

Headline earnings R20 million

Core profits R29 million

Nature of business

Sasfin is a bank-controlling company which is listed under the "Financials: Speciality and other Finance" sector of the JSE Securities Exchange South Africa ("the JSE"). The focus of the Group is to provide a wide range of complementary banking, financial and related services to its growing base of corporate, commercial and private clients.

Comments

The past year was a particularly challenging one for the banking industry, beset by deteriorating economic fundamentals at home and abroad and the second tier bank crisis. The shake-out in the banking industry, with most of the small- to medium-sized banks having exited this previously over-crowded sector, and the larger banks having rationalised their businesses, has resulted in a healthier and more resilient banking sector.

Sasfin responded to these challenges by reducing staff, improving productivity and controls, and by refocusing on its core competency – entrepreneurial corporate and commercial financing and relationship banking for high net worth individuals.

Financial performance

The attributable earnings of R20,4 million were affected by the following significant issues:

- As the Group maintained assets in foreign currencies, a significant part of the translation profit earned in the previous year from the depreciation of the Rand, was reversed due to the subsequent recovery of the Rand. In light of this volatility, it was decided to convert these assets to Rand. This has improved Sasfin's interest income, in that currencies, which previously earned interest in low-yielding foreign currencies, now earn interest in higher-yielding Rand. The full benefits of this conversion will be evident in the financial year ending June 2004.
- The impact of the implementation of AC133 which resulted in earnings of R4,9 million – as detailed below.

The core income of the Group, which excludes the impact of foreign exchange profits and losses and AC133, has steadily improved. For the year under review, core income was R29,3 million (2002: Zero).

The statutory risk-weighted capital adequacy ratio of Sasfin Bank Limited is 35,6% (2002: 19,8%), which is well above the prescribed minimum of 10%.

Recent developments

The following developments should further impact positively on profitability:

- Sasfin is finalising the overhaul of its securitisation structure, bringing it in line with international best practice.
- Sasfin's Corporate Finance Division has been granted Designated Advisor status by the JSE for companies to be listed on the Alternative Exchange that is being set up by the JSE.
- The recent launch of The Sasfin International Fund, in association with LCF-Rothschild Asset Management, Paris, which has been approved by the Luxembourg and South African authorities.
- An experienced team of Financial Planners has joined Sasfin Investment and Asset Managers (Pty) Limited – the Group's Financial Advisory Division, to replace the team that left the Group earlier in the year.
- Sasfin has acquired a 25,1% share in Fingro Management and Financial Services (Pty) Limited, a newly formed financial services products distribution company, which will create a wider distribution base into which Sasfin can sell its products and services.

Prospects

South Africa's apparent entry into a phase of declining interest rates should benefit Group profits as most of Sasfin's medium-term receivables, unlike its borrowings, are not linked to downward interest rate movements. Furthermore, declining interest rates should provide a much needed boost to the economy, resulting in greater demand for the Group's services, particularly financing, stockbroking and corporate finance.

All three of the lending units of the Group's banking division are budgeting for enhanced profitability as a result of increased margins, combined with the positive impact of reductions in overheads and improvements in efficiencies that have been implemented.

The Group's Investment and Asset Management division is budgeting for a small increase in profitability, but awaits a major stock market recovery before a significant turnaround can be achieved.

The Freight Services division is budgeting for another steady increase in performance.

Basis of accounting

The results were prepared in accordance with South African Statements of Generally Accepted Accounting Practices and accounting policies have been consistently applied, except for the adoption of AC133: Financial Instruments : Recognition and Measurement.

AC133 impacts on the recognition and measurement of financial instruments, including measurement and impairment of advances. The treatment of this statement in these results is as per current interpretation of recommended practice, as interpretation and presentation issues continue to be debated by the accounting profession and business. The impact on the financial results can be summarised as follows:

Impact on reserves

	Current income statement R'000	Distributable reserves R'000	Total R'000
Advances			
Transitional adjustments at 1 July 2002			
– remeasurement of advances		(8 525)	(8 525)
– additional specific impairments		(3 318)	(3 318)
Release of general provision at 1 July 2002	14 419		14 419
Remeasurement of advances at 30 June 2003	820		820
Additional specific impairments at 30 June 2003	(1 705)		(1 705)
Utilisation of general provision during the year	(3 178)		(3 178)
	10 356	(11 843)	(1 487)
Taxation	(3 107)	3 553	446
	7 249	(8 290)	(1 041)

Investments and other financial assets

Revaluation of available-for-sale portfolio			
– transitional adjustment at 1 July 2002		3 431	3 431
– current year fair value adjustment		(1 399)	(1 399)
Revaluation of held-for-trading portfolio			
– transitional adjustment at 1 July 2002		6 905	6 905
– current year fair value adjustment		(2 358)	(2 358)
		8 937	6 579
Taxation	–	–	–
		8 937	6 579
TOTAL IMPACT	4 891	647	5 538

Audit opinion

The Group financial statements have been audited by Fisher Hoffman PKF (Jhb) Inc and KPMG Inc. Their unqualified audit report is available for inspection at the Company's registered office.

Cash dividend and scrip dividend alternative

The directors have resolved to pay a cash dividend of 33 cents per share to ordinary shareholders recorded in the books of the Company at the close of business on Friday, 10 October 2003 ("the record date").

Shareholders may elect to receive a scrip dividend in lieu of a cash dividend in respect of all or part of their shareholding. As the Company has elected to pay the Secondary Tax on Companies ("STC"), the base cost for capital gains tax purposes will be the weighted average trading price of an ordinary share of the Company on the JSE for the three business days ending Thursday, 25 September 2003 ("the issue price").

The rounded number of shares to which a shareholder will be entitled in terms of the scrip dividend alternative will be determined by multiplying the number of ordinary shares held by the shareholder by 33 cents and then dividing by the issue price. This issue price will be announced on SENS on Friday, 26 September 2003 and in the press on Monday, 29 September 2003.

The last day to trade the Company's shares on the JSE to ensure a purchaser appears as an owner on the record date will be Friday, 3 October 2003. Uncertificated securities in terms of the scrip dividend entitlement can be traded from Monday, 6 October 2003. A form of election dealing with the scrip dividend alternative and election will be posted to shareholders who have not yet dematerialised their shares ("certificated shareholders") on Thursday, 18 September 2003. Certificated shareholders who wish to receive the scrip dividend alternative should complete the form of election and deliver/post it to the transfer secretaries so that it is received by them by no later than 12h00 on Friday, 10 October 2003. Dematerialised shareholders must advise their Central Securities Depository Participant ("CSDP") or broker regarding their election in terms of the agreement in existence between the dematerialised shareholder and the CSDP or broker.

Application will be made to the JSE for the maximum number of shares to be listed with effect from the commencement of business on Monday, 6 October 2003 when the price of the Company's securities will be quoted "ex" the dividend. It is expected that dividend cheques or share certificates (where required) in respect of new ordinary shares will be posted to certificated shareholders on or about Monday, 13 October 2003. Dematerialised shareholders will have their safe custody accounts held at their CSDP or broker credited or updated on Monday, 13 October 2003.

Summary of the salient dates:

Circular and form of election posted to shareholders	Thursday, 18 September 2003
Three business days price determination ends	Thursday, 25 September 2003
Issue price announced on SENS	Friday, 26 September 2003
Issue price announced in the press	Monday, 29 September 2003
Last day to trade to qualify	Friday, 3 October 2003
Shares trade ex-entitlement and trade in entitlement shares commences	Monday, 6 October 2003
Maximum number of shares listed	Monday, 6 October 2003
Scrip dividend alternative closes for election at 12h00	Friday, 10 October 2003
Record date	Friday, 10 October 2003
Share certificates or dividend cheques posted and CSDP accounts credited / updated	Monday, 13 October 2003
Results announcement published on SENS	Monday, 13 October 2003
Results announcement published in the press	Tuesday, 14 October 2003
Actual number of shares listed on or about	Tuesday, 14 October 2003

Share certificates may not be dematerialised or rematerialised between, Monday, 6 October 2003 and Friday, 10 October 2003, both days inclusive.

For and on behalf of the Board.

MB GLATT	RDEB SASSOON
Chairman	Chief Executive Officer

10 September 2003

CONSOLIDATED BALANCE SHEET

	2003 Audited R'000	2002 Audited R'000
ASSETS		
Short-term interbank funds	185 848	196 224
Short-term negotiable securities	10 343	11 354
Accounts receivable	141 730	121 271
Advances	852 811	778 052
Investments	20 042	15 820
Deferred taxation	5 202	6 341
Property, plant and equipment	40 071	45 713
Total assets	1 256 047	1 174 775
LIABILITIES AND EQUITY		
Liabilities		
Interbank funding	73 913	89 391
Deposits	248 304	268 823
Accounts payable	119 549	101 807
Debentures	605 696	522 703
Deferred taxation	28 723	27 649
Total liabilities	1 076 185	1 010 373
Minority interest	11 453	8 606
Equity		
Share capital	248	237
Share premium	16 484	16 495
Distributable reserves	148 862	139 064
Non-distributable reserves	2 815	–
Total equity	168 409	155 796
Total liabilities and equity	1 256 047	1 174 775
Commitments and contingencies	28 782	26 455
Number of shares in issue at end of the year ('000)	24 837	23 723
Net asset value per share (cents)	678	657
KEY RATIOS		
Return on average equity (%)	12,6	24,2
Return on average total assets (%)	1,7	3,3

CONSOLIDATED INCOME STATEMENT

	2003 Audited R'000	2002 Audited R'000
Interest income	192 425	139 270
Interest expense	127 666	85 024
Net interest income	64 759	54 246
Other income	156 722	156 116
Foreign exchange (losses)/income	(19 755)	34 983
Total income	201 726	245 345
Provisions for credit losses	(6 485)	11 083
Income after provisions	208 211	234 262
Operating expenses	176 811	187 724
Income before taxation	31 400	46 538
Taxation	9 141	11 003
Income after taxation	22 259	35 535
Minority interest	1 876	1 086
Earnings attributable to ordinary shareholders	20 383	34 449
Weighted average number of shares in issue ('000)	24 569	23 323
Headline earnings per share (cents)	83,0	147,7
Earnings per share (cents)	83,0	147,7
Dividend per share (cents)	33	63

STATEMENT OF CHANGES IN EQUITY

	2003 Audited R'000	2002 Audited R'000
Share capital	248	237
Opening balance	237	228
Shares issued	11	9
Share premium	16 484	16 495
Opening balance	16 495	15 013
Shares issued	(11)	1 482
Distributable reserves	148 862	139 064
Opening balance	139 064	114 228
AC133 transitional adjustment at 1 July 2002	2 046	–
Restated balance	141 110	114 228
Earnings attributable to ordinary shareholders	20 383	34 449
Available-for-sale portfolio fair value adjustment	(1 399)	–
Transfer to non-distributable reserve*	(2 815)	–
Dividend	(8 417)	(9 613)
Non-distributable reserve	2 815	–
Transfer from distributable reserves*	2 815	–
Total	168 409	155 796

*Regulatory reserve created to meet the minimum general provisioning requirements in terms of the Regulations to the Banks Act.

CONSOLIDATED CASH FLOW INFORMATION

	2003 Audited R'000	2002 Audited R'000
Net cash (outflow)/inflow from:		
Operating activities	(71 145)	(163 339)
Investing activities	(8 728)	(18 689)
Financing activities	83 964	169 196
Net increase/(decrease) in cash and cash equivalents	4 091	(12 832)
Cash and cash equivalents at beginning of the year	118 187	131 019
Cash and cash equivalents at end of the year	122 278	118 187

SEGMENTAL EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS ANALYSIS

	2003 Audited R'000	2002 Audited R'000
Banking	18 803	27 674
Freight	2 743	1 630
Investment Advisory and Asset Management	(529)	5 948
Other	(634)	(803)
Total	20 383	34 449

This and additional information is available on our website: www.sasfin.com