–
	320 900	200 115	382	214
16. PROVISIONS				
Leave pay	4 525	4 063	–	–
Opening balance	4 063	3 244	–	–
Charge to the income statement	781	1 271	–	–
Utilised during the year	(319)	(452)	–	–
Staff incentives	6 145	4 176	–	–
Opening balance	4 176	2 011	–	–
Charge to the income statement	8 160	4 462	–	–
Utilised during the year	(6 191)	(2 297)	–	–
	10 670	8 239	–	–
17. INVESTMENT SECURITIES				
<i>Amortised cost</i>				
Category analysis				
<i>Class A notes</i>				
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each	613 690	611 307	–	–
<i>Class B notes</i>				
Subordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each	44 097	43 925	–	–
<i>Class C notes</i>				
Subordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each	13 043	12 991	–	–
	670 830	668 223	–	–
The notes are secured by a cession of rentals and equipment underlying the instalment finance assets as well as the bank accounts owned by Equipment Rentals Securitisation No. 1 (Pty) Limited – refer to notes 2 and 5. The A notes bear interest at three-month JIBAR plus 0.52%, the B notes at three-month JIBAR plus 1,39% and the C notes at three-month JIBAR plus 2,25%. The B and C notes are subordinated in favour of the A notes and the C notes are subordinated in favour of the B notes.				
Geographic analysis				
South Africa	670 830	668 223	–	–
	670 830	668 223	–	–
Maturity analysis				
Maturing after one year but within five years	670 830	668 223	–	–
	670 830	668 223	–	–
The maturity analysis is based on the remaining period to contractual maturity from year-end.				

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
18. ORDINARY SHARE CAPITAL				
Authorised				
Group and Company: 40 000 000 (2005: 40 000 000) ordinary shares of 1 cent each	400	400	400	400
Issued				
Group: 26 586 328 (2005: 26 034 785) ordinary shares of 1 cent each				
Company: 26 665 291 (2005: 26 102 987) ordinary shares of 1 cent each				
Balance at the beginning of the year	260	258	261	259
Issued during the year	6	2	6	2
Balance at the end of the year	266	260	267	261
The Company issued 562 304 (2005: 191 196) shares to the Sasfin Share Incentive Trust.				
The unissued shares are under the control of the directors until the next Annual General Meeting.				
19. ORDINARY SHARE PREMIUM				
Balance at the beginning of the year	19 554	16 718	20 462	18 399
Issued during the year	3 705	2 836	3 442	2 063
Balance at the end of the year	23 259	19 554	23 904	20 462
20. PREFERENCE SHARE CAPITAL				
Authorised				
Group and Company: 5 000 000 (2005: Nil) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each	50	50	50	50
Issued				
Group and Company: 1 905 000 (2005: Nil) preference shares of 1 cent each				
Balance at the beginning of the year	10	–	10	–
Issued during the year	9	10	9	10
	19	10	19	10
The preference shares were listed under the Specialist Securities – Preference Shares sector of the JSE. Dividends are paid semi-annually at 75% of the prime rate.				

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the years ended 30 June

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
21. PREFERENCE SHARE PREMIUM				
Balance at the beginning of the year	99 636	–	99 636	–
Issued during the year	99 994	99 990	99 994	99 990
Set off of costs relating to issue of shares	(371)	(354)	(371)	(354)
Balance at the end of the year	199 259	99 636	199 259	99 636
22. COMMITMENTS AND CONTINGENCIES				
Commitments				
Capital expenditure authorised and contracted for	3 425	4 351	–	–
Acquisition of SBM Nedbank International Limited for a purchase consideration of USD24,1 million. This transaction is still under consideration by the South African Reserve Bank at the date of this report. Foreign exchange contracts have been entered into to hedge this transaction as detailed in note 37.3 and in the Directors' Report on page 42	171 833	–	–	–
Non-cancellable operating lease rentals for premises are payable as follows:				
One year	3 115	3 590	–	–
One to five years	6 191	3 371	–	–
Funds to meet these commitments will be provided from internal Group resources.				
Contingencies				
Unutilised letters of credit established and confirmed orders placed on behalf of clients	45 483	29 064	–	–
Guarantees	35 136	15 053	–	–
	265 183	55 429	–	–
23. INTEREST INCOME				
Interbank	28 980	20 376	–	–
Short-term negotiable securities	1 674	1 286	–	–
Instalment finance	134 315	144 806	–	–
Debtor finance	13 682	14 677	–	–
Trade finance	25 210	14 870	–	–
Other	1 282	100	1	13
	205 143	196 115	1	13
24. INTEREST EXPENSE				
Interbank funding	1 768	2 231	–	–
Demand deposits	24 532	15 303	–	–
Notice deposits	358	643	–	–
Fixed deposits	11 570	9 542	–	–
Negotiable certificates of deposit	101	228	–	–
Investment securities	53 937	56 447	–	–
Other	286	566	198	2
	92 552	84 960	198	2

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
25. OTHER INCOME				
Fee and commission income	280 193	211 892	1 068	967
Dividend income	1 144	1 494	45 510	37 025
Fair value adjustments on financial instruments held at fair value through profit and loss	8 213	(2 387)	—	78
Profit on disposal of investments	1 573	—	1 573	—
Profit on disposal of available-for-sale investments	54 910	—	—	—
Foreign exchange gains	20 264	603	—	—
	366 297	211 602	48 151	38 070
26. PROFIT FROM OPERATIONS				
<i>Profit from operations is stated after charging:</i>				
Auditors' remuneration	2 802	3 060	149	122
Audit fees – current year	2 306	2 085	149	120
Other services	496	975	—	2
Consulting fees	2 770	1 904	1	—
Depreciation	7 932	8 203	—	—
Directors' emoluments	7 924	4 618	459	419
Executive directors				
– For other services rendered to the Bank	7 006	3 780	—	—
Non-executive directors				
– Directors' fees paid by the Company	459	419	459	419
– Directors' fees paid by the Bank	459	419	—	—
Operating lease charges	3 980	2 200	—	—
– Premises	2 059	2 029	—	—
– Plant and equipment	1 921	171	—	—
Employee benefit cost	8 441	7 262	—	—
Share-based payment costs	1 109	413	—	—
<i>And after crediting:</i>				
Profit on disposal of property, plant and equipment	155	488	—	—
Profit on disposal of investments	56 483	—	1 573	—
Profit on foreign exchange	20 264	603	—	—
Administration fees received from Group companies	—	—	1 068	972

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the years ended 30 June

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
27. INCOME TAX EXPENSE				
<i>South African normal tax</i>	55 313	27 754	185	–
Current tax – current year	48 791	17 748	185	–
Current tax – over/(under) provision in prior years	5 704	(1 965)	–	–
Deferred tax – current year	818	10 743	–	–
Deferred tax – over provision in prior years	–	1 228	–	–
<i>Secondary tax on companies</i>	159	928	552	–
	55 472	28 682	737	–
Reconciliation of rate of taxation	%	%	%	%
South African normal tax rate	29,0	29,0	29,0	29,0
Adjusted for:	(4,9)	(5,0)	(27,4)	(29,0)
Revaluation of investments	–	–	–	(0,1)
Exempt income	(0,8)	(0,4)	(28,1)	(28,9)
Non-deductible expenses	0,8	0,5	0,1	–
Capital gains	(4,2)	(0,4)	(0,5)	–
Foreign entity	(1,3)	–	–	–
Tax losses utilised	(2,5)	(4,7)	(0,1)	–
Over/(under) provision in prior years	2,5	(0,6)	–	–
Secondary tax on companies	0,1	0,8	1,2	–
Change in tax rate	–	(0,8)	–	–
Other	0,5	0,6	–	–
Effective rate	24,1	24,0	1,6	–
Losses, balance of allowances and credits for which no deferred tax asset has been raised:				
– Estimated tax losses available to offset future taxable income	7 251	15 238	–	–
– Accumulated STC credits which have arisen as a result of dividends received exceeding dividends declared	21 030	50 349	–	–

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
28. EARNINGS PER SHARE				
28.1 Headline earnings				
Headline earnings are determined as follows:				
Equity holders of the parent	156 449	85 104	38 212	36 071
Net profit on disposal of property, plant and equipment	(155)	(488)	–	–
Net profit on disposal of investments, net of Capital Gains Tax	(50 244)	–	(1 573)	–
	106 050	84 616	36 639	36 071
The R50,2 million includes a gross capital profit of R56,4 million from the sale of the JSE shares. The JSE shares, previously JSE Securities Exchange rights, were classified as available-for-sale.				
28.2 Weighted average number of ordinary shares				
Weighted average number of ordinary shares at 30 June	26 271	25 923	26 271	25 923
Effect of share options	833	981	833	981
Weighted average number of ordinary shares (diluted) at 30 June	27 104	26 904	27 104	26 904
28.3 Headline earnings per ordinary share				
The calculation of headline earnings per ordinary share is based on headline earnings of R106 million (2005: R84,6 million) and the weighted average of 26 271 201 (2005: 25 923 090) ordinary shares in issue for the year.				
28.4 Earnings per ordinary share				
The calculation of earnings per ordinary share is based on earnings of R156,4 million (2005: R85,1 million) and the weighted average of 26 271 201 (2005: 25 923 090) ordinary shares in issue for the year.				
28.5 Diluted headline earnings per ordinary share				
The calculation of diluted headline earnings per ordinary share is based on headline earnings of R106 million (2005: R84,6 million) and diluted shares of 27 104 296 (2005: 26 903 834) ordinary shares in issue for the year.				
28.6 Diluted earnings per ordinary share				
The calculation of diluted earnings per ordinary share is based on earnings of R156,4 million (2005: R85,1 million) and diluted shares of 27 104 296 (2005: 26 903 834) ordinary shares in issue for the year.				

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the years ended 30 June

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
29. CASH RECEIPTS FROM CUSTOMERS				
Interest income	205 143	196 115	1	13
Other income	313 936	212 435	46 578	38 070
	519 079	408 550	46 579	38 083
CASH PAID TO CUSTOMERS, EMPLOYEES AND SUPPLIERS				
Interest expense	92 552	84 960	198	2
Total operating expenses	237 512	189 028	1 020	993
	330 064	273 988	1 218	995
Cash inflow from operating activities	189 015	134 562	45 361	37 088
RECONCILIATION OF OPERATING PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	230 150	119 693	46 934	37 088
Profit on disposal of investments	(56 483)	–	(1 573)	–
Profit on disposal of property, plant and equipment	(155)	(488)	–	–
Impairment losses on loans and advances	7 571	7 154	–	–
Depreciation	7 932	8 203	–	–
	189 015	134 562	45 361	37 088
30. TAXATION PAID				
Unpaid at the beginning of the year	56 314	44 343	–	–
Charge to the income statement	55 472	28 682	737	–
Unpaid at the end of the year	(83 053)	(56 314)	(185)	–
	28 733	16 711	552	–
31. DIVIDENDS PAID				
Charge to distributable reserves	47 671	36 088	47 749	36 256
	47 671	36 088	47 749	36 256
32. CASH AND CASH EQUIVALENTS AT END OF THE YEAR				
Cash and cash balances	681 635	296 553	–	–
Short-term negotiable securities	24 922	19 377	–	–
Deposits from other banks	(78 512)	(35 801)	–	–
	628 045	280 129	–	–

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
33. FUNDS UNDER ADMINISTRATION				
Sasfin Frankel Pollak Securities (Pty) Limited, in a fiduciary capacity on behalf of clients, administers client funds in respect of the following:				
<i>On a discretionary basis</i>				
Unlisted equities	83 199	26	–	–
Listed equities	20 549 422	14 564 580	–	–
Gilts	146 355	167 142	–	–
Unit trusts	145	106	–	–
Funds held in money market accounts	1 218 448	733 878	–	–
	21 997 569	15 465 732	–	–

34. RELATED PARTY TRANSACTIONS

Sasfin Holdings Limited has advanced loans to related parties as set out in notes 10 and 38. The Group advanced loans to associates as set out in notes 4 and 8. Income received by the Company from Group companies is set out in note 26.

Related party transactions are made on the same terms that prevail in an arm's length transaction, except for the loans detailed in note 38.

The analysis of major ordinary shareholders of the Company is disclosed on page 91.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company as well as close members of the family of any of these individuals. Key management personnel are considered to be directors of the Company.

Details of directors' emoluments and shareholding are disclosed in the Directors' Report on pages 41 and 42.

Staff, including directors transacting through the Group's stockbroker, Sasfin Frankel Pollak Securities (Pty) Limited, are entitled to a reduced rate on brokerage.

35. DIRECTORS' SERVICE CONTRACTS

None of the directors retiring at the forthcoming Annual General Meeting has service contracts with notice periods in excess of one year.

36. HOLDING COMPANY GUARANTEES

Sasfin Holdings Limited has provided guarantees for the obligations of interbank facilities for the trade finance related business in Sasfin Asia Limited and SasCred Financial Services Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the years ended 30 June

	Up to 1 month R'000	1-3 months R'000	4-12 months R'000	1-5 years R'000	Non liquid R'000	Group Total R'000
37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT						
37.1 Liquidity risk						
2006						
Assets						
Cash and cash balances	656 635	25 000	–	–	–	681 635
Short-term negotiable securities	20 955	3 967	–	–	–	24 922
Other receivables	394 783	–	–	–	–	394 783
Loans and advances	113 038	205 776	340 736	529 528	–	1 189 078
Taxation	–	–	171	–	–	171
Investment securities	–	–	–	–	61 157	61 157
Investments in associated and joint venture companies	–	–	–	–	49 413	49 413
Deferred tax asset	–	–	–	–	463	463
Intangible assets and goodwill	–	–	–	–	9 080	9 080
Property, plant and equipment	–	–	–	–	49 376	49 376
Total assets	1 185 411	234 743	340 907	529 528	169 489	2 460 078
Liabilities						
Deposits from other banks	78 512	–	–	–	–	78 512
Other deposits	542 913	60 744	3 923	19 271	–	626 851
Other payables	320 900	–	–	–	–	320 900
Provisions	10 670	–	–	–	–	10 670
Investment securities	–	–	–	670 830	–	670 830
Taxation	1 134	–	–	38 536	–	39 670
Deferred tax liability	–	–	–	–	44 017	44 017
Total liabilities	954 129	60 744	3 923	728 637	44 017	1 791 450
Maturity mismatch	231 282	173 999	336 984	(199 109)	125 472	668 628
Unutilised committed interbank facilities	177 000	–	–	–	–	177 000
Net maturity mismatch	408 282	173 999	336 984	(199 109)	125 472	845 628

	Up to 1 month R'000	1-3 months R'000	4-12 months R'000	1-5 years R'000	Non liquid R'000	Group Total R'000
37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)						
37.1 Liquidity risk (continued)						
2005						
Assets						
Cash and cash balances	243 991	52 562	–	–	–	296 553
Short-term negotiable securities	6 966	12 411	–	–	–	19 377
Other receivables	263 743	–	–	–	–	263 743
Loans and advances	86 710	221 888	309 310	471 800	–	1 089 708
Taxation	–	–	1 885	–	–	1 885
Investment securities	–	–	–	–	53 157	53 157
Investments in associated and joint venture companies	–	–	–	–	1 376	1 376
Deferred tax asset	–	–	–	–	3 053	3 053
Property, plant and equipment	–	–	–	–	43 243	43 243
Total assets	601 410	286 861	311 195	471 800	100 829	1 772 095
Liabilities						
Deposits from other banks	35 801	–	–	–	–	35 801
Other deposits	336 741	41 935	5 117	18 227	–	402 020
Other payables	200 115	–	–	–	–	200 115
Provisions	8 239	–	–	–	–	8 239
Investment securities	–	–	–	668 223	–	668 223
Taxation	–	–	–	15 334	–	15 334
Deferred tax liability	–	–	–	–	45 918	45 918
Total liabilities	580 896	41 935	5 117	701 784	45 918	1 375 650
Maturity mismatch	20 514	244 926	306 078	(229 984)	54 911	396 445
Unutilised committed interbank facilities	99 213	–	–	–	–	99 213
Net maturity mismatch	119 727	244 926	306 078	(229 984)	54 911	495 658

The matching of the maturities of assets and liabilities is inherent in the activities of all banks, and it is unusual for banks ever to be perfectly matched. The tables reflect on balance sheet maturity categories of the assets and liabilities of the Group according to their contractual repayment terms.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the years ended 30 June

	Up to 1 month R'000	1-3 months R'000	4-12 months R'000	1-5 years R'000	Non- interest sensitive R'000	Group Total R'000
37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)						
37.2 Interest rate risk						
2006						
Assets						
Cash and cash balances	646 643	25 000	–	–	9 992	681 635
Short-term negotiable securities	20 955	3 967	–	–	–	24 922
Loans and advances*	1 099 812	77 373	45 507	–	(33 614)	1 189 078
Other receivables	–	–	–	–	394 783	394 783
Taxation	–	–	–	–	171	171
Investment securities	–	–	–	–	61 157	61 157
Investments in associated and joint venture companies	–	–	–	–	49 413	49 413
Deferred tax asset	–	–	–	–	463	463
Intangible assets and goodwill	–	–	–	–	9 080	9 080
Property, plant and equipment	–	–	–	–	49 376	49 376
Total assets	1 767 410	106 340	45 507	–	540 821	2 460 078
Liabilities						
Deposits from other banks	78 512	–	–	–	–	78 512
Other deposits	542 913	60 744	3 923	19 271	–	626 851
Other payables	–	–	–	–	320 900	320 900
Provisions	–	–	–	–	10 670	10 670
Investment securities	–	670 830	–	–	–	670 830
Taxation	–	–	–	–	39 670	39 670
Deferred tax liability	–	–	–	–	44 017	44 017
Total liabilities	621 425	731 574	3 923	19 271	415 257	1 791 450
Net interest rate risk mismatch	1 145 985	(625 234)	41 584	(19 271)	125 564	668 628

	Up to 1 month R'000	1-3 months R'000	4-12 months R'000	1-5 years R'000	Non- interest sensitive R'000	Group total R'000
37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)						
37.2 Interest rate risk (continued)						
2005						
Assets						
Cash and cash balances	235 215	52 562	–	–	8 776	296 553
Short-term negotiable securities	6 966	12 411	–	–	–	19 377
Loans and advances*	994 632	104 748	15 959	–	(25 631)	1 089 708
Other receivables	–	–	–	–	263 743	263 743
Taxation	–	–	–	–	1 885	1 885
Investment securities	–	–	–	–	53 157	53 157
Investments in associated and joint venture companies	–	–	–	–	1 376	1 376
Deferred tax asset	–	–	–	–	3 053	3 053
Property, plant and equipment	–	–	–	–	43 243	43 243
Total assets	1 236 813	169 721	15 959	–	349 602	1 772 095
Liabilities						
Deposits from other banks	35 801	–	–	–	–	35 801
Other deposits	336 741	41 935	5 117	18 227	–	402 020
Other payables	–	–	–	–	200 115	200 115
Provisions	–	–	–	–	8 239	8 239
Investment securities	–	668 223	–	–	–	668 223
Taxation	–	–	–	–	15 334	15 334
Deferred tax liability	–	–	–	–	45 918	45 918
Total liabilities	372 542	710 158	5 117	18 227	269 606	1 375 650
Net interest rate risk mismatch	864 271	(540 437)	10 842	(18 227)	77 996	396 445

The Group is exposed to interest rate risks associated with fluctuations in the market prices of assets and liabilities. These fluctuations in market prices impact on the value of instruments stated at fair value, and interest income or the cost of instruments stated at original cost and future cash flows of all interest rate sensitive items. The tables summarise the Group's exposure to interest rate risk through categorisation of assets and liabilities into maturity categories, determined as being the earlier of the contractual re-pricing date or maturity. Assets and liabilities not directly affected by changes in interest rates are reflected separately as non-interest sensitive items.

* A substantial portion of the instalment finance advances reprice as interest rates increase but are not linked to any downward interest rate movements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the years ended 30 June

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)				
37.3 Currency risk				
The Group incurs currency risk as a result of services acquired from foreign suppliers. The currencies in which the Group primarily deals are US Dollars, Great British Pounds and Euros. The Group utilises forward exchange contracts to hedge their estimated future foreign currency exposure from purchases:				
The net open position of the Group at year end from trading activities	10 412	2 784	–	–
Cash held and forward exchange contracts entered into to hedge the acquisition of SBM Nedbank International Limited as detailed in note 22	111 972	–	–	–
	122 384	2 784	–	–
The foreign exchange rates prevailing at balance sheet date are:				
Great British Pound	13,15	11,95	–	–
US Dollar	7,13	6,66	–	–
Euro	9,10	8,05	–	–
	Notional principal R'000	Positive fair value R'000	Negative fair value R'000	Net fair value R'000
37.4 Derivative financial instruments				
2006				
Hedging				
<i>Exchange rate contracts</i>				
Forwards maturing within one year	96 524	10 870	(1 579)	9 291
Total derivatives	96 524	10 870	(1 579)	9 291
2005				
Hedging				
<i>Exchange rate contracts</i>				
Forwards maturing within one year	15 819	461	(985)	(524)
Total derivatives	15 819	461	(985)	(524)
Hedging				
Forward exchange contracts are entered into as fair value hedges for foreign currency liabilities.				
Derivative instruments				
These transactions have been entered into in the normal course of business and no material losses are anticipated other than those for which provision has been made in the income statement. There are no commitments or contingent commitments under derivative financial instruments that are settled other than with 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.				
Fair value of assets and liabilities				
The amounts disclosed represent the fair value of all derivative instruments held at year-end. The fair value of a derivative financial instrument represents the market value if the rights and obligations arising from that instrument were closed out by the Group in normal trading conditions as at year-end. Fair values are obtained from quoted market prices and discounted cash flow models.				

	Nature of business	Issued ordinary capital	Issued preference capital	Effective holding		Shares at book value		Indebtedness	
				2006 %	2005 %	2006 R'000	2005 R'000	2006 R'000	2005 R'000
38. SUBSIDIARY COMPANIES, SPECIAL PURPOSE ENTITIES, ASSOCIATED AND JOINT VENTURE COMPANIES									
Of Sasfin Holdings Limited Subsidiaries									
Sasfin Bank Limited	Bank	R1 149 376	–	90	100	9 355	8 988	98 837	71 771
Premier Freight (Pty) Limited	Freight forwarding and customs clearing	R317	–	63	60	13 566	13 566	–	–
Sasfin Properties (Pty) Limited	Property holding company	R100	–	100	100	–	–	–	–
Sasfin Properties II (Pty) Limited	Property holding company	R1	–	100	100	–	–	–	–
Sasfin Private Equity Investment Holdings (Pty) Limited	Investment holding company	R100 000	–	100	–	100	–	39 288	–
Associated companies									
InnoVent Investment Holdings (Pty) Limited	Asset based finance	R1 000	–	33,6	–	82	–	–	–
Other									
The Sasfin Share Incentive Trust	Group share incentive scheme	–	–	–	–	–	–	656	579
InnoVent SPV 1 (Pty) Limited	Investment holding	R100	R26 666 000	–	–	26 666	–	–	–
InnoVent SPV 2 (Pty) Limited	Investment holding	R100	R40 000 000	–	–	40 000	–	–	–
						89 769	22 554	138 781	72 350
Of Sasfin Bank Limited									
Quorum Leasing Services (Pty) Limited	Instalment sale finance	R100	–	100	100				
Sasfin Private Equity Fund Managers (Pty) Limited	Private equity	R100	–	100	–				
Sasfin Asia Limited (incorporated in Hong Kong)	Overseas trade finance	HK\$1 500 000	–	100	100				
Sasfin Frankel Pollak Securities (Pty) Limited	Member of the JSE	R100	–	100	100				
Sasfin Investment and Asset Managers (Pty) Limited	Financial advisory services	R270	–	75	100				
Of Sasfin Investment and Asset Managers (Pty) Limited									
Sasfin Insurance Brokers (Pty) Limited	Insurance brokers	R1	–	100	100				

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the years ended 30 June

	Nature of business	Issued ordinary capital	Issued preference capital	Effective holding		Shares at book value		Indebtedness	
				2006 %	2005 %	2006 R'000	2005 R'000	2006 R'000	2005 R'000
38. SUBSIDIARY COMPANIES, SPECIAL PURPOSE ENTITIES, ASSOCIATED AND JOINT VENTURE COMPANIES (continued)									
SPECIAL PURPOSE ENTITIES									
Of Sasfin Bank Limited									
Equipment Rentals Securitisation No. 1 (Pty) Limited	Securitisation vehicle	R100 000	–	100	100				
Sasfin Warehouse No. 1 (Pty) Limited	Warehouse funding	R100	–	100	100				
ASSOCIATED COMPANIES									
Of Sasfin Bank Limited									
InnoVent Rental and Asset Management Solutions (Pty) Limited	Asset based finance	R1 000	–	–	33,6				
Of Sasfin Investment and Asset Managers (Pty) Limited									
Pioneer Employee Benefits (Pty) Limited	Pension fund administrators	R100	–	30	40				
JOINT VENTURE COMPANIES									
Of Premier Freight (Pty) Limited									
Hecny Transportation South Africa (Pty) Limited	International freight forwarder	R3 750	–	31,5	30				
Of Sasfin Asia Limited									
SasCred Financial Services Limited (incorporated in Jersey)	International trade finance and wealth management	GBP 50 000	–	50	50				

The financial position of the companies listed above is material for a proper appreciation of the affairs of the Group. Detailed information in respect of all non-material subsidiaries is obtainable from the Group Secretary.

Loans advanced by the Company to Group companies are unsecured, interest free, with no terms of repayment.

All subsidiaries, special purpose entities, associated and joint venture companies have co-terminous year-ends, except for Pioneer Employee Benefits (Pty) Limited, which has a 31 December year-end.

39. EXPLANATION OF TRANSITION TO IFRS

As stated in note 1 of the accounting policies, these are the Group's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005 and in the preparation of an opening balance sheet at 1 July 2004, being the Group's date of transition.

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with GAAP. An explanation of how the transition from previous GAAP to IFRS has affected the Group's financial position, financial performance and cash flows (no cash flow effect) is set out in the following tables and in the notes that accompany the tables.

Reconciliation of balance sheet	Previous GAAP 30 June 2004 R'000	Effect of transition to IFRS R'000	Restated IFRS 30 June 2004 R'000	Previous GAAP 30 June 2005 R'000	Effect of transition to IFRS R'000	Restated IFRS 30 June 2005 R'000
Note						
ASSETS						
Cash and cash balances	188 535	–	188 535	296 553	–	296 553
Short-term negotiable securities	14 320	–	14 320	19 377	–	19 377
Loans and advances	958 453	–	958 453	1 089 708	–	1 089 708
Other receivables	159 507	–	159 507	263 743	–	263 743
Taxation	–	–	–	1 885	–	1 885
Investment securities	19 497	–	19 497	53 157	–	53 157
Investments in associated and joint venture companies	1 049	–	1 049	1 376	–	1 376
Deferred tax asset	520	81	601	2 966	87	3 053
Subsidiary companies	–	–	–	–	–	–
Property, plant and equipment	b 40 547	1 484	42 031	41 681	1 562	43 243
Total assets	1 382 428	1 565	1 383 993	1 770 446	1 649	1 772 095
Equity						
Ordinary share capital	258	–	258	260	–	260
Ordinary share premium	16 718	–	16 718	19 554	–	19 554
Reserves	a, b, c 207 908	513	208 421	259 451	537	259 988
Preference share capital	–	–	–	10	–	10
Preference share premium	–	–	–	99 636	–	99 636
Total equity attributable to equity holders of the parent	224 884	513	225 397	378 911	537	379 448
Minority interest	12 378	342	12 720	16 639	358	16 997
Total equity	237 262	855	238 117	395 550	895	396 445
LIABILITIES AND EQUITY						
Liabilities						
Deposits from other banks	36 014	–	36 014	35 801	–	35 801
Other deposits	268 568	–	268 568	402 020	–	402 020
Other payables	c 120 229	280	120 509	199 814	301	200 115
Provisions	7 277	–	7 277	8 239	–	8 239
Investment securities	666 679	–	666 679	668 223	–	668 223
Taxation	15 334	–	15 334	15 334	–	15 334
Deferred tax liability	31 065	430	31 495	45 465	453	45 918
Total liabilities	1 145 166	710	1 145 876	1 374 896	754	1 375 650
Total liabilities and equity	1 382 428	1 565	1 383 993	1 770 446	1 649	1 772 095

39. EXPLANATION OF TRANSITION TO IFRS (continued)

Details IFRS 1 and other adjustments:

(a) Share-based payments – IFRS 2

The Group has applied the requirements of IFRS 2 to share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of share options after 7 November 2002 that were not vested as of 1 July 2004. The Group valued the share-based payment transactions using the Black-Scholes method.

The effect of accounting for equity-settled share-based payments at fair value is to decrease retained earnings and increase the share-based payment reserve by R328 981 at 1 July 2004, and to increase operating costs (staff costs) and increase the share-based payment reserve by R413 404 for the year ended 30 June 2005.

The expense recognised for the consumption of employee services received as consideration for share options granted will be deductible for tax purposes when the share options are exercised.

(b) Property, plant and equipment – IAS 16

Certain items of property, plant and equipment have been revalued, and are measured on the basis of deemed cost, as required in terms of IAS 16.

The effect is to increase property, plant and equipment and retained earnings by R1 483 698 at 1 July 2004 and to increase property, plant and equipment and decrease operating expenses (depreciation) by R78 947 for the year ended 30 June 2005.

(c) Straight-lining of leases – IAS 17

IAS 17 requires the recognition of annual fixed incremental costs on a straight line basis over the term of the operating lease. Under previous GAAP the Group recognised the expense from operating leases on the cash flow basis.

The effect is to decrease retained earnings and increase liabilities by R279 928 at 1 July 2004 and to increase operating costs (rent) and increase liabilities by R21 207 for the year ended 30 June 2005.

(d) Business combinations – IFRS 3

The Group elected not to retrospectively apply the requirements of IFRS 3 for business combinations prior to 1 July 2004. As a result, previously amortised goodwill and goodwill eliminated against reserves were not reinstated.

The effect of IFRS 1 and other adjustments on retained earnings is as follows:	30 June 2005	1 July 2004
Share-based payments	(413)	(329)
Property, plant and equipment	79	1 484
Operating leases	(21)	(280)
Deferred taxation	(17)	(349)
Total adjustment to equity	(372)	526
Attributable to:		
Ordinary shareholders	(388)	184
Minority interest	16	342
	(372)	526

39. EXPLANATION OF TRANSITION TO IFRS (continued)

Reconciliation of profit	Previous GAAP 30 June 2004 R'000	Effect of transition to IFRS R'000	Restated IFRS 30 June 2004 R'000	Previous GAAP 30 June 2005 R'000	Effect of transition to IFRS R'000	Restated IFRS 30 June 2005 R'000
Interest income	192 103	–	192 103	196 115	–	196 115
Interest expense	96 318	–	96 318	84 960	–	84 960
Net interest income	95 785	–	95 785	111 155	–	111 155
Impairment losses on loans and advances	760	–	760	7 154	–	7 154
Net income from lending activities	95 025	–	95 025	104 001	–	104 001
Other income	174 708	–	174 708	211 602	–	211 602
Operating income	269 733	–	269 733	315 603	–	315 603
Operating expenses	184 383	(875)	183 508	196 875	356	197 231
Profit from operations	85 350	875	86 225	118 728	(356)	118 372
Share of associated and joint venture companies' income	–	–	–	1 321	–	1 321
Profit before taxation	85 350	875	86 225	120 049	(356)	119 693
Taxation	23 261	349	23 610	28 665	17	28 682
Profit for the period	62 089	526	62 615	91 384	(372)	91 011
Attributable to:						
Minority shareholders	1 852	342	2 194	4 874	16	4 890
Preference shareholders	–	–	–	1 017	–	1 017
Equity holders of the parent	60 237	184	60 421	85 493	(388)	85 104
Profit for the period	62 089	526	62 615	91 384	(372)	91 011

40. ESTIMATION AND JUDGEMENT APPLIED BY MANAGEMENT IN APPLYING ACCOUNTING POLICIES

The following estimations or judgements, which could have a significant effect on the 2007 results, were made by management in applying the accounting policies at 30 June 2006.

Impairment of loans and advances

The Bank adopted an incurred-loss approach to impairment. Impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more past events that has occurred since initial recognition. This necessitates the establishment of 'impairment triggers' on the occurrence of which an impairment loss is recognised.

Credit impairment is based on discounted estimated future cash flows on an asset or group of assets, where such objective evidence of impairment exists. The discount rate used to calculate the recoverable amount excludes consideration of any anticipated future credit losses.

The Bank has created a provision for incurred but not reported (IBNR) losses. The purpose of the IBNR provision is to allow for latent losses on a portfolio of loans and advances that have not yet been individually evidenced. Generally, a period of time will elapse between the incurrence of an impairment event and objective evidence of the impairment becoming evident, which is known as the 'emergence period'. The IBNR provision is based on the probability that loans that are ostensibly performing at the calculation date are impaired, and objective evidence of that impairment becomes evident during the emergence period.

for the years ended 30 June

40. ESTIMATION AND JUDGEMENT APPLIED BY MANAGEMENT IN APPLYING ACCOUNTING POLICIES (continued)**Intangible assets and goodwill**

The Group determines the 'value in use' of individual cash-generating units by discounting expected future cash flows of each identified cash-generating unit. The value in use is compared to the carrying value of that cash-generating unit and an impairment raised, if required. Impairment losses are not reversed.

41. SHARE BASED PAYMENTS

The Group has an established share option scheme which entitles staff to purchase shares in the Company. In accordance with the scheme options are exercisable at the market price of the shares at the date of the grant.

Grants within this scheme, which were offered before 7 November 2002, exist. The recognition and measurement principles in IFRS 2 have not been applied to these grants in accordance with the transitional provisions of IFRS 1 and IFRS 2.

Scheme

The Sasfin Share Incentive Scheme

Trust

The Sasfin Share Incentive Trust

Description of the arrangement:

Share options are granted to personnel holding various job levels with the Group, the granting of share options is at the discretion of the trustees, acting on recommendation of executive management. The granting of share options is based on job level and performance. Grant dates are determined by the trustees.

Vesting requirements and contractual life of options

The terms and conditions of the grants are three years of service, thereafter share options vest over three consecutive years. The contractual life of the options is three years.

The number and weighted average exercise prices of the share options is as follows:

Number of ordinary shares	Option price range (cents)	Weighted average price (cents)	Option expiry period
394 801	415 – 825	551	Year to 30 June 2007
404 111	415 – 1 900	573	Year to 30 June 2008
170 860	540 – 1 900	574	Year to 30 June 2009
58 648	600 – 1 900	1 823	Year to 30 June 2010
50 600	601 – 1 900	1 885	Year to 30 June 2011
1 079 020*			

*Included in the outstanding options are the following to executive directors:

AW Greenstein – 333 333 options at a strike price of 490 cents, which vest in 2007 and 2008.

M Segal – 150 000 options at a strike price of 1 900 cents, which vest in 2008, 2009 and 2010.

41. SHARE BASED PAYMENTS (continued)

GROUP SHARE INCENTIVE SCHEME RECONCILIATION	2006 Weighted average exercise price (cents)	2006 Number of options	2005 Weighted average exercise price (cents)	2005 Number of options
Options outstanding at the beginning of the year	616	1 534 780	689	1 982 188
Granted	1 900	167 333	1 438	73 382
Exercised	613	(562 304)	975	(440 557)
Lapsed	782	(60 789)	739	(80 233)
Options outstanding at the end of the year	782	1 079 020	616	1 534 780

The fair value received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The contractual life of the option (three years) is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

	Group	
	2006 R'000	2005 R'000
The following assumptions are made:		
Weighted average fair value at measurement date	716	575
Weighted average share price	10	9
Average expected volatility	713,92	713,92
Average dividend yield rate	9,33	6,03
Average risk free rate	9,33	8,36

Volatility is determined using expected volatility of Sasfin Holdings Limited ordinary shares listed on the JSE.

THE SASFIN SHARE INCENTIVE TRUST	2006 R'000	2005 R'000
BALANCE SHEET		
Assets	729	974
Liabilities	13	6
Loan from Sasfin Holdings Limited	644	579
Equity	72	389
	729	974
INCOME STATEMENT		
Income	(287)	(347)
Operating expenses	24	21
Income tax expense	7	–
Net profit for the year	(318)	(368)
At year-end, the trust held 78 963 (2005: 68 202) shares in Sasfin Holdings Limited.		

for the years ended 30 June

42. RESTATEMENT OF COMPARATIVES

The following restatements for reclassification and accounting corrections have been made to the 30 June 2005 comparative financial statements:

Investments in associated and joint venture companies

In previous periods, loans to associates and joint ventures were included in the carrying value of investments in associates and joint venture companies. Loans to associates and joint ventures are now classified as other receivables.

Taxation

Taxation was previously included in other receivables (for taxation assets) and other payables for (taxation liabilities). Taxation is now disclosed as separate line items on the balance sheet.

Provisions

In previous periods, the provision for audit fees and other services was included as provisions. Due to the nature of the provision for audit fees and other services, this item is now classified as other payables.

	Balance previously disclosed R'000	Reclassified amount R'000	Balance restated R'000
GROUP			
Effect on assets			
Other receivables	262 703	1 040	263 743
Taxation	–	1 885	1 885
Investments in associated and joint venture companies	4 301	(2 925)	1 376
Effect on liabilities			
Other payables	213 316	(13 201)	200 115
Taxation	–	15 334	15 334
Provisions	10 372	(2 133)	8 239
Effect on cash flows			
Net cash from operating activities	53 271	(825)	52 446
Cash flows from investing activities	(43 398)	483	(42 915)
Net cash flows from financing activities	103 415	342	103 757
COMPANY			
Effect on liabilities			
Other payables	94	120	214
Provisions	120	(120)	–

43. RELEVANT STANDARDS AND INTERPRETATIONS BECOMING EFFECTIVE FOR YEARS ENDING AFTER 30 JUNE 2006

At the date of authorisation of the financial statements of the Group for the year ended 30 June 2006, the following Standards and Interpretations were in issue but not yet effective:

Standard/Interpretation	Effective date
IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>	Annual periods commencing on or after 1 January 2006*
IFRS 7 <i>Financial Instruments: Disclosures (including amendments to IAS 1(AC 101), Presentation of Financial Statement: Capital Disclosures)</i>	Annual periods commencing on or after 1 January 2007*
IAS 19 (amendment) <i>Employee Benefits (December 2004)</i>	Annual periods commencing on or after 1 January 2006*

43. RELEVANT STANDARDS AND INTERPRETATIONS BECOMING EFFECTIVE FOR YEARS ENDING AFTER 30 JUNE 2006 (continued)

Standard/Interpretation		Effective date
IAS 39 (amendment)	<i>Financial Instruments: Recognition and Measurement (April 2005) – Cash flow hedge accounting of forecast intragroup transactions</i>	Annual periods commencing on or after 1 January 2006*
IAS 39 (amendment)	<i>Financial Instruments: Recognition and Measurement (June 2005) – Fair value option</i>	Annual periods commencing on or after 1 January 2006*
IAS 39 & IFRS 4 (amendment)	<i>Financial Instruments: Recognition and Measurement (August 2005) Insurance Contracts – Financial Guarantee Contracts</i>	Annual periods commencing on or after 1 January 2006*
IAS 21 (amendment)	<i>The Effects of Changes in a Foreign Operation (December 2005)</i>	Annual periods commencing on or after 1 January 2006*
IFRIC 4	<i>Determining whether an Arrangement contains a Lease</i>	Annual periods commencing on or after 1 January 2006*
IFRIC 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	Annual periods commencing on or after 1 January 2006*
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>	Annual periods commencing on or after 1 December 2005*
IFRIC 7	<i>Applying the Restatement Approach under IAS 29 (AC 124) Financial Reporting in Hyperinflationary Economies</i>	Annual periods commencing on or after 1 March 2006*
IFRIC 8	<i>Scope of IFRS 2 (AC 139)</i>	Annual periods commencing on or after 1 May 2006*
IFRIC 9	<i>Reassessment of Embedded Derivatives</i>	Annual periods commencing on or after 1 June 2006*

* All standards will be adopted at their effective date (except for the effect of those standards that are not applicable to the entity)

IFRS 6, IAS 19, IAS 21, IFRIC 5, IFRIC 6, IFRIC 7, IFRIC 8 and IFRIC 9 are not applicable to the business of the Group and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining standards will be as follows:

IFRS 7

The disclosures provided in respect of financial instruments in the financial statements of the period ending 30 June 2008, as well as comparative information, will be compliant with IFRS 7. The disclosure requirements of IFRS 7 require additional disclosure compared to that required in terms of existing IFRSs in respect of capital objectives and policies.

The adoption of IFRS 7 will not have any impact on the accounting policies adopted for financial instruments.

IAS 39

The amendments to IAS 39 will be adopted by the Group for the first time for the year ended 30 June 2007. As the Group accounts for financial guarantees in terms of IFRS 4, Insurance contracts, the amendments to the standards are unlikely to have an effect on the Group.

for the years ended 30 June

43. RELEVANT STANDARDS AND INTERPRETATIONS BECOMING EFFECTIVE FOR YEARS ENDING AFTER 30 JUNE 2006 (continued)

IFRIC 4

IFRIC 4 will be adopted by the Group for the first time for its financial reporting period ending 30 June 2007.

In terms of IFRIC 4, the entity is required to examine outsourcing arrangements, take-or-pay and similar contracts to identify if these arrangements contain leases that are required to be accounted for in terms of IAS 17, Leases. In accordance with the transitional provisions of this Interpretation, the Interpretation will be applied to arrangements existing as at 1 July 2005 and the 2006 figures will be restated accordingly.

The effect of adopting IFRIC 4 has not yet been determined.

The existing accounting policies applicable to operating and finance lease will not change. The policies will be applied to IFRIC 4 arrangements.

ANALYSIS OF PREFERENCE SHAREHOLDERS	Shareholders		Shares held	
	Number	%	Number	%
ANALYSIS OF HOLDING				
Trusts	195	18,3	521 673	27,4
Limited companies	2	0,2	9 300	0,5
Individuals	790	74,3	1 089 829	57,2
Private companies	34	3,2	135 380	7,1
Other	42	4,0	148 818	7,8
	1 063	100,0	1 905 000	100,0
SHAREHOLDER SPREAD				
Public shareholders	1 060	99,7	1 890 000	99,2
Non-public shareholders - Directors and associates	3	0,3	15 000	0,8
	1 063	100,0	1 905 000	100,0

ANALYSIS OF ORDINARY SHAREHOLDERS	Shareholders		Shares held	
	Number	%	Number	%
ANALYSIS OF HOLDING				
Trusts (including 78 963 shares in the Sasfin Share Incentive Trust)	189	11,3	4 082 593	15,3
Limited companies	32	1,9	8 960 296	33,6
Individuals	1 315	78,5	5 138 193	19,3
Private companies	89	5,3	2 559 741	9,6
Other	51	3,0	5 924 468	22,2
	1 676	100,0	26 665 291	100,0
SHAREHOLDER SPREAD				
Public shareholders	1 666	99,4	11 037 300	41,4
Non-public shareholders - Directors and associates	10	0,6	15 627 991	58,6
	1 676	100,0	26 665 291	100,0

ANALYSIS OF MAJOR ORDINARY SHAREHOLDERS	Number of shares	% of issued shares
Unitas Enterprises Limited	7 315 062	27,4
The Sassoon Children's Trust	4 223 845	15,8
Marsas Holdings (Pty) Limited	1 926 902	7,2
Saprop Investments Limited	1 033 910	3,9
Sanlam Funds	1 019 318	3,8
The Sydney Sassoon Trust	922 808	3,5
The Glattfin Trust	837 000	3,1

SHAREHOLDER AND ADMINISTRATIVE INFORMATION (continued)

as at 30 June

PERFORMANCE OF ORDINARY SHARES ON THE JSE	2006	2005
Shares traded (number)	2 797 152	3 597 448
Price (cents)		
Highest	4 000	2 300
Lowest	1 920	1 019
Year-end	3 200	2 000
Market capitalisation (R'000)	853 289	522 060

SASFIN HOLDINGS LIMITED SHARE PRICE



SHAREHOLDERS' DIARY

Year-end	30 June
Reports published:	
Interim for six months to December 2005	2 March 2006
Preliminary announcement of annual results	11 September 2006
Annual financial statements	12 October 2006
Interim ordinary share dividend paid	18 April 2006
Final ordinary share dividend paid	23 October 2006
Preference share dividend number 3 paid	3 April 2006
Preference share dividend number 4 paid	16 October 2006
Annual General Meeting	5 December 2006

SASFIN HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
 Registration number 1987/002097/06
 Ordinary share code: SFN ISIN: ZAE000006565
 Preference share code: SFNP ISIN: ZAE000060273
 (“Sasfin” or “the Company”)

Notice is hereby given that the 19th Annual General Meeting of shareholders of the company will be held at Sasfin Place, 13-15 Scott Street, Waverley, Johannesburg on Tuesday, 5 December 2006 at 14H00, to consider and if deemed fit, to pass, with or without modification, the following ordinary resolutions:

1. ORDINARY RESOLUTION NUMBER 1

“Resolved to receive, consider and adopt the Annual Financial Statements and the Group Annual Financial Statements for the year ended 30 June 2006, including the reports of the directors and the auditors.”

2. ORDINARY RESOLUTION NUMBER 2

“Resolved that Mr CN Axten be re-elected as a non-executive director of the Company.”

Mr Axten retires by rotation as a director of the Company in accordance with the Company's articles of association and is eligible and has offered himself for re-election.

Mr Axten was appointed an independent non-executive director of Sasfin Bank and Sasfin Holdings on 1 November 1999.

He is the Chairman of the Group and Bank Risk Management Committee and the Credit Review Committee.

He is also a member of, amongst others, the ALCO, Directors' Affairs Committee and the Directors' Strategy and Review Committee.

Mr Axten spent his entire working life with the Barclays Bank/First National Bank group. He retired in 1996 as the Senior General Manager of the group.

He is a member and past President of the Institute of Bankers and was also President of the Association of Mortgage Lenders.

He served for some time as the CEO of the Banking Council.

Mr Axten completed the Executive Development Programme at the University of the Witwatersrand and also the Advanced Management Programme of Harvard University. He is 70 years old.

3. ORDINARY RESOLUTION NUMBER 3

“Resolved that Mr MB Glatt be re-elected as a non-executive director of the Company.”

Mr Glatt retires by rotation as a director of the Company in accordance with the Company's articles of association and is eligible and has offered himself for re-election.

Mr Glatt joined the Board of Directors of Sasfin Holdings Limited on 26 August 1987 and of Sasfin Bank Limited on 14 May 1999. He is the non-executive Chairman of both boards of directors.

He is also the Chairman of the Directors' Affairs Committee, the Directors' Strategy and Review Committee and of the Group Human Resources and Remuneration Committee.

Mr Glatt is also a non-executive director of Tiger Wheels Holdings Limited.

He obtained a BComm. degree from the University of the Witwatersrand and a Masters in Business Leadership from the University of South Africa.

3. ORDINARY RESOLUTION NUMBER 3 (continued)

Mr Glatt worked at Central Merchant Bank and Trade Industry Acceptances Limited from 1972 to 1981. He was with W&A Investments Corporation Limited, firstly as the Financial Director and then the Operations Director, from 1982 until 1987.

He then became associated as an investor in a number of businesses including Sasfin Holdings Limited and Tiger Wheels Holdings Limited.

Mr Glatt is 60 years of age.

4. ORDINARY RESOLUTION NUMBER 4

“Resolved that Mr M Segal be re-elected as an executive director of the Company.”

Mr Segal retires by rotation as a director of the Company in accordance with the Company's articles of association and is eligible and has offered himself for re-election.

Mr Segal who was appointed an executive director on the boards of directors of Sasfin Holdings Limited and Sasfin Bank Limited on 6 September 2005, now heads Sasfin Capital.

Mr Segal is a member of the Executive Committee, the Directors' Strategy and Review Committee and the Group Audit and Compliance Committee, amongst others.

He is the immediate past Chairman of the South African Private Equity and Venture Capital Association (SAVCA).

Mr Segal obtained a BComm. degree from the University of the Witwatersrand and qualified as a Chartered Accountant in 1972.

He practised as a Chartered Accountant as a partner of Grant Thornton (then Kessel Feinstein) and was elected National Executive Chairman in 1989, a position which he held until 1997 when he resigned to become one of the founders of MDM Growth Investments Limited, of which he was the chief executive. The MDM Private Equity Group was acquired by Sasfin Holdings Limited in 2005.

Mr Segal is 57 years of age.

5. ORDINARY RESOLUTION NUMBER 5

“Resolved that Mr ML Smith be re-elected as a non-executive director of the Company.”

Mr Smith retires by rotation as a director of the Company in accordance with the Company's articles of association and is eligible and has offered himself for re-election.

Mr Smith joined the board of directors of Sasfin Holdings Limited and Sasfin Bank Limited on 1 December 1999 as an independent non-executive director. He is also a member of the Directors' Affairs Committee.

He obtained a BComm. degree from the University of Stellenbosch and is a Fellow of the Faculty of Actuaries. He also completed the Advanced Executive Programme of the University of South Africa.

Mr Smith held senior positions with Sanlam Limited, Bank of Johannesburg, Senbank and Trust Bank from 1962 until 1986. He joined Metropolitan Life Limited in 1986, retiring as managing director in 1998.

He is a non-executive director of Metropolitan Holdings and of Metropolitan Life (Namibia).

Mr Smith is 66 years of age.

6. ORDINARY RESOLUTION NUMBER 6

“Resolved that the directors be authorised to determine the remuneration of the Company's auditors.”

7. ORDINARY RESOLUTION NUMBER 7

“Resolved that KPMG Inc. and PKF (Jhb) Inc. be re-appointed as joint auditors of the company for the next financial year.”

8. ORDINARY RESOLUTION NUMBER 8

“Resolved that the aggregate executive and non-executive directors’ fees for the past financial year of R7 923 543 be approved.”

9. ORDINARY RESOLUTION NUMBER 9

“Resolved that the unissued ordinary shares in the authorised ordinary share capital of the Company be and are hereby placed under the control of the directors of the Company who are authorised to allot and issue the ordinary shares at their discretion, and on such terms and conditions and at such times as they deem fit until the next Annual General Meeting of the Company, subject to the provisions of the Companies Act, 61 of 1973 as amended (“the Companies Act”), the Banks Act, 94 of 1990, as amended (“the Banks Act”) and the Listings Requirements of JSE Limited (“JSE Listings Requirements.”)

10. ORDINARY RESOLUTION NUMBER 10

“Resolved that the directors have the powers to allot and issue ordinary shares in the authorised but unissued share capital of the Company for cash as and when the directors consider it appropriate in the circumstances, subject to the Companies Act, any share incentive trust deed entered into by the Company, the articles of association of the Company, the Banks Act and the JSE Listings Requirements, when applicable, and the following limitations, namely that:

- 10.1 this authority shall not endure beyond the earlier of the next Annual General Meeting of the Company or beyond 15 (fifteen) months from the date of this meeting;
- 10.2 there will be no restrictions in regard to the persons to whom the shares may be issued, provided that such shares are to be issued to public shareholders (as defined by the JSE Listings Requirements) but not to related parties;
- 10.3 upon any issue of ordinary shares representing on a cumulative basis within a financial year, 5% (five percent) or more of the number of ordinary shares in issue, the Company shall, by way of a paid press announcement in terms of 11.22 of the JSE Listings Requirements, give full details thereof, including the effect on the net asset value of the Company and earnings per share, the number of securities issued and the average discount to the weighted average traded price of the securities over the 30 days prior to the date that the price of such issue was determined or agreed by the Company’s directors;
- 10.4 that issues in the aggregate in any one financial year shall not exceed 15% (fifteen percent) of the number of issued ordinary shares of the Company (including instruments which are compulsorily convertible into ordinary shares) at the date of application less any ordinary shares issued, or to be issued in the future arising from options/convertible securities issued during the current financial year, plus any ordinary shares to be issued pursuant to an announced, irrevocable and fully underwritten rights offer or to be issued pursuant to any acquisition for which final terms have been announced;
- 10.5 the maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors, and
- 10.6 under the JSE Listings Requirements a 75% (seventy-five percent) majority of votes cast by the ordinary shareholders present or represented by proxy at the general meeting is required to approve the resolution.”

11. ORDINARY RESOLUTION NUMBER 11

“Resolved that the unissued non-redeemable, non-cumulative, non-participating, variable rate preference shares in the authorised preference share capital of the Company be and are hereby placed under the control of the directors of the Company who are authorised to allot and issue the preference shares at their discretion, and on such terms and conditions and at such times as they deem fit until the next Annual General Meeting of the Company, subject to the provisions of the Companies Act, 61 of 1973 as amended (“the Companies Act”), the Banks Act, 94 of 1990, as amended (“the Banks Act”) and the Listings Requirements of JSE Limited (“JSE Listings Requirements”).”

VOTING AND PROXIES

All holders of the issued ordinary shares are entitled to attend and vote at the Annual General Meeting. Holders of preference shares are only entitled to attend the Annual General Meeting.

Ordinary shareholders who hold their shares in certificated form or who are own name registered dematerialised shareholders who are unable to attend the Annual General Meeting but who wish to be represented thereat, are required to complete and return the attached form of proxy so as to be received at the registered office of the Company by not later than 14h00 on Friday, 1 December 2006. Ordinary shareholders who have dematerialised their shares through a Central Securities Depository participant (CSDP) or broker, other than by own name registration who wish to attend the Annual General Meeting must instruct their CSDP or broker to issue them with the necessary authority to attend the meeting, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. Ordinary shareholders who have dematerialised their shares through a CSDP or broker, other than by own name registration who wish to vote by way of proxy, must provide their CSDP or broker with their voting instructions, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. These instructions must be provided to their CSDP or broker by the cut-off time or date advised by their CSDP or broker for instructions of this nature.

By order of the board

S Jackson
Company Secretary
11 September 2006

Registered office

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2090
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Grant Park
2051

Transfer secretaries

Computershare Investor Services 2004 (Pty) Limited
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2107

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www.premierfreight.co.za
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Call: 0861-sasfin or toll-free 0800 002 538

SASFIN HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
 Registration number 1987/002097/06
 Ordinary share code: SFN ISIN: ZAE000006565
 Preference share code: SFNP ISIN: ZAE000060273
 ("Sasfin" or "the Company")

FOR USE ONLY BY CERTIFICATED ORDINARY SHAREHOLDERS AND OWN NAME REGISTERED DEMATERIALISED ORDINARY SHAREHOLDERS AT THE ANNUAL GENERAL MEETING OF SASFIN SHAREHOLDERS TO BE HELD AT SASFIN PLACE, SOUTH BLOCK, 13-15 SCOTT STREET, WAVERLEY, JOHANNESBURG ON TUESDAY, 5 DECEMBER 2006 AT 14H00 OR SUCH LATER TIME THAT MAY BE APPLICABLE ("THE ANNUAL GENERAL MEETING").

I/We (Names in capital letters)

of (address)

being a member(s) of Sasfin and entitled, on a poll, to

votes hereby appoint

of

or failing him/her

of

or failing them,

the Chairman of the Annual General Meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday, 5 December 2006 and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless this is done, the proxy will be deemed to have been authorised to vote as he/she thinks fit.

	In favour	Against	Abstain
1. To receive and consider the Annual Financial Statements			
2. To re-elect as an independent non-executive director, Mr C N Axten			
3. To re-elect as an independent non-executive director, Mr M B Glatt			
4. To re-elect as an executive director, Mr M Segal			
5. To re-elect as an independent non-executive director, Mr M L Smith			
6. To authorise the directors to determine the auditors' remuneration			
7. To re-appoint the joint auditors for the next financial year			
8. To approve the directors' fees for the past year			
9. To place the unissued ordinary shares under the control of the directors			
10. To grant the directors a general authority to issue ordinary shares for cash			
11. To place the unissued preference shares under the control of the directors			

Signature

date

Please read the notes on the reverse side hereof.

1. A Sasfin ordinary shareholder may insert the name of a proxy or the names of two alternative proxies of the Sasfin shareholder's choice in the space/s provided, with or without deleting "the Chairman of the Annual General Meeting", but any such deletion must be initialled by the Sasfin ordinary shareholder concerned. The person whose name appears first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of ordinary shares than you own in Sasfin, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A Sasfin shareholder or his/her proxy is not obliged to use all the votes exercisable by the Sasfin shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. The date must be filled in on this form of proxy when it is signed.
4. The completion and lodging of this form of proxy will not preclude the relevant Sasfin shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof. Where there are joint holders of shares, the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries of Sasfin or waived by the Chairman of the Annual General Meeting of Sasfin shareholders.
6. Any alterations or corrections made to this form of proxy must be initialled by the signatory/ies.
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of Sasfin.
8. Forms of proxy must be received by the Company, Sasfin Holdings Limited at 13 – 15 Scott Street Waverley, 2090 (PO Box 95104, Grant Park, 2051) by not later than 14h00 on Friday, 1 December 2006.
9. The Chairman of the Annual General Meeting may in his absolute discretion, accept or reject any form of proxy which is completed other than in accordance with these notes.
10. If required, additional forms of proxy are available from the transfer secretaries of Sasfin.
11. Dematerialised shareholders, other than by own name registration, must NOT complete this form of proxy but must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP or broker.

