Annual Financial Statements for the year ended 30 June 2017

sasfin | Holdings Limited

beyond a bank

CONTENTS

ANNUAL FINANCIAL STATEMENTS

Indicates additional information available online or from the Company Secretary.

OUR REPORTS

Annual Financial Statements 2017
This report is Sasfin's Annual Financial Statements and includes risk and capital management disclosures.

Integrated Report 2017
This is Sasfin's primary report which presents our strategy, performance and plans.

Legal entity terminology used in this report
Group/Sasfin: Sasfin Holdings Limited and subsidiaries

Banking Group: Sasfin Bank Limited and subsidiaries

Bank: Sasfin Bank Limited

Wealth Group: Sasfin Wealth (Proprietary) Limited (previously Sasfin Financial Services (Proprietary) Limited) and subsidiaries

STATEMENT OF PREPARATION

In terms of section 29(1)(e)(ii) of the Companies Act, it is confirmed that these Consolidated and Separate Annual Financial Statements have been prepared under the supervision of Lushendren Pather CA(SA), Group Financial Director (Acting) and have been audited in compliance with the requirements of section 29(1)(e)(i) of the Companies Act.

DISCLAIMER
The Group has, in good faith, made a reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be regarded as "forward-looking statements". Forward-looking statements may be identified by words such as "believe", "anticipate", "expect", "plan", "estimate", "intend", "project", and "target".

Forward-looking statements are not statements of fact, but statements by the Board based on its current estimates, projections, expectations, beliefs and assumptions regarding the Group's future performance, and no assurance can be given to this effect.

The risks and uncertainties inherent in the forward-looking statements contained in this document include, but are not limited to, changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of both current and future litigation.

The Group does not undertake to update any forward-looking statements contained in this document, and does not assume responsibility for any loss or damage, however arising, as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits or consequential loss or damage.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors (the Board) of Sasfin Holdings Limited (the Company or the Group) is responsible for the preparation and fair presentation of the Directors' Report and the Consolidated and Separate Annual Financial Statements of Sasfin including significant accounting policies and other explanatory notes.

The Consolidated and Separate Annual Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, and the requirements of the Companies Act, 71 of 2008, as amended (Companies Act).

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

Based on its own monitoring and oversight, as well as, assurance obtained from management, Group Risk, Compliance and Internal Audit, the Board is of the view that an effective internal financial control environment exists to support the integrity of the Consolidated and Separate Annual Financial Statements.

It is the responsibility of the independent auditors to report on the fair presentation of the Consolidated and Separate Annual Financial Statements.

The Consolidated and Separate Annual Financial Statements were approved by the Board and are signed on its behalf by:

Roy Andersen *Chair*	Roland Sassoon *Chief Executive Officer*	Lushendren Pather *Group Financial Director (Acting)*

19 September 2017

COMPANY SECRETARY'S CERTIFICATION

I hereby certify, in terms of section 88(2)(e) of the Companies Act, that Sasfin Holdings Limited has filed all returns and notices required by the Companies Act with the Companies and Intellectual Property Commission, for the financial year ended 30 June 2017, and that all such returns and notices as are required of a public company are true, correct and up to date.

Howard Brown
Company Secretary

19 September 2017

GROUP AUDIT AND COMPLIANCE COMMITTEE REPORT

The responsibilities of the Group Audit and Compliance Committee (GACC) of the Group are set out in the Companies Act and the Banks Act.

The Board performs an annual review of the GACC's compliance with its Charter responsibilities, governance and best practice.

The members of the GACC are appointed by the Board of the Company as required by the Banks Act, which takes precedence over the Companies Act. There is therefore no need for membership of the GACC to be approved by shareholders. Only Independent Non-Executive Directors are eligible to serve on the GACC.

Members		*Appointed*	*Resigned*
Linda de Beer	Chair	1 July 2014	
Grant Dunnington		29 July 2013	
John Moses		21 December 2010	28 August 2017
Gugu Mtetwa		28 August 2017	
Lesego Sennelo		1 July 2014	28 March 2017

The GACC holds separate meetings with the Head: Internal Audit, Group Chief Risk Officer (Acting), Head: Group Compliance and the Group's external auditors, KPMG Inc. and Grant Thornton Johannesburg Partnership.

The Chairman of the Board, Executive Directors comprising the Chief Executive Officer, Group Financial Director (Acting) and executive management are invitees to meetings of the GACC but are excluded from the separate meetings between the GACC and internal and external auditors.

FUNCTIONS OF THE GACC

The GACC's functions are outlined in its Charter.

These include statutory duties in terms of the Banks Act and Companies Act, *inter alia*, relating to auditor independence and to assist the Board in its evaluation of the adequacy and efficiency of internal control systems, accounting practices, information systems and auditing practices applied by the Group in the day-to-day management of its business.

This is achieved by the following:

FINANCIAL CONTROL, ACCOUNTING AND REPORTING

- Reviewing and recommending to the Board for approval the:
  – Integrated Report
  – Unaudited interim results and dividend declarations
  – Audited financial results and dividend declarations
  – Consolidated and Separate Annual Financial Statements
- Evaluating the appropriateness, adequacy and efficacy of accounting policies
- Discussing and resolving any significant or unusual accounting matters
- Reviewing the effectiveness and efficiency of tax reporting and compliance
- Satisfying itself of the expertise, resources, experience and skills of the finance function and Group Financial Director.

EXTERNAL AUDIT

- Assessing the independence of the external auditors
- Recommending external auditors to shareholders for appointment in compliance with the Companies Act and Banks Act
- Reviewing and approving the external audit plan and external auditors' fee
- Determining the nature, extent and fees paid to external auditors for non-audit services.

INTERNAL AUDIT

- Reviewing and approving the internal audit plan
- Monitoring and satisfying itself as to the effectiveness of the Internal Audit function
- Reviewing Internal Audit's findings on the adequacy and effectiveness of the Group's internal control systems and information systems
- Reviewing Internal Audit's findings on the adequacy and reliability of management information
- Reporting Internal Audit's findings to the Board.

COMPLIANCE

- Monitoring and satisfying itself as to the effectiveness of the Group Compliance function, including but not limited to the oversight and assurance provided in respect of the Banks Act, and market conduct regulations
- Reviewing Group Compliance's findings on the effectiveness of the Group's regulatory controls.

The GACC does not assume the functions of management.

ANNUAL CONFIRMATIONS

ANNUAL FINANCIAL STATEMENTS

The GACC has:

- considered the Consolidated and Separate Annual Financial Statements with the external auditors, the Chief Executive Officer and the Group Financial Director (Acting), and reviewed the appropriateness of significant judgements and accounting policies; and
- recommended the Consolidated and Separate Annual Financial Statements to the Board for approval.

The Consolidated and Separate Annual Financial Statements will be open for discussion at the forthcoming Annual General Meeting.

EXTERNAL AUDITORS' INDEPENDENCE AND FEES

The external auditors, KPMG Inc. and Grant Thornton Johannesburg Partnership, have been auditors of the Company for 18 and 30 years respectively. The GACC is comfortable that the independence of the external auditors is not compromised by this length of tenure as Heather Berrange (KPMG Inc.) and Soné Kock (Grant Thornton Johannesburg Partnership) have served as engagement partners for five years and three years respectively. Heather Berrange will be rotating off as the audit partner from KPMG Inc., after the finalisation of the 2017 Financial Year audit.

The GACC has reviewed and approved all fees to the external auditors including those for non-audit services in terms of the Group's Non-Audit Services Policy, which details prohibited non-audit services and preapproved services. The GACC is satisfied that the extent of non-audit services incurred by the Group and paid to its auditors does not compromise the auditors' independence.

The GACC and Board are cognisant of good governance in respect of auditor independence and auditor tenure. In this regard, the GACC is considering options around auditor appointments and the Board will be making a proposal for the forthcoming AGM or alternatively at a Special General Meeting.

APPROPRIATENESS OF THE EXPERTISE AND EXPERIENCE OF THE GROUP FINANCIAL DIRECTOR

During the year, the Group Financial Director, Tyrone Soondarjee announced his retirement with effect from 30 June 2017. Lushendren Pather, was appointed as Group Financial Director (Acting) effective 1 July 2017. The GACC in conjunction with the Board and subject to SARB approval will finalise a permanent appointment in due course. The GACC is comfortable that this interim measure resulted in an appropriate level of expertise, experience and skills.

EFFECTIVENESS OF INTERNAL AUDIT

The GACC has reviewed the reports resulting from the execution of the 2017 internal audit plan and monitors the corrective actions and enhancements by management on an ongoing basis.

As a result, it obtained assurance as set out in the Directors' Responsibility Statement as to the effectiveness of the control environment. Over the past number of years, the GACC has, however, focused on a process to enhance the skills, experience and approach of internal audit which is expected to be finalised during 2018.

KEY AUDIT MATTERS AS REPORTED BY THE EXTERNAL AUDITORS

The GACC has considered the Key Audit Matters as reported by the external auditors as part of their audit report. These aspects are also key aspects that are considered as part of the processes of the GACC in recommending the Consolidated and Separate Annual Financial Statements as well as the effectiveness of internal controls to the Board for approval and disclosure.

GROUP AUDIT AND COMPLIANCE COMMITTEE REPORT continued

In respect of the Key Audit Matters reported in the current year, the GACC oversight and monitoring processes included the following:

1. Impairment of loans and advances
   This is a matter that is also considered by the Credit and Investment Committee of the Board, before consideration by the GACC. The GACC considered whether the levels of provisioning and credit impairment were appropriate. It was important for the GACC that a conservative approach be followed in this regard, considering strained economic conditions. In doing so, it assessed the methodologies and key judgements, as agreed to by the Credit and Investment Committee. The GACC also had a specific discussion with Group Risk as well as the external auditors in order to satisfy itself in this regard.

2. Valuation of investment securities
   The GACC considered the oversight in this regard by the Credit and Investment Committee, which reviews Private Equity and Property Equity valuations on a bi-annual basis. In addition, the Sasfin Corporate Finance team performed a high-level 'sanity test' to consider the appropriateness of these valuations. The assumptions, judgements and methodology are discussed at great length by the GACC in order for the committee to satisfy itself as to the reasonableness of valuations.

3. Taxation and deferred tax assets and liabilities[1]
   Tax in general is a high priority item on the agenda of the GACC, firstly to oversee administrative compliance, but also to ensure efficiency and transparent disclosure. The GACC considered the Group Financial Director's (Acting) report regarding the tax computation and, where applicable, the judgements made in determining the tax charge to the income statement and deferred tax asset and deferred tax liability balances. Specific attention is also paid to the recoverability of deferred tax assets in order to be recognised as such.

4. Impairment of goodwill and intangible assets
   Goodwill has arisen from the Group's investment in subsidiaries, namely Sasfin Property Holdings (Pty) Limited (previously Sasfin Commercial Solutions (Pty) Limited), Fintech (Pty) Limited and Sasfin HRS Administrator (Pty) Limited.

   The Group's intangible assets mainly comprise internally developed computer software and intangible assets acquired as part of the Fintech (Pty) Limited acquisition.

   The Group performs an annual test on goodwill and intangible assets for impairment by considering the cash-generating units related to the goodwill and intangible assets. The GACC is comfortable that goodwill and intangible assets as reflected on the Statement of Financial Position at 30 June 2017, do not need to be impaired. Goodwill and intangible assets are further disclosed in note 11 to the Consolidated Annual Financial Statements.

IN CONCLUSION

The GACC has complied with and discharged its regulatory, governance and legal responsibilities as set out in the Companies Act and Banks Act.

The GACC would like to extend its gratitude to Lesego Sennelo and John Moses for their contribution to the work of the GACC, and in particular to Tyrone Soondarjee for his contribution to the Group.

Linda de Beer
Chair – Group Audit and Compliance Committee

19 September 2017

[1] *Deferred tax asset relates to the separate financial statements of Sasfin Holdings Limited.*

DIRECTORS' REPORT

1. NATURE OF BUSINESS

Sasfin is a bank-controlling company listed on the JSE Limited (JSE). Sasfin and its subsidiaries (the Group) provide a comprehensive range of specialist financial products and services for Business and Wealth clients.

2. FINANCIAL RESULTS

The results of the Group and Company are set out in the Consolidated and Separate Annual Financial Statements and accompanying notes as well as in the Integrated Report 2017.

3. DIRECTORATE AND CHANGES TO THE BOARD

Tyrone Soondarjee retired as Group Financial Director of Sasfin Holdings Limited, Sasfin Bank Limited and other subsidiaries in the Group on 30 June 2017.

Lesego Sennelo and John Moses resigned as Independent Non-Executive Directors of Sasfin Holdings Limited and Sasfin Bank Limited on 28 March 2017 and 28 August 2017 respectively.

Gugu Mtetwa was appointed as a Non-Executive Director of Sasfin Holdings Limited on 28 August 2017.

4. DIRECTORS AND COMPANY SECRETARY

Independent Non-Executive Directors		*Appointed*	*Resigned/Retired*
Roy Andersen	Chair	14 February 2011	
Linda de Beer		1 July 2014	
Grant Dunnington		25 February 2010	
John Moses		21 December 2010	28 August 2017
Gugu Mtetwa		28 August 2017	
Shahied Rylands		21 May 2007	
Lesego Sennelo		1 July 2014	28 March 2017
Executive Directors			
Roland Sassoon (British)	Chief Executive Officer	21 August 1987	
Tyrone Soondarjee	Group Financial Director	1 October 2010	30 June 2017
Michael Sassoon*		9 October 2013	
Alternate Executive Director			
Linda Fröhlich		9 October 2013	
Company Secretary			
Howard Brown		28 August 2011	

** Michael Sassoon was appointed as an Alternate Director on 9 October 2013 and as a full Director on 23 October 2015.*

5. SHARE CAPITAL

ORDINARY SHARE CAPITAL

There have been no changes to the authorised and issued ordinary share capital during the year.

PREFERENCE SHARE CAPITAL

The Company repurchased and subsequently cancelled 23 318 (2016: 34 183) preference shares during the financial year in terms of a shareholder resolution and SARB-approved repurchase programme.

ANALYSIS OF SHAREHOLDERS

The analysis of ordinary and preference shareholders is provided in the Shareholders' and Administrative Information Booklet included as part of the Integrated Report 2017.

6. SPECIAL RESOLUTIONS PASSED

Special resolutions passed during the year are available for inspection.

7. EVENTS AFTER THE REPORTING DATE

Other than those reported on SENS (Acquisition of ATFS Rental Book) and note 33 (the WIPHOLD transaction) of this report, the Board is not aware of any further material events which occurred after the reporting date and up to the date of this report.

INDEPENDENT AUDITORS' REPORT

for the year ended 30 June 2017

TO THE SHAREHOLDERS OF SASFIN HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Sasfin Holdings Limited and its subsidiaries (the Group and Company) set out on pages 12 to 85, which comprise the consolidated and separate statements of financial position as at 30 June 2017, and the consolidated income statement, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects the consolidated and separate financial position of Sasfin Holdings Limited as at 30 June 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter (Consolidated)	*How our audit addressed the key audit matter*
Impairment of loans and advances *Refer to notes 2.1, 3 (credit risk), 6 and 36.1*	
The Group's main business comprises making loans and advances to customers. Continuing South African economic uncertainty, and the recent sovereign debt rating downgrade, could have adverse effects on specific exposures held by the Group. Impairments relating to loans and advances represent management's best estimate of the individual and portfolio impairment losses incurred within the loan portfolios at year end.	Our audit included considering the appropriateness of accounting policies and impairment methodologies across the Group, in terms of the requirements of IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). We obtained an understanding of and tested the relevant controls relating to the approval of credit facilities to customers and the subsequent monitoring of exposures including collateral management.

Key audit matter (Consolidated)	How our audit addressed the key audit matter
Impairment of loans and advances *Refer to notes 2.1, 3 (credit risk), 6 and 36.1*	
The judgements, assumptions and estimates note in the financial statements sets out the basis, including the related judgements, for the calculation of the portfolio impairments of incurred but not reported (IBNR) losses on performing loans and advances, as well as the individual impairments of non-performing loans and advances. The impairments are material to the Group in terms of the value, the subjective nature of the impairment calculations and the effect of these on the risk management processes and operations of the Group. Accordingly, impairments of loans and advances have been identified as a key audit matter in our audit of the consolidated financial statements.	For individual impairments, as part of our audit we: • assessed management's process for identifying non-performing loans and advances impairments based on IAS 39 requirements relating to impairment indicators, the current macroeconomic and global environment, industry factors and client-specific factors identified from our inspection of credit records. • considered the impairment indicators where impairments on non-performing loans and advances were raised, as well as the uncertainties and assumptions made by management in their assessment of the recoverability of the loans. For a sample of individually impaired loans we recalculated the specific impairment based on expected cash flows taking into account expected recoverability of collateral held. For portfolio and specific impairments relating to Equipment Finance and Capital Equipment Finance, we used valuation experts as part of our audit team, who: • considered the design and implementation of the models used by management to assess impairment, including an evaluation of the quality of the observable data used to derive model parameters, in relation to their understanding of industry norms • assessed the reasonableness of the impairment model methodology used to compute the performing portfolio provision in relation to their knowledge of the client and the industry • assessed the final reasonableness of the IBNR provision by comparing the results of the model that calculates the modelled parameters using the same modelling data as that of the Group to the IBNR provision determined by the Group.

Key audit matter (Consolidated)	*How our audit addressed the key audit matter*
Valuation of investment securities *Refer to notes 1.12, 2.2 and 9*	
Investment securities comprise unlisted private equity and property equity investments, which are measured at fair value, as well as strategic investments, which comprise thinly traded listed securities. The judgements, assumptions and estimates noted in the financial statements sets out the basis, including the related judgements, for the calculation of the fair value of private equity and property equity investments. Fair value calculations are dependent on various sources of external and internal data and on the modelling techniques used to value unlisted financial instruments, which continue to evolve as markets become more sophisticated. The calculation of the fair value of thinly traded listed securities requires adjustments to be made to the quoted prices of the listed investments. The valuation of these investments is a key audit matter due to the judgement required in valuing these investments and due to the impact that these valuations have on the measurement of consolidated profit or loss, and risk disclosures in the financial statements.	With the assistance of our valuation experts, we assessed the appropriateness of the modelling techniques used to value the private equity and property equity investments. We also assessed the appropriateness of adjustments made to the quoted prices of listed investments in the strategic investments portfolio. We challenged management's key assumptions used in preparing these valuations, such as discounted cash flow inputs, and we performed analyses to assess whether the inputs applied were within an appropriate range. We obtained corroborative evidence over the significant inputs used in the valuation models.
Key audit matter (Consolidated and Separate)	*How our audit addressed the key audit matter*
Taxation and Deferred tax assets and deferred tax liabilities (Deferred tax assets in the Company) *Refer to notes 1.15.1, 1.15.2, 17, 29 and 38.4*	
The Group provides various financial services which expose the Group to complex taxation laws. Tax laws are amended continually and are also subject to interpretation applied by management. Current and deferred tax assets (Consolidated and Separate) and liabilities (Consolidated) are considered to be a key audit matter due to the complexity of the calculation of the tax assets and accruals and related expenses raised by management in the financial statements at year end.	Using our tax specialists, we evaluated whether the Group's tax risk management control framework is adequate to identify pertinent tax issues. In addition, we specifically evaluated tax considerations applied to new and/or significant products and transactions. As part of our audit, we also: • inspected correspondence between the Group and Company and relevant tax authorities and considered matters in dispute to determine whether provisions made by management are adequate, specifically where there is uncertainty • assessed the inputs into and calculation of the tax computation for the Group and Company, taking into account relevant tax legislation and the requirements of IAS 12 *Income Taxes*.

Key audit matter (Consolidated)	*How our audit addressed the key audit matter*
Impairment of goodwill and intangible assets *Refer to notes 1.4.1, 1.4.2,1.11, 2.5, 11 and 28.3*	
Goodwill has arisen from material investments in subsidiaries. The goodwill recognised by the Group on these investments is required to be tested for impairment on an annual basis in terms of IAS 36 *Impairment of Assets* (IAS 36). The judgements, assumptions and estimates note in the financial statements sets out the basis, including related judgements, estimates and assumptions made by management in assessing the possible impairment of goodwill and intangible assets. The factors considered by management include: • the estimated sustainable cash flows obtainable from these investments; and • the inputs to the valuation models to determine appropriate discount rates applied to the value in use calculation. In addition, the Group has significant capitalised intangible assets, which include intangibles that were acquired as part of business combinations, and investment in internally developed computer software. The intangible asset acquired as part of a business acquisition relates to Fintech's supplier relationships. Management has considered the following factors: • Assessment of future economic benefits relating to these intangible assets; and • Determination of the recoverable amount where indicators of impairment exist. The impairment of goodwill and intangible assets is considered to be a key audit matter for our audit of the consolidated financial statements due to the level of judgement applied by management in assessing the possible impairment thereof.	For the impairment of goodwill, as part of our audit we: • assessed management's determination of the Group's CGUs based on our understanding of the Group's business. We analysed the Group's internal reporting to assess how earnings are monitored and reported, and considered the implications of this analysis on CGU identification. • assessed the accuracy of previous cash flow forecasts to assist us in evaluating the current year forecasts incorporated in the value in use model. • evaluated the reasonableness of expected cash flows and discount rates used in the value in use calculation applied in calculating the recoverable amount of CGUs by: – inspecting the cash flow forecasts used in the value in use calculation to confirm that they are consistent with approved budgets and forecasts and are representative of management's best estimate of future performance as approved by the Board of Directors. – comparing management's growth assumptions and discount rates to published market and industry data. For the assessment of the Fintech supplier relationships for impairment, as part of our audit we: • evaluated management's determination of the extent the Group continues to realise the benefits from the intangible asset, and whether there were any indicators of impairment in the current year based on our knowledge of those supplier relationships and of the Group's budgets and forecasts. For the assessment of internally developed computer software for impairment, as part of our audit we: • assessed the reasonableness of the key assumptions applied to the value in use calculations in terms of our understanding of the business and economic conditions that are expected to exist over the useful lives of the intangible assets.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa, and the rest of the information contained in the Annual Financial Statements, which we obtained prior to the date of this report, including the disclosure set out on page 74 in terms of the requirements of the Banks Act 1990 (as amended) and Regulation 43(1)(e)(ii) of the Banking Regulations, which is presented as additional information. Other information also comprises the Integrated Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. and Grant Thornton Johannesburg Partnership have been the auditors of Sasfin Holdings Limited for 18 years and 30 years respectively.

KPMG Inc.
Registered Auditor

Per H Berrange
Chartered Accountant (SA)
Registered Auditor
Director

19 September 2017

KPMG Crescent
85 Empire Road
Parktown
2193

Grant Thornton

Grant Thornton Johannesburg Partnership
Registered Auditor

Per S Kock
Chartered Accountant (SA)
Registered Auditor
Director

19 September 2017

Wanderers Office Park
52 Corlett Drive
Johannesburg
2196

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2017

	Accounting policy	Note	2017 R'000	2016 R'000
ASSETS				
Cash and cash balances	1.10	4	2 129 896	672 317
Negotiable securities	1.10	5	1 395 522	1 238 267
Loans and advances	1.12	6	6 487 022	6 254 891
Trading assets	1.12	7/39	1 280 093	1 147 227
Other receivables	1.12	8	467 208	772 209
Investment securities	1.12	9	494 213	586 359
Private Equity and Property Equity investments			447 233	510 479
Strategic investments			46 980	75 880
Property, plant and equipment	1.5		103 856	87 229
Non-current assets held for sale	1.3	10	69 500	69 900
Taxation	1.15		36 560	31 135
Intangible assets and goodwill	1.4	11	131 778	122 391
Deferred tax assets	1.15	17	26 995	22 135
TOTAL ASSETS			12 622 643	11 004 060
LIABILITIES				
Funding under repurchase agreements and interbank	1.10	12	1 381 240	999 184
Deposits from customers	1.12	13	4 483 350	3 206 527
Debt securities issued	1.12	14	2 496 718	2 470 428
Long-term loans	1.12	15	429 673	433 889
Trading liabilities	1.12	7/39	1 266 745	1 131 942
Other payables	1.12	16	768 957	1 023 354
Taxation	1.15		9 569	16 611
Deferred tax liabilities	1.15	17	127 166	125 576
TOTAL LIABILITIES			10 963 418	9 407 511
EQUITY				
Ordinary share capital	1.9	18	317	317
Ordinary share premium		19	144 010	144 010
Reserves			1 324 559	1 259 353
Preference share capital	1.9	20	18	18
Preference share premium		21	188 068	192 851
Non-controlling interest			2 253	–
TOTAL EQUITY			1 659 225	1 596 549
TOTAL LIABILITIES AND EQUITY			12 622 643	11 004 060

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

	Accounting policy	Note	2017 R'000	2016 R'000
Interest income	1.13	25	1 186 295	999 006
Interest expense	1.13	26	743 759	592 520
NET INTEREST INCOME			442 536	406 486
NON-INTEREST INCOME	1.13	27	724 630	790 357
Non-interest income excluding fair value adjustments to strategic investments*			753 826	772 846
Fair value adjustments to strategic investments*			(29 196)	17 511
TOTAL INCOME			1 167 166	1 196 843
Impairment charges on loans and advances	1.12.4		81 436	63 912
NET INCOME AFTER IMPAIRMENTS			1 085 730	1 132 931
OPERATING COSTS			840 152	828 316
Staff costs	1.14	28.1	414 463	434 339
Other operating expenses		28.2	411 326	380 888
Goodwill and intangible asset impairments	1.11	28.3	14 363	13 089
PROFIT FROM OPERATIONS			245 578	304 615
Share of associate (loss)/income	1.2.4		(2 156)	2 383
PROFIT BEFORE INCOME TAX			243 422	306 998
Income tax expense	1.15	29	49 012	68 210
PROFIT FOR THE YEAR			194 410	238 788
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX EFFECTS			(27 544)	14 766
Items that may subsequently be reclassified to profit or loss:				
FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS			(27 544)	54 395
NET LOSS ON HEDGE OF NET INVESTMENT IN FOREIGN OPERATION			–	(39 629)
Loss on hedge of net investment in foreign operation			–	(55 040)
Income tax effect			–	15 411
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			166 866	253 554
PROFIT ATTRIBUTABLE TO:			194 410	238 788
Non-controlling interest			2 253	–
Preference shareholders			15 580	14 369
Equity holders of the Group			176 577	224 419
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			166 866	253 554
Non-controlling interest			2 253	–
Preference shareholders			15 580	14 369
Equity holders of the Group			149 033	239 185
EARNINGS PER SHARE:				
Basic and Diluted earnings per share (cents)			556.38	707.13

** Separately disclosed in the current year.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Ordinary share capital and premium R'000	Distri-butable reserves R'000	Foreign currency translation reserve R'000	Hedging reserve R'000	Total ordinary share-holders' equity R'000	Prefe-rence share capital and premium R'000	Non-controlling interest R'000	Total share-holders' equity R'000
BALANCE AT 30 JUNE 2015	144 327	1 123 912	41 972	(67 470)	1 242 741	195 450	–	1 438 191
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	238 788	54 395	(39 629)	253 554	–	–	253 554
Profit for the year	–	238 788	–	–	238 788	–	–	238 788
OTHER COMPREHENSIVE INCOME/(LOSS) NET OF INCOME TAX FOR THE YEAR	–	–	54 395	(39 629)	14 766	–	–	14 766
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY								
Preference share buy-back and cancellation	–	–	–	–	–	(2 581)	–	(2 581)
Dividends to preference shareholders	–	(14 369)	–	–	(14 369)	–	–	(14 369)
Dividends to ordinary shareholders	–	(78 246)	–	–	(78 246)	–	–	(78 246)
BALANCE AT 30 JUNE 2016	144 327	1 270 085	96 367	(107 099)	1 403 680	192 869	–	1 596 549
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	192 157	(27 544)	–	164 613	–	2 253	166 866
Profit for the year	–	192 157	–	–	192 157	–	2 253	194 410
OTHER COMPREHENSIVE LOSS NET OF INCOME TAX FOR THE YEAR	–	–	(27 544)	–	(27 544)	–	–	(27 544)
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY								
Preference share buy-back and cancellation	–	2 919	–	–	2 919	(4 783)	–	(1 864)
Dividends to preference shareholders	–	(15 580)	–	–	(15 580)	–	–	(15 580)
Dividends to ordinary shareholders	–	(86 746)	–	–	(86 746)	–	–	(86 746)
BALANCE AT 30 JUNE 2017	144 327	1 362 835	68 823	(107 099)	1 468 886	188 086	2 253	1 659 225

	2017 Cents per share	2016 Cents per share
ORDINARY SHARES		
Interim dividend	80.00	98.57
Final dividend	160.42	188.82
PREFERENCE SHARES		
Dividend no 23	–	396.28
Dividend no 24	–	424.42
Dividend no 25	436.68	–
Dividend no 26	429.57	–

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	Note	2017 R'000	2016 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1 850 341	1 679 756
Cash paid to customers, employees and suppliers		(1 593 358)	(1 368 187)
CASH INFLOW FROM OPERATING ACTIVITIES		256 983	311 569
Dividends received		14 753	6 400
Taxation paid		(64 749)	(75 169)
Dividends paid		(102 326)	(92 615)
CASH FLOWS FROM OPERATING ACTIVITIES		104 661	150 185
CHANGES IN OPERATING ASSETS AND LIABILITIES		1 057 502	(1 083 437)
Increase in loans and advances		(313 567)	(1 076 343)
(Increase)/Decrease in trading assets		(132 866)	539 994
Decrease/(Increase) in other receivables		297 512	(39 699)
Increase/(Decrease) in deposits		1 276 823	(69 339)
Increase in long-term funding		22 074	22 079
Increase/(Decrease) in trading liabilities		134 803	(518 847)
(Decrease)/Increase in other payables		(227 277)	58 718
NET CASH FROM OPERATING ACTIVITIES		1 162 163	(933 252)
CASH FLOWS FROM INVESTING ACTIVITIES		64 899	(228 968)
Proceeds from the disposal of property, plant and equipment		11 960	7 519
Proceeds from disposal of subsidiary		7 489	–
Acquisition of property, plant and equipment		(49 680)	(47 031)
Acquisition of intangible assets		(40 973)	(46 356)
Net cash paid on acquisition of subsidiaries		–	(47 541)
Increase/(Decrease) from disposal/(acquisition) of investment securities		136 103	(95 559)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1 864)	(2 581)
Purchase and cancellation of preference shares		(1 864)	(2 581)
NET INCREASE/(DECREASE) IN CASH AND CASH BALANCES		1 225 198	(1 164 801)
Cash and cash balances at the beginning of the year		911 400	2 080 026
Effect of exchange rate fluctuations on cash and cash balances		7 580	(3 825)
CASH AND CASH BALANCES AT THE END OF THE YEAR	31	2 144 178	911 400

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION

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

The Group has, in the preparation of these Consolidated and Separate Annual Financial Statements, consistently applied the accounting policies with those applied in the previous financial year, unless otherwise stated.

1.1.1 Accounting policy elections

The following accounting policy elections have been made by the Group and Company:

Asset/liability	Options	Election and implication	Accounting policy
Property, plant and equipment	Cost/revaluation model	**Group** • Buildings are stated at cost less accumulated depreciation • Computer equipment, furniture and other equipment and vehicles are carried at cost less accumulated depreciation • Depreciation rates applied: – Computer equipment: 2 – 5 years – Furniture and fittings: 6 – 10 years – Motor vehicles: 5 years – Buildings: 20 years	1.5
Investment properties	Cost/revaluation model	**Group** Investment properties are carried at fair value with changes in fair value recognised in profit or loss.	1.3
Investments in subsidiaries, associate companies and joint arrangements	Cost/as a financial instrument/ equity accounted	**Company** Cost less impairments in the Separate Annual Financial Statements.	1.2

1.2 BUSINESS COMBINATIONS

1.2.1 Business combinations

The Group accounts for business combinations using the acquisition method at the acquisition date – the date at which control over an investee transfers to the Group.

The Group controls an investee if it is exposed to, or has rights to, variable returns from its relationship with the investee and has the ability to affect those returns through its control over the investee.

The acquisition consideration is measured at fair value and does not include amounts related to the settlement of pre-existing relationships, which are recognised in profit or loss. Identifiable net assets acquired are measured at fair value.

1. ACCOUNTING POLICIES continued

1.2 BUSINESS COMBINATIONS continued

1.2.1 Business combinations continued

Contingent considerations payable are measured at fair value at the acquisition date.

Investments in subsidiaries are reflected at cost less impairment in the Company's Separate Annual Financial Statements.

1.2.2 Subsidiaries

Subsidiaries are investees controlled by the Group and Company. The financial statements of subsidiaries are consolidated into the Consolidated Annual Financial Statements from the date on which control commences until the date on which control ceases.

1.2.3 Structured entities

Structured entities are formed to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing, lending or other transaction.

The Group, in substance, controls a structured entity where the Group:

- controls the activities of the structured entity according to the Group's specific needs;
- has the decision-making powers to control the activities of the structured entity;
- has delegated decision-making powers by setting up an 'autopilot' mechanism;
- has rights to obtain the majority of the benefits of the structured entity ;
- is exposed to risks incidental to the activities of the structured entity; and
- retains the majority of the residual ownership risks related to the structured entity or its assets.

The assessment of whether the Group has control over a structured entity is carried out at inception. There is normally no further reassessment of control unless:

- there are changes to the structure of the relationship between the Group and the structured entity;
- there are additional transactions between the Group and the structured entity;
- changes in market conditions alter the substance of the relationship between the Group and the structured entity; and
- the Group's voluntary actions, such as lending amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and the structured entity.

The structured entity consolidated is:

- South African Securitisation Programme (RF) Limited (SASP), controlled by Sasfin Bank Limited.

1.2.4 Associates

An associate is an investee over which the Group has significant influence, but not control, over its financial and operating activities.

Investments in associate companies are initially accounted for at cost from the date that significant influence is effective.

Subsequent to initial recognition, investments in associates are equity-accounted. The Group's proportionate share of associate income (or loss) is accounted for in profit or loss and as part of the investment in associate. Dividend income from associates are not recognised in profit or loss, but against the investment in associate.

When the Group's share of losses in an associate exceeds its carrying amount, the investment in associate is written down to zero and recognition of further losses is discontinued except to the extent that the Group has guaranteed obligations in respect of the associate.

Impairments to investments in associates are written down in profit or loss when they are impaired and are reflected at cost less impairment in the Consolidated Statement of Financial Position.

1. ACCOUNTING POLICIES continued

1.2 BUSINESS COMBINATIONS continued

1.2.4 *Associates* continued

Investments in associates held by the Private Equity and Property Equity businesses of the Group are classified as designated at fair value through profit or loss as these business units are managed on a fair value basis. Changes in the fair value of these investments are recognised in non-interest income of profit or loss in the period in which they occur.

1.2.5 *Common control*

A common control transaction is a sale of an investment in associate companies between entities within the same group. The Group accounts for common control transactions using exchange amount accounting.

Exchange amount accounting is done on the basis that the parties are separate entities in their own right and that the accounting should reflect the actual terms of the transaction.

1.2.6 *Elimination of transactions on consolidation*

Inter-group balances, unrealised gains and losses or income and expenses arising between Group companies are eliminated in the Consolidated Annual Financial Statements.

Unrealised gains and losses arising from transactions with associates are eliminated to the extent of the Group's interest in the associate.

1.3 INVESTMENT PROPERTY

Investment properties are held to earn rental income, for capital appreciation or both.

Investment property is initially recognised at cost.

Subsequent to initial recognition, investment property is reflected at fair value.

Fair value is determined annually by independent professional valuators. Where fair value cannot be reliably determined, the Group uses alternative valuation methods such as discounted cash flow projections or recent prices in active markets.

Fair value adjustments on investment property are reflected in profit or loss as part of non-interest income in the Group in the period in which these gains or losses arise.

When the use of a property changes such that it is reclassified to or from investment property, its fair value at the date of reclassification becomes its new cost.

1.4 INTANGIBLE ASSETS

1.4.1 *Goodwill*

Goodwill that arises upon the acquisition of subsidiaries in the Group is recognised as an intangible asset and is measured at cost.

Subsequent to initial recognition, goodwill is tested annually for impairment and is reflected at cost less any accumulated impairment losses. Refer to note 2.5 for further information.

1.4.2 *Internally developed software and distributor relationships*

The Group capitalises its own unique and identifiable software (internally developed software) when it can reliably measure the cost to develop, is able to demonstrate its ability and intention to complete development and is satisfied that the internally developed software will generate future economic benefits.

Subsequent expenditure is only capitalised to the internally developed software asset when the Group determines that the expenditure will increase future economic benefits beyond those initially envisaged.

Distributor relationships are capitalised when acquired as part of a business combination and the Group is satisfied that the relationship will generate future economic benefits. These relationships are amortised over their expected useful lives and assessed for impairment annually.

1. ACCOUNTING POLICIES continued

1.4 INTANGIBLE ASSETS continued

1.4.2 *Internally developed software and distributor relationships* continued

Internally developed software is amortised in profit or loss on the straight-line basis over the expected useful lives of the assets. Refer to note 2.5 for further information.

Capitalised computer software is reflected at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised on the straight-line basis over their useful lives at rates which will reduce the assets to their anticipated residual values.

Amortisation methods, residual values and useful lives are reviewed and adjusted annually where appropriate. Amortisation expense is recognised in profit or loss.

The estimated useful lives of intangible assets, comprising software (including internally developed software) for the current and comparative years are two to five years.

1.5 PROPERTY, PLANT AND EQUIPMENT

1.5.1 *Owned assets*

Property, plant and equipment in the Group is initially measured at cost, including any expenditure directly attributable to the acquisition or bringing the asset into use.

Property, plant and equipment are reflected at carrying amount being cost less accumulated depreciation and impairment losses.

Repairs and maintenance on property, plant and equipment are recognised directly in profit or loss.

1.5.2 *Depreciation*

Assets are depreciated on the straight-line basis over their useful lives at rates which will reduce the assets to their anticipated residual values.

Depreciation methods, residual values and useful lives are reviewed and adjusted annually where appropriate.

1.5.3 *Profit or loss on disposal*

A profit or loss on the sale/disposal of an item of property, plant and equipment is calculated as the difference between the carrying amount and the net proceeds received. This profit or loss is recognised within non-interest income in the Consolidated Statement of Comprehensive Income.

1.6 CURRENCIES

1.6.1 *Functional and presentation currency*

The Consolidated and Separate Annual Financial Statements are presented in South African Rand (ZAR) and all amounts, unless otherwise indicated, are stated in thousands of ZAR (R'000).

All entities in the Group, with the exception of Sasfin Asia Limited, operate in the Republic of South Africa with a functional currency of ZAR.

Sasfin Asia Limited operates in Hong Kong, with a functional currency of United States Dollar (USD).

On consolidation, exchange differences arising from the translation of the Group's net investment in Sasfin Asia Limited are accounted for in other comprehensive income, in the foreign currency translation reserve.

1. ACCOUNTING POLICIES continued

1.6 CURRENCIES continued

1.6.2 Transactions and balances

Foreign currency transactions in the Group are translated into the presentation currency at exchange rates at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of foreign exchange assets or liabilities or the translation of monetary assets and liabilities are recognised in profit or loss except for qualifying net investment hedges which are recognised in the Consolidated Statement of Comprehensive Income.

Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency:

- exchange rate at the transaction date if measured at historical cost; or
- exchange rate at the date fair value was determined if measured at fair value.

Foreign exchange gains and losses on non-monetary assets and liabilities are accounted for based on the classification of the underlying items.

1.7 PROVISIONS

A provision is recognised when the Group has a present, legal or constructive obligation, as a result of a past event, from which 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.

Where the effects of the time value of money are material, provisions are recognised at the present value of the expected obligation.

1.8 LEASES

1.8.1 Group as the lessor

Rental, lease and instalment sale contracts are financing transactions, with rentals and instalments receivable, less unearned finance charges, being reflected as loans and advances in the Consolidated Statement of Financial Position.

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

1.8.2 Group as the lessee

Operating leases

Payments under operating leases are expensed on a straight-line basis over the term of the lease in profit or loss. Penalties for early termination of operating lease contracts are recognised in profit or loss in the period in which the termination took place.

1.9 SHARE CAPITAL

1.9.1 Ordinary share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of tax.

Dividends are accounted for as distributions from equity in the period in which they are payable to shareholders.

Ordinary share capital of the Company purchased by the Company or its subsidiaries, is recognised as a reduction in equity at the amount of the consideration paid, including directly attributable costs, net of tax.

1.9.2 Preference share capital as equity

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

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

1. ACCOUNTING POLICIES continued

1.9 SHARE CAPITAL continued

1.9.2 Preference share capital as equity continued

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

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

1.10 CASH AND NEGOTIABLE SECURITIES

Cash and cash balances as reflected on the Consolidated Statement of Cash Flows comprise:

- cash on hand, negotiable securities;
- short-term interbank funds;
- balances with SARB; and
- less interbank funding and repurchase agreements.

Cash and cash balances are available for use by the Group unless otherwise stated and are reflected as loans and receivables in the Consolidated and Separate Annual Financial Statements.

1.11 IMPAIRMENT

The Group annually assesses all non-financial assets for impairment. Impairment occurs where there is evidence that the carrying amount of the non-financial asset exceeds its recoverable amount.

Impairment losses are recognised in profit or loss when the carrying amount of the non-financial asset or cash-generating unit exceeds its recoverable amount.

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, and then to reduce the carrying amount of the other assets in the unit on a *pro rata* basis.

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of its fair value less costs to dispose, and its value in use. In determining value in use, estimated future cash flows to be generated from the non-financial asset are discounted to their present value using a pretax market-related risk-adjusted discount rate specific to the asset.

The recoverable amount of non-financial assets that do not generate largely independent cash inflows is determined for the cash-generating unit to which the asset belongs.

Impairment reversals

Impairment losses on non-financial assets are reversed where there have been changes to the recoverable amount. Impairment losses are reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised. Reversal of impairments is not recognised for goodwill that has been impaired.

1.12 FINANCIAL INSTRUMENTS

Financial instruments, as reflected on the Consolidated Statement of Financial Position, include all financial assets, financial liabilities and derivative instruments, but exclude investments in subsidiaries, associated companies and joint ventures which are accounted for in terms of IAS 32: *Financial Instruments: Presentation* and IAS 39: *Financial Instruments: Recognition and Measurement.*

1. ACCOUNTING POLICIES continued

1.12 FINANCIAL INSTRUMENTS continued

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

Financial instruments are initially recognised at fair value.

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

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

Financial instruments at fair value through profit or loss

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

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

The Group has designated financial assets and liabilities at fair value through profit or loss for:
- financial assets or liabilities that are managed, evaluated and reported internally on a fair value basis; or
- designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- financial assets or liabilities that contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, with fair value gains and losses reported in non-interest income. Interest income and interest expense on financial instruments designated at fair value through profit or loss are reported as such in profit or loss.

Loans and receivables

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

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

Measurement

Amortised cost

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

Borrowings

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

1. ACCOUNTING POLICIES continued

1.12 FINANCIAL INSTRUMENTS continued

***Measurement** continued*

Derecognition

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

The Group derecognises a financial asset when:

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

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

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

Offsetting financial instruments and related income

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

1.12.1 Repurchase agreements

The Group enters into the sale of securities with a simultaneous agreement to repurchase the same securities, called repurchase agreements. Repurchase agreements are entered into as part of the Group's Fixed Income unit or to obtain short-term liquidity for the Group.

For repurchase agreements, the cash received including accrued interest is recognised in the Consolidated Statement of Financial Position together with a corresponding liability representing the Group's obligation to return the cash and interest.

Interest incurred on repurchase agreements is recognised over the life of each agreement using the effective interest rate method and recognised as interest expense in profit or loss.

1.12.2 Reverse repurchase agreements

The Group enters into the purchase of securities with a simultaneous agreement to resell the same securities, called reverse repurchase agreements. Reverse repurchase agreements are entered into as part of the Group's Fixed Income unit.

For reverse repurchase agreements, the cash paid including accrued interest is recognised in the Consolidated Statement of Financial Position together with a corresponding asset representing the Group's right to receive the cash and interest.

Interest earned on reverse repurchase agreements is recognised over the life of each agreement using the effective interest rate method and recognised as interest income in profit or loss.

1.12.3 Derivative financial instruments and hedge accounting

A derivative is a financial instrument that changes value in response to an underlying variable, requires little or no initial net investment, and is settled at a future date. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into and subsequently remeasured at fair value.

Gains and losses from changes in the fair value of derivatives that are classified as held for trading are recognised in profit or loss.

1. ACCOUNTING POLICIES continued
1.12 FINANCIAL INSTRUMENTS continued
1.12.3 Derivative financial instruments and hedge accounting continued

Hedge accounting

Derivatives designated in a hedging relationship comprise:
- Fair value hedges – a hedge of fair value of financial assets or liabilities or firm commitments
- Net investment hedge – a hedge of a net investment in a foreign operation.

Hedge accounting is applied to derivatives designated in a hedging relationship where:
- the Group formally documents, at the inception of the hedge, the relationship between the hedged item and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships.
- the Group documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items during the period for which the hedge is designated, and whether the results of the hedge are within a range of 80% to 125%.

Fair value hedges

On fair value hedges, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the hedge and the hedged item are recognised in profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same profit or loss category as the hedged item. Hedge ineffectiveness is also recognised in the same profit or loss category as the related hedged item.

If the hedge expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued prospectively. Any adjustment up to that point, to a hedged item for which the effective interest rate method is used, is amortised to profit or loss as part of the hedged item's recalculated effective interest rate over the period to maturity.

Net investment hedges

The Group hedges net investments in foreign operations using derivative instruments. For such hedges, the designated component of the hedging instrument that relates to the effective portion of the hedge is recognised directly in the Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity in the hedging reserve. Any ineffective portion is immediately recognised in profit or loss. On the partial disposal of a foreign operation, the proportionate share of those deferred gains and losses is recognised in profit or loss.

On disposal of a foreign operation, all remaining deferred gains and losses are recognised in profit or loss.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised in profit or loss.

1.12.4 Impairment of financial assets

The Group annually assesses financial assets for impairment. Impairment occurs where there is evidence that the carrying amount of the financial asset exceeds its recoverable amount.

Impairment losses are reversed when the factors giving rise to the impairment have been reversed.

Financial assets carried at amortised cost

Impairment is recognised in profit or loss on the difference between a financial asset's carrying amount and its recoverable amount.

The recoverable amount is determined as 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.

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

1. ACCOUNTING POLICIES continued

1.12 FINANCIAL INSTRUMENTS continued

1.12.4 *Impairment of financial assets* continued

Financial assets carried at cost

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

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

1.13 REVENUE

1.13.1 *Net interest income*

Net interest income comprises interest income less interest expense.

Interest income and interest expense on financial instruments are recognised using the effective interest rate method on the carrying amount of the financial instrument.

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

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

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

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

1.13.2 *Non-interest income*

Non-interest income comprises fees and commissions, agency revenue, net brokerage commission, asset management fees, fair value gains and losses, dividend income, foreign exchange gains and losses, and other income.

Fee and commission income is recognised in profit or loss as services are rendered and the Group becomes entitled to the fee and commission income.

The Group earns fee and commission income from the provision of banking and financial services activities.

Net brokerage commission and asset management fees are recognised in profit or loss as services are rendered and the Group becomes entitled to income.

Fair value gains and losses, foreign exchange gains and losses and other income is recognised in profit or loss when the amount of income is earned and can be measured reliably.

Dividend income is recognised when the Group has an irrevocable right to the dividend.

1.14 EMPLOYEE BENEFITS

1.14.1 *Short-term benefits*

Short-term benefits comprise salaries, incentive bonuses, accumulated leave pay, provident fund contributions, medical aid contributions, Group life contributions and company car benefits.

Short-term benefits are recognised in profit or loss as they become due.

A provision is recognised for employees' leave entitlement when the Group has a present legal obligation to settle with the employee in cash or by leave to be taken.

1. ACCOUNTING POLICIES continued

1.14 EMPLOYEE BENEFITS continued

1.14.2 Defined-contribution plan

The Group pays fixed contributions as part of a defined-contribution provident fund plan for the benefit of its employees to a separate entity. The Group has no further legal or constructive obligation in terms of the defined-contribution benefit plan beyond these contributions.

Defined contributions are recognised in profit or loss as they become due.

1.14.3 Share Price Appreciation Scheme

The Group has a cash-settled Share Price Appreciation Scheme (SPAS).

The fair value of the amount due to employees under the SPAS is recognised in profit or loss when the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date.

The fair value of amounts due to employees under the SPAS is measured using the Black-Scholes model.

1.15 INCOME TAX

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

1.15.1 Current tax

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

1.15.2 Deferred tax

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

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

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

Deferred tax resulting on items accounted for directly in the Consolidated Statement of Comprehensive Income are recognised in the Consolidated Statement of Comprehensive Income.

Deferred tax is not recognised on:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits and losses; and
- investments in subsidiaries and joint ventures where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

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

1.16 EARNINGS PER SHARE (EPS)

Basic EPS represents profit or loss attributable to ordinary shareholders of the Group divided by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS represents the profit or loss attributable to ordinary shareholders of the Group divided by the weighted average number of shares outstanding after the dilutive effects of potential ordinary shares.

1. ACCOUNTING POLICIES continued

1.17 COMMITMENTS AND CONTINGENT LIABILITIES

Commitments represent the Group's commitment to future transactions.

Contingent liabilities are provisions of the Group with an uncertain timing or amount. Contingent liabilities principally consist of third-party obligations underwritten by the Group, guarantees other than financial guarantees, and letters of credit.

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

1.18 FUNDS UNDER ADMINISTRATION, ADVISEMENT AND MANAGEMENT

The Group holds and manages funds and acts as trustee in a fiduciary capacity on behalf of its clients.

The resulting assets and liabilities are not those of the Group, but of the Group's clients, and are not accounted for in the Consolidated and Separate Annual Financial Statements.

Income relating to these activities is recognised in profit or loss in terms of the Group's policy on revenue.

1.19 SEGMENT REPORTING

The Group is divided into three operating segments, each of which engages in business activities from which they earn revenues and incur expenses, including revenues and expenses between operating segments.

The Group refers to these operating segments as divisions whose operating results are reviewed regularly by the Group's Board of Directors, Chief Executive Officer (the Group's chief operating decision-maker), and senior management who assess the performance of the divisions, and make decisions as to the appropriate resources to be allocated between divisions. Divisions are further segmented into business units as part of the Group's management and internal reporting structure.

The Group's divisions and business units are:

Division	Business unit
Sasfin Bank	Equipment Finance
Business Banking	Capital Equipment Finance
	Taxi Finance
	Trade and Debtor Finance
	Forex and Treasury Solutions
Transactional Banking and Treasury	Transactional Banking
	Treasury
Sasfin Wealth	Private Clients
	Fixed Income
	Asset Consulting
	Asset Management
	Financial Planning
	Healthcare Consulting
Sasfin Capital	Corporate Finance
	Private Equity
	Property Equity
Commercial Solutions	Incentives
	Short-term Insurance
	Logistics

1. ACCOUNTING POLICIES continued

1.19 SEGMENT REPORTING continued

Division	Business unit
Corporate Services	Information Technology Human Resources Finance Marketing Risk Credit Legal Company Secretarial Compliance Internal Audit Facilities Executives Data Governance Procurement

Corporate Services represent the Group's central functions, and these costs are allocated to the divisions and business units using an internal model of cost allocation.

Geographical

The Group operates in two geographic regions being:

- Southern Africa (South Africa)
- Asia-Pacific (Hong Kong).

2. JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

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

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

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

2.1 CREDIT IMPAIRMENT OF LOANS AND ADVANCES

2.1.1 Performing loans and advances

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

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

Generally, a period of time will elapse between the occurrence of an impairment event and evidence of the impairment becoming evident, the 'emergence period'. The Group has provided for incurred but not reported (IBNR) losses which recognise potential losses on its portfolio of loans and advances that have not yet been evidenced. The IBNR provision is calculated with reference to modelling parameters which include the probability of default (PD), the loss given the default (LGD) and emergence period.

2. JUDGEMENTS, ASSUMPTIONS AND ESTIMATES continued

2.1 CREDIT IMPAIRMENT OF LOANS AND ADVANCES continued

2.1.2 Non-performing loans and advances

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

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

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

2.2 PRIVATE EQUITY AND PROPERTY EQUITY INVESTMENT VALUATIONS

Private Equity and Property Equity investment valuations are based on the underlying value of net assets and unrecognised intangible assets within investments as determined by the Directors and/or the trustees of the investments. The valuations are reviewed and approved by the Credit and Investment Committee (CIC) and recommended to the Board for approval.

The Group has adopted as its primary valuation model for Private Equity and Property Equity valuations, discounted cash flow or earnings methodology, sanity-checked against price: earnings multiple valuation methodology, and, where applicable, benchmarked to proxies of listed entities in similar industries.

This valuation methodology is permitted per the South African Venture Capital and Private Equity Association guidelines.

2.3 FOREIGN EXCHANGE

Foreign currency rates used

Closing rate on 30 June 2017	ZAR13.1123 = USD1
Average rate from 1 July 2016 to 30 June 2017	ZAR13.6126 = USD1

SAL

The financial statements of SAL are translated into ZAR as follows:

- Assets and liabilities – closing rate on the reporting date
- Income and expenses – average rate
- Reserves – average rate
- Equity – spot rate on the date of issue of the equity instruments.

2.4 FAIR VALUE

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

2. JUDGEMENTS, ASSUMPTIONS AND ESTIMATES continued

2.4 FAIR VALUE continued

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are measured on the basis of a price that would be received to sell a net long position or paid to transfer a short position for a particular risk exposure. Market risk and credit risk portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

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

The Group's valuation methodologies comprise:

- Price:earnings multiple valuation methodology
- Recent transaction prices and comparison with similar instruments
- Net asset value
- Discounted cash flow or earnings
- Black-Scholes.

Assumptions and inputs used in the valuation methodologies comprise:

- Risk-free interest rate
- Benchmark interest rates
- Credit spreads
- Liquidity and other *premia* used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices, and expected price volatilities and correlations.

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

Fair value hierarchy

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

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

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

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

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

2. JUDGEMENTS, ASSUMPTIONS AND ESTIMATES continued

2.5 INTANGIBLE ASSETS AND GOODWILL

2.5.1 Intangible assets

Intangible assets comprise internally generated and purchased information technology software as well as supplier relationships acquired as part of the Fintech business combination. On an annual basis, the Group assesses impairment indicators relating to information technology software such as technology advancement and the ability of the asset to generate future economic benefit. Changes in estimates of related cash flow benefits would give rise to impairment indicators relating to supplier relationships. The carrying amount of the intangible asset is compared to the estimated recoverable amount in order to compute the impairment. The estimated recoverable amount (being the greater of the asset's cash flows to determine fair value less costs to sell, and its value in use) and the impairment assessment requires management judgement.

2.5.2 Goodwill

On an annual basis the Group assesses recognised goodwill for impairment. Management judgement is required in both the assessment for impairment and the impairment test. The impairment tests comprise comparing the carrying amount of the cash-generating unit (CGU) being assessed to the estimated CGU value in use. If the carrying amount is less than the value in use in a CGU then a goodwill impairment is recognised. The CGU comprises separate elements of the business to which the goodwill is allocated. The assessment of the value in use requires management judgement of future performance. The assumptions applied in determining the value-in-use match those applied in the preparation of the Group's budgets and forecasts which cover a five-year period. The related pretax expected future cash flows used to determine the forecasts in the calculation are discounted at an appropriate risk-adjusted rate which is referenced against the Group's historical long-term cost of funding rate.

2.6 CURRENT AND DEFERRED TAXATION

The Group is subject to direct and indirect taxation charges. There are elements of uncertainty and resultant judgement involved in the ultimate determination of these tax balances and charges. Should the final outcome differ to that initially calculated, the impact is accounted for in the period in which this outcome is known. (See notes 17 and 29 for the deferred and income tax provisions respectively). Deferred tax assets are reviewed at each reporting date for recoverability. These assets are reduced to the extent that it is no longer probable that the deferred tax asset will be realised. The significant management assumptions in determining these probability assessments to determine the deferred tax assets recoverability are the relevant entity budgets and forecasts.

2.7 DISPOSAL OF ISL

The Group disposed of its 70% equity stake held in ISL on 1 July 2016 for a consideration of R37.986 million. The consideration was determined taking into account the average estimated normalised profit after tax for the three years ending June 2018. An upfront payment of R7.489 million was paid on 31 July 2016 and the remaining consideration is payable in the form of an 'agterskot'. The agterskot is based on the actual profit after tax for the three years ending 30 June 2018 and will be paid upon reaching the warranted profit after tax in 2018. Management accounted for the agterskot at fair value in terms of IFRS. On 30 June 2017, the agterskot was impaired to Rnil taking into account the expected average normalised profit after tax for the three years ending June 2018, which is expected to be below the warranted profit.

2.8 ASSESSMENT OF SIGNIFICANT INFLUENCE AND CONTROL OF ENTITIES

The Group controls and consolidates an entity after giving regard to whether the Group has power over the investee, exposure or rights to the variable returns and its ability to affect the amount of the returns in the investee. The Group assesses each entity's core activities and exercises judgement to determine whether the Group has any control over those activities and the variable returns they give rise to. Regard is given to both current and potential voting rights, de facto control and any other contractual rights.

2. JUDGEMENTS, ASSUMPTIONS AND ESTIMATES continued

2.9 STANDARDS/INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective for the year ended 30 June 2017, and have not been applied in preparing these Consolidated and Separate Annual Financial Statements. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated. These include the following Standards and Interpretations that are applicable to the business of the entity and may have an impact on future financial statements:

Pronouncement	Title and details	Effective date
IAS 7	*Disclosure initiative* IAS 7: *Statement of Cash Flows* The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. The Group only has one financing activity on the Statement of Cash Flows and therefore no significant impact is expected.	Annual periods beginning on or after 1 January 2017
IAS 12	*Recognition of deferred tax assets for unrealised losses* IAS 12: *Income Taxes* The amendments provide additional guidance on the existence of deductible temporary differences which: • depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period; and • is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised. The Group is assessing the potential impact on its Consolidated Annual Financial Statements resulting from the amendments. The Group does not expect any significant impact.	Annual periods beginning on or after 1 January 2017
IFRS 9	*Financial Instruments* IFRS 9: *Financial Instruments* replaces IAS 39: *Financial Instruments: Recognition and Measurement.* The standard changes the measurement bases of financial assets to amortised cost, fair value through other comprehensive income, or fair value through profit or loss. Even though the measurement categories are similar to IAS 39, the criteria for classification into these categories differ significantly. Further, the IFRS 9 impairment model has changed from an 'incurred loss' model in IAS 39 to an 'expected loss' model. The Group is engaged in an extensive project to ensure the timeous implementation and adoption of IFRS 9. The Group's projects include the use of expert independent consultants, advisors, appointing of additional resources by the Group, system enhancements and developments, as well as the Group being a participant at the SAICA and SARB working groups relating to IFRS 9. The impact of IFRS 9 is not reasonably estimable at the reporting date.	Annual periods beginning on or after 1 January 2018

2. JUDGEMENTS, ASSUMPTIONS AND ESTIMATES continued

2.9 STANDARDS/INTERPRETATIONS ISSUED BY NOT YET EFFECTIVE continued

Pronouncement	Title and details	Effective date
IFRS 15	*Revenue from Contracts with Customers* IFRS 15: *Revenue from Contracts with Customers* replaces IAS 11: *Construction Contracts*, IAS 18: *Revenue*, IFRIC 13: *Customer Loyalty Programmes*, IFRIC 15: *Agreements for the Construction of Real Estate*, IFRIC 18: *Transfer of Assets from Customers*, and SIC-31: *Revenue – Barter of Transactions Involving Advertising Services*. This standard contains a single model that applies to all contracts with customers and two approaches to recognising revenue: at a point in time or over time. IFRS 15 details a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The requirements of IFRS 15 are not expected to have a material impact on revenue.	Annual periods beginning on or after 1 January 2018
IFRIC 22	*Foreign Currency Transactions and Advance Considerations* When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 (*The Effects of Changes in Foreign Exchange Rates*) is not clear on how to determine the transaction date for translating the related item. This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the Company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The Group does not expect a significant impact on foreign currency transactions as a result of IFRIC 22.	Annual reporting periods beginning on or after 1 January 2018
IFRIC 23	*Uncertainty over Income Tax Treatments* This standard clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the Annual Financial Statements. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about: • judgements made; • assumptions and other estimates used; and • the potential impact of uncertainties that are not reflected. The Group does not expect IFRIC 23 to have a significant impact on the Consolidated Annual Financial Statements.	Annual periods beginning on or after 1 January 2019

2. JUDGEMENTS, ASSUMPTIONS AND ESTIMATES continued

2.9 STANDARDS/INTERPRETATIONS ISSUED BY NOT YET EFFECTIVE continued

Pronouncement	Title and details	Effective date
IFRS 10 and IAS 28	*Sale or contribution of assets between an investor and its associate or joint venture* IFRS 10: *Consolidated Financial Statements* IAS 28: *Investments in Associates and Joint Ventures* The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 *Business Combinations*. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised. These amendments are not expected to have an impact on the Group.	Effective date is deferred by the IASB indefinitely. Adoption is still permitted.
IFRS 16	*Leases* IFRS 16: *Leases* replaces IAS 17: *Leases*, and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract – the customer or lessee and the supplier or lessor. IFRS 16 replaces the previous leases standard, IAS 17 *Leases*, and related interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors. The new requirements of IFRS 16 are expected to result in an increase in leased assets and financial liabilities.	Annual periods beginning on or after 1 January 2019

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable).

3. FINANCIAL RISK MANAGEMENT

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

3.1 RISK MANAGEMENT FRAMEWORK

Governance

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

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

3. FINANCIAL RISK MANAGEMENT continued

3.1 RISK MANAGEMENT FRAMEWORK continued

Governance continued

The Group uses a three lines of defence model:

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

3.2 RISK TYPES, DEFINITIONS, GOVERNANCE STANDARDS, POLICIES AND PROCEDURES

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

3.2.1 Credit risk

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

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

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the CIC. The Group Credit department, which reports to the Group Chief Risk Officer (Acting), is responsible for oversight of the Group's credit risk, including:

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

3. FINANCIAL RISK MANAGEMENT continued

3.2 RISK TYPES, DEFINITIONS, GOVERNANCE STANDARDS, POLICIES AND PROCEDURES continued

3.2.1 *Credit risk* continued

Management of credit risk continued

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

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

Securitisation

The Group uses securitisation primarily as a source of funding for its lending operations, by adding flexibility to structural liquidity risk and diversifying its funding base. All securitisable assets are subject to the Group Credit risk policies and procedures.

The Group fulfils a number of roles in the process of securitising these assets, including that of originator, sponsor, hedge counterparty and administrator, and applies its Group Credit risk policies and procedures to these functions.

Deposits with other banks or money market funds

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

Financial assets held for trade facilitation and reverse repurchase agreements

The Group, through its subsidiary SasSec, holds exchange-traded bonds for the purposes of trading with other market participants.

Impaired loans and securities

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

Past due but not impaired loans

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

Loans with renegotiated terms

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

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

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

3. FINANCIAL RISK MANAGEMENT continued

3.2 RISK TYPES, DEFINITIONS, GOVERNANCE STANDARDS, POLICIES AND PROCEDURES continued

3.2.1 *Credit risk* continued

Credit impairment

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

Write-off policy

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

Credit risk measurement and determination

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

Categorisation of counterparty	SARB risk bucket
• Performing loans and advances	A
• Non-performing loans and advances	
– Special mention	B
– Sub-standard	C
– Doubtful	D
– Loss	E

Collateral for loans and advances

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

3.2.2 *Concentration risk*

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

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

3.2.3 *Liquidity risk*

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

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

Management of liquidity risk

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

3. FINANCIAL RISK MANAGEMENT continued

3.2 RISK TYPES, DEFINITIONS, GOVERNANCE STANDARDS, POLICIES AND PROCEDURES continued

3.2.3 *Liquidity risk* continued

Management of liquidity risk continued

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

Liquidity risk measurement

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

Exposure to liquidity risk

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

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

3.2.4 *Market risk*

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

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

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

Settlement risk

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

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

Management of market risk

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

Trading portfolios

The Group applies a Value-at-Risk model using the previous five years' historical data as an input to monitor market risk. The Value-at-Risk model measures the amount of maximum loss which will not be exceeded with 99% probability as a result of normal but adverse market price movements over a 10-day holding period.

3. FINANCIAL RISK MANAGEMENT continued

3.2 RISK TYPES, DEFINITIONS, GOVERNANCE STANDARDS, POLICIES AND PROCEDURES continued

3.2.4 *Market risk* continued

Management of market risk continued

Non-trading portfolios

Non-trading portfolios are held by Treasury and are associated with fluctuations in the market price of assets and liabilities. Accordingly, the Group has exposure to interest rate risk and currency risk in respect of non-trading portfolios.

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

Exposure to interest rate risk

Trading portfolios

Trading portfolios consist of exchange-traded bonds that bear fixed interest rates, hence there is no interest rate risk.

Non-trading portfolios

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

Market risk on equity investments

The Group enters into Private Equity and Property Equity investments in unlisted entities in accordance with delegated authority limits as defined by the CIC. Market risk on these investments is managed in terms of the investments purpose and strategic benefits to the Group, and not only on investment returns and mark-to-market considerations. Periodic reviews and assessments are undertaken on the performance of these investments.

3.2.5 *Currency risk*

The Group incurs currency risk as a result of services and supplies acquired from foreign suppliers. The currencies in which the Group primarily deals are US Dollars, Pound Sterling and Euro. The Group utilises forward-exchange contracts to hedge the estimated future foreign currency exposure from purchases.

3.2.6 *Derivative financial instruments*

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

Notional principal

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

3.2.87 *Exchange rate contracts*

Forward-exchange contracts are entered into as fair value hedges for foreign currency liabilities.

3.2.8 *Interest rate swaps*

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

3.2.9 *Net investment hedge*

The Group uses a range forward collar contract to hedge the foreign currency translation risk on its net investment in its foreign subsidiary by limiting the risk of a decline in the net asset value of the Group's investment in Sasfin Asia Limited arising from changes in exchange rates. This hedge was terminated on 1 July 2016.

	2017 R'000	2016 R'000
4. CASH AND CASH BALANCES		
Funds on call	1 537 902	232 856
Notice deposits	457 458	330 418
Balance with the SARB	134 536	109 043
	2 129 896	672 317
The balance with the SARB is for minimum reserve requirements and not available for use.		
5. NEGOTIABLE SECURITIES		
Treasury bills	936 470	625 444
Landbank bills	459 052	461 802
Bonds	–	100 535
Negotiable certificates of deposit	–	50 486
	1 395 522	1 238 267
All Landbank bills and Treasury bills to the value of R555 million have been pledged for the SARB refinancing auction.		
6. LOANS AND ADVANCES		
Equipment Finance	4 391 329	4 250 779
Capital Equipment Finance	993 370	775 544
Trade and Debtor Finance	1 127 438	1 193 904
Other secured loans	198 593	229 035
	6 710 730	6 449 262
Gross loans and advances	8 005 767	8 131 699
Less: Unearned finance charges	(1 295 037)	(1 682 437)
Credit impairments for loans and advances	(223 708)	(194 371)
Impairments for non-performing loans and advances	(191 836)	(160 337)
Impairments for performing loans and advances	(31 872)	(34 034)
NET LOANS AND ADVANCES	6 487 022	6 254 891

7. TRADING ASSETS AND LIABILITIES

7.1 TRADING ASSETS AND LIABILITIES

	Financial assets		Financial liabilities	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Financial assets and liabilities held for trade facilitation relate to the Fixed Income trading business in SasSec. Long and short bond positions are not set off. Financial assets held for trade facilitation are hedged by financial liabilities held for trade facilitation, minimising the Group's exposure to interest rate risk. Financial assets held for trade facilitation comprise the following categories of rated bond positions, all of which are traded through the JSE:				
Government	30 585	33 131	562 280	–
Government-owned entities	174 345	135 334	–	492 165
Municipalities	9 113	8 432	–	–
Corporates and other	454 624	403 295	–	36 322
	668 667	580 192	562 280	528 487

7.2 REVERSE REPURCHASE AND REPURCHASE AGREEMENTS

The Group holds proprietary bond positions for trade facilitation related to the Fixed Income business in SasSec. This book consists of rated bond positions all traded through the JSE.

In the normal course of business, the Group enters into repurchase (repo) and reverse repurchase (reverse repo) agreements to facilitate these trades. Repurchase and reverse repurchase agreements are not set off.

	2017 R'000	2016 R'000
Reverse repurchase agreements (assets)	611 426	567 035
Repurchase agreements (liabilities)	704 465	603 455
TOTAL TRADE ASSETS	1 280 093	1 147 227
TOTAL TRADE LIABILITIES	1 266 745	1 131 942

8. OTHER RECEIVABLES

Derivatives at fair value	72 477	100 259
Freight forwarding and customs clearing	–	46 689
Amounts due from market	91 386	251 808
Other receivables	303 345	373 453
	467 208	772 209

Amounts due to and from market represent unsettled transactions in terms of the trading rules applicable to the specific exchange where the deal was booked. For further details on amounts due to market, refer to note 16.

Included in Other Receivables is Rnil (2016: R11.1 million), which has been ceded to Absa Bank Limited to secure banking facilities granted to SCS.

Included in Other Receivables is an amount of R2.827 million (2016: R2.827 million) that has been deposited with the Corporation for Public Deposits in terms of an alleged contravention of exchange control regulations.

	2017 R'000	2016 R'000
9. INVESTMENT SECURITIES		
DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	491 798	569 648
– Listed equity investments	280	233
– Private and Property Equity investments	444 538	493 535
– Strategic investments[1]	46 980	75 880
INVESTMENT IN ASSOCIATE COMPANIES	2 415	16 711
	494 213	586 359
[1] *Comprises the Group's listed equity investment in Efficient Group Limited.*		
SUMMARISED FINANCIAL INFORMATION FOR NON-MATERIAL ASSOCIATES:		
Post-tax (loss)/profit from continued operations	(146)	5 373
Total comprehensive (loss)/income	(146)	5 373
Total assets	4 893	35 497
Total liabilities	585	16 964

	2017 R'000	2016 R'000
10. NON-CURRENT ASSETS HELD FOR SALE		
Fair value at the beginning of the year	69 900	–
Acquisition of subsidiary	–	64 082
Fair value adjustments	(400)	5 818
FAIR VALUE AT THE END OF THE YEAR	69 500	69 900

Investment property obtained through the acquisition of Benal (included in the capital business segment) is presented as Non-Current Assets held for sale. Due to delays in the transfer process, the sale was not concluded within 12 months from the previous reporting date. A contract has been entered into for the sale of the properties, with transfer of ownership expected to be concluded within the next 12 months.

	2017 R'000	2016 R'000
11. INTANGIBLE ASSETS AND GOODWILL		
SOFTWARE AND OTHER		
Carrying amount at the beginning of the year	78 378	49 432
Fintech distributor relationships	32 578	–
Software and other	45 800	49 432
Additions at cost	38 014	65 778
Amortisation and impairment	(17 107)	(36 832)
Fintech brand	–	(3 263)
Fintech distributor relationships	(10 329)	(15 097)
Software and other	(6 778)	(18 472)
Disposals at carrying amount	(116)	–
CARRYING AMOUNT AT THE END OF THE YEAR	99 169	78 378
Gross carrying amounts	210 609	178 230
Accumulated amortisation and impairment	(111 440)	(99 852)
CARRYING AMOUNT AT THE END OF THE YEAR	99 169	78 378
GOODWILL		
Carrying amount at the beginning of the year	44 013	65 559
Adjustment to contingent consideration	–	(19 808)
Impairment of goodwill	(14 363)	(2 124)
Acquisition of subsidiary	2 959	386
CARRYING AMOUNT AT THE END OF THE YEAR	32 609	44 013
TOTAL	131 778	122 391
The Group assesses the value in use of the cash-generating unit/subsidiary on which goodwill was raised, taking into account its current and future profitability to determine whether the goodwill raised is impaired.		
12. FUNDING UNDER REPURCHASE AGREEMENTS AND INTERBANK		
Short-term interbank loans and funding under repurchase agreements	1 381 240	999 184

The Bank participates in the SARB refinancing auction by tendering for cash against eligible collateral. Cash received from the tender is borrowed for one week at the repo rate.

Interbank facilities are overnight facilities utilised by the Bank to manage its daily liquidity requirements.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

	2017 R'000	2016 R'000
13. DEPOSITS FROM CUSTOMERS		
Demand deposits	2 234 437	1 843 467
Notice deposits	454 016	601 678
Fixed deposits	1 794 897	761 382
	4 483 350	3 206 527

14. DEBT SECURITIES ISSUED

	2017 R'000	2016 R'000
Category analysis		
Rated:	2 496 718	2 470 428

Floating rate notes are secured by a cession of rentals and equipment, underlying instalment finance assets and bank accounts in the name of SASP. All notes are placed with South African investors. The debt securities in issuance are rated by Global Credit Ratings Co.

15. LONG-TERM LOANS

Represented by:	Repayment date	2017 R'000	2016 R'000
European DFI loan facility	February 2014 – November 2018	108 288	180 480
IFC		71 385	103 409
– Cleantech funding	September 2014 – September 2019	33 908	50 941
– Subordinated loan	September 2014 – March 2020	37 477	52 468
Absa Bank Limited – Redeemable preference shares[1]	30 August 2019	250 000	150 000
Total		429 673	433 889

[1] *An additional R100 million of preference share funding was raised during 2017.*

[2] *The interest rate on each form of long-term funding is individually negotiated, taking into consideration the quantum and term of the funding.*

16. OTHER PAYABLES

	2017 R'000	2016 R'000
Derivative liabilities	66 806	97 474
Accounts payable	573 918	610 582
Leave pay	15 437	14 849
Management incentives	45 330	85 596
Amounts due to market	67 466	214 853
	768 957	1 023 354

	2017 R'000	2016 R'000
17. DEFERRED TAX ASSETS AND LIABILITIES		
Deferred tax assets	26 995	22 135
Deferred tax liabilities	(127 166)	(125 576)

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	2017			2016		
	Assets R'000	Liabilities R'000	Net R'000	Assets R'000	Liabilities R'000	Net R'000
Equipment Finance	–	(152 875)	(152 875)	(204)	(128 104)	(128 308)
Tax losses	8 828	21 119	29 947	7 294	884	8 178
Fair value adjustments	(8 952)	(33 550)	(42 502)	(4 972)	(18 064)	(23 036)
Prepayments	(267)	(1 300)	(1 567)	(333)	(5 722)	(6 055)
Impairments	15 134	17 024	32 158	140	13 917	14 057
Provisions	11 109	35 184	46 293	11 805	32 943	44 748
Investment property	11	(8 340)	(8 329)	–	(8 447)	(8 447)
Intangible assets	(14)	(10 085)	(10 099)	–	(11 188)	(11 188)
Other temporary differences	1 146	5 657	6 803	8 405	(1 795)	6 610
NET TAX ASSETS/(LIABILITIES)	26 995	(127 166)	(100 171)	22 135	(125 576)	(103 441)

MOVEMENTS IN TEMPORARY DIFFERENCES DURING THE YEAR

	Balance at 1 July R'000	Disposal of subsidiary R'000	Recognised in profit or loss R'000	Balance at 30 June R'000
2017				
Equipment Finance	(128 308)	204	(24 771)	(152 875)
Tax losses	8 178	(2 900)	24 669	29 947
Fair value adjustments	(23 036)	–	(19 466)	(42 502)
Prepayments	(6 055)	167	4 321	(1 567)
Impairments	14 057	(140)	18 241	32 158
Provisions	44 748	(1 405)	2 950	46 293
Investment property	(8 447)	–	118	(8 329)
Intangible assets	(11 188)	–	1 089	(10 099)
Other temporary differences	6 610	630	(437)	6 803
	(103 441)	(3 444)	6 714	(100 171)

17. DEFERRED TAX ASSETS AND LIABILITIES continued

MOVEMENTS IN TEMPORARY DIFFERENCES DURING THE YEAR continued

	Balance at 1 July R'000	Acquisition of subsidiary R'000	Recognised in profit or loss R'000	Balance at 30 June R'000
2016				
Equipment Finance	(100 176)	–	(28 132)	(128 308)
Tax losses	8 053	–	125	8 178
Fair value adjustments	(41 470)	–	18 434	(23 036)
Prepayments	(652)	–	(5 403)	(6 055)
Impairments	11 466	–	2 591	14 057
Provisions	29 202	16	15 530	44 748
Investment property	–	(9 288)	841	(8 447)
Intangible assets	–	(14 263)	3 075	(11 188)
Other temporary differences	14 809	(5 728)	(2 471)	6 610
	(78 768)	(29 263)	4 590	(103 441)

	2017 R'000	2016 R'000
18. ORDINARY SHARE CAPITAL		
AUTHORISED		
100 000 000 (2016: 100 000 000) ordinary shares of 1 cent each	1 000	1 000
ISSUED		
31 736 515 (2016: 31 736 515) fully paid up ordinary shares of 1 cent each		
Balance at the beginning and end of the year	317	317
RECONCILIATION OF THE NUMBER OF SHARES ISSUED		
Total shares in issue (number)	32 301 441	32 301 441
Less: Shares held by the Sasfin Share Incentive Trust (number)	(64 926)	(64 926)
Less: Treasury shares held by SasSec (number)	(500 000)	(500 000)
	31 736 515	31 736 515
19. ORDINARY SHARE PREMIUM		
Balance at the beginning and end of the year	144 010	144 010

	2017 R'000	2016 R'000
20. PREFERENCE SHARE CAPITAL		
AUTHORISED		
5 000 000 (2016: 5 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each	50	50
ISSUED		
1 797 226 (2016: 1 820 544) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each	18	18
Preference shares are listed under the "Specialist Securities – Preference Shares" sector of the JSE. Dividends are paid semi-annually at a rate of 82.5% of the ruling prime rate.		

	2017 R'000	2016 R'000
21. PREFERENCE SHARE PREMIUM		
Balance at the beginning of the year	192 851	195 432
Share buy-back and cancellation	(4 783)	(2 581)
	188 068	192 851

	2017 R'000	2016 R'000
22. COMMITMENTS AND CONTINGENT LIABILITIES		
Letters of credit	76 628	126 470
Guarantees	21 429	49 702
Carry facilities	38 008	–
Capital expenditure	4 773	4 201
Non-cancellable operating lease rentals for premises	165 588	263 857
– One year	35 451	42 469
– One to five years	130 137	169 954
– More than five years	–	51 434
	306 426	444 230

Funds to meet these commitments will be provided from internal Group resources or external funding arrangements as deemed necessary.

Guarantees have been issued by the Group on behalf of customers.

Operating leases

The Group leases office space under operating leases. The lease term is generally between 5 to 20 years, with an option to renew after the lease termination date. If a lease is renewed, the lease payments are renegotiated to reflect market rentals.

Legal proceedings

The Bank and SASP have instituted action for the recovery of approximately R20 million in the aggregate. The claim is in respect of a breach of a counterparty's obligations under various equipment and software leases. The counterparty is defending the claim and has indicated it intends to raise a counter-claim of approximately R56 million in respect of money already paid, for which it seeks a refund. The Group intends vigorously defending any counter-claim (which is a contingent claim) if it materialises.

In addition, the Group is exposed to certain actual and potential claims in its ordinary business. Based on information presently available and an assessment of the probability of these claims, the Directors are satisfied that the Group has adequate provisions and/or insurance cover to meet such claims.

	2017 R'000	2016 R'000
23. SECURITISATION		
In the ordinary course of business, the Group transfers financial assets to structured entities. The information below sets out the extent of such transfers and the Group's retained interest in transferred assets.		
Carrying and fair value of transferred assets	2 822 344	2 793 627
Carrying and fair value of associated liabilities	2 496 718	2 470 428
Net carrying amount and fair value	325 626	323 199
The Group transferred office automation rental instalment contracts to SASP but has retained residual ownership of the vehicle and continues to recognise these assets as loans and advances. The Group refinanced R580 million (2016: R332 million) and placed a further R665 million (2016: R200 million) of notes during the year.		
24. FUNDS UNDER ADVISEMENT AND MANAGEMENT		
The Group administers client funds in a fiduciary capacity which comprise:		
Assets under management	29 854 245	31 028 101
Assets under advisement	8 443 627	9 079 062
Assets under administration	53 693 890	67 855 442
	91 991 762	107 962 605
25. INTEREST INCOME		
Interbank	133 984	93 097
Negotiable securities	103 750	78 651
Equipment Finance	624 792	548 973
Capital Equipment Finance	115 330	94 152
Trade and Debtor Finance	105 705	106 261
Other secured loans	37 190	20 761
Trading assets and other	65 544	57 111
	1 186 295	999 006
26. INTEREST EXPENSE		
Interbank funding	70 560	49 775
Demand deposits	150 320	136 900
Notice deposits	47 651	36 231
Fixed deposits	132 267	56 609
Debt securities	225 033	189 462
Long-term loans	20 115	27 586
Subordinated debt	–	6 591
Trading liabilities and other	97 813	89 366
	743 759	592 520

	2017 R'000	2016 R'000
27. NON-INTEREST INCOME		
Agency revenue	–	65 419
Fee, commission and other income	454 572	460 082
Net brokerage income and asset management fees	97 814	106 632
Confirming fees	58 870	46 234
Dividend income	14 753	6 400
Fair value adjustments on financial instruments held at fair value through profit or loss	(19)	35 562
Fair value adjustments on financial instruments designated at fair value	73 172	8 305
Fair value adjustments on strategic listed investments	(29 196)	17 511
Net gains and losses on derivative instruments and foreign exchange gains and losses	54 664	44 212
	724 630	790 357

	2017 R'000	2016 R'000
28. OPERATING COSTS		
28.1 STAFF COSTS		
Salaries and wages	331 118	368 206
Executive Directors', Alternate Directors' and Prescribed Officers' remuneration[1]	48 873	33 039
Non-Executive Directors' remuneration	3 693	3 157
Contributions to defined-contribution plans and other	30 779	29 937
	414 463	434 339
28.2 OTHER OPERATING EXPENSES		
The following items are included in operating expenses		
Fees paid to auditors	13 230	13 620
Audit fees – Current year	12 473	12 099
– Underprovision prior year	9	663
Other services	748	858
Consulting fees	21 827	26 509
Depreciation	21 327	9 868
Amortisation and impairment of intangible assets	17 107	38 956
Operating lease charges	45 913	63 693
Other[1]	291 922	228 242
	411 326	380 888
28.3 GOODWILL AND INTANGIBLE ASSET IMPAIRMENTS		
Internally developed software	–	2 934
Fintech brand	–	3 263
Fintech distributor relationships	–	4 768
Fintech goodwill	–	2 124
SCS goodwill	14 363	–
	14 363	13 089

[1] *Certain other benefits paid to Executive Directors, Alternate Directors and Prescribed Officers, as disclosed in note 32.3, are classified as other operating expenses.*

	2017 R'000	2016 R'000
29. INCOME TAX EXPENSE		
CURRENT TAX EXPENSE	55 726	72 800
Current year	56 274	72 191
(Over)/Underprovision in prior years	(548)	609
DEFERRED TAX EXPENSE	(6 714)	(4 590)
Current year	(6 714)	(9 328)
Rate change	–	4 738
	49 012	68 210
RECONCILIATION OF TAXATION RATE	%	%
South African normal tax rate	28.0	28.0
Adjusted for:	(7.87)	(5.80)
Exempt income**	(1.71)	(1.72)
Non-deductible expenses	0.57	2.23
Capital gains	(1.91)	(0.61)
Effect of tax rate in foreign entity	(1.11)	(1.96)
Overprovision in prior years	2.83	0.13
Other**	(6.54)	(3.87)
EFFECTIVE RATE	20.13	22.20
INCOME TAX RECOGNISED DIRECTLY IN OTHER COMPREHENSIVE INCOME		
Net loss on hedge of net investment in foreign operation	–	(15 411)
LOSSES, BALANCE OF ALLOWANCES AND CREDITS FOR WHICH A DEFERRED TAX ASSET HAS BEEN RAISED:		
Estimated tax losses available to offset future taxable income	92 646	41 412

*** Limited reclassifications were made.*

30. EARNINGS PER SHARE

30.1 RECONCILIATION BETWEEN BASIC AND HEADLINE EARNINGS

	Gross R'000	Direct tax R'000	Non-controlling and preference shareholders R'000	Profit attributable to ordinary shareholders R'000
2017				
Basic earnings	243 422	(49 012)	(17 833)	176 577
Headline adjustable items:	17 596	(22)	–	17 574
Investment property – fair value loss*	400	(90)	–	310
Profit on disposal of assets	(244)	68	–	(176)
Profit on disposal of subsidiary	(1 359)	–	–	(1 359)
Impairment of leasehold improvements	4 436	–	–	4 436
Goodwill impairment	14 363	–	–	14 363
	261 018	(49 034)	(17 833)	194 151
2016				
Basic earnings	306 998	(68 210)	(14 369)	224 419
Headline adjustable items:	7 271	390	–	7 661
Investment property – fair value gains*	(5 818)	1 304	–	(4 514)
Goodwill and intangible impairments	13 089	(914)	–	12 175
	314 269	(67 820)	(14 369)	232 080

** Relates to non-current assets held for sale.*

30.2 SUMMARY OF EARNINGS AND HEADLINE EARNINGS PER SHARE

	Earnings attributable		Weighted average number of shares		Cents per share	
	2017 R'000	2016 R'000	2017	2016	2017 Cents	2016 Cents
Earnings per ordinary share	176 577	224 419	31 736 515	31 736 515	556.38	707.13
Diluted earnings per ordinary share	176 577	224 419	31 736 515	31 736 515	556.38	707.13
Headline earnings per ordinary share	194 151	232 080	31 736 515	31 736 515	611.76	731.27
Diluted headline earnings per ordinary share	194 151	232 080	31 736 515	31 736 515	611.76	731.27

31. CASH AND CASH BALANCES AT THE END OF THE YEAR

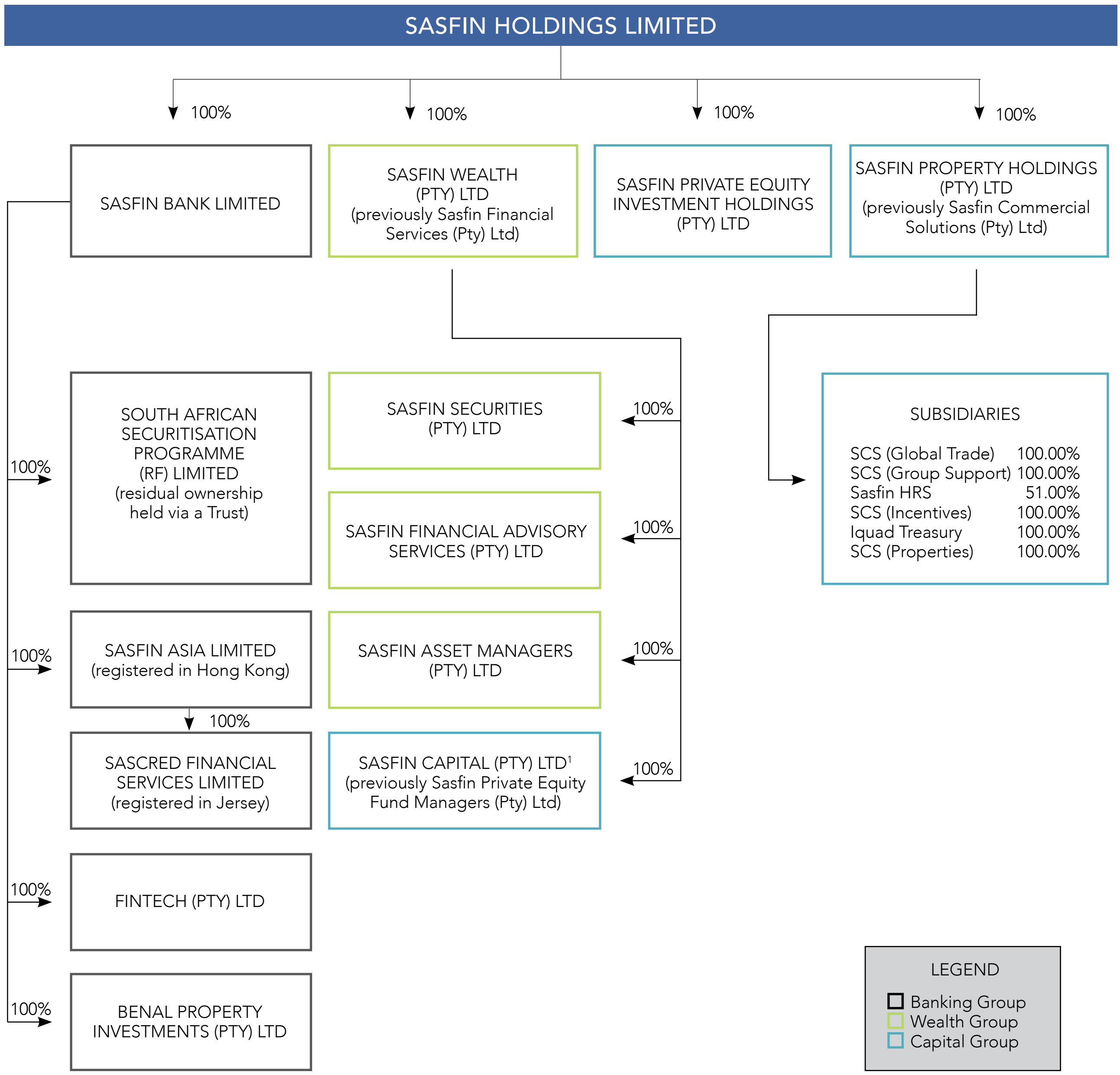
	2017 R'000	2016 R'000
Cash and cash balances	2 129 896	672 317
Negotiable securities	1 395 522	1 238 267
Funding under repurchase agreements and interbank	(1 381 240)	(999 184)
	2 144 178	911 400

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

32. RELATED-PARTY TRANSACTIONS

32.1 SIMPLIFIED GROUP ORGANOGRAM



[1] *Sasfin Capital (Pty) Ltd was unbundled to Sasfin Holdings Limited on 1 July 2017.*

[2] *The Group disposed of its 70% interest in ISL on 1 July 2016.*

32. RELATED-PARTY TRANSACTIONS continued

32.2 TRANSACTIONS WITH KEY MANAGEMENT

The Group's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group (directly or indirectly) and comprise of the Board of Directors and the heads of the major business units and functions. Transactions are made on terms equivalent to those on an arm's-length basis as offered to the Group's clients. Key management personnel and their immediate relatives have balances with the Group at year end as follows:

	2017 R'000	2016 R'000
Deposits	17 104	8 089
Other payables	54 640	42 357
Funds under management	695 235	953 213

32.3 KEY MANAGEMENT PERSONNEL AND RELATED REMUNERATION

Directors' and Prescribed Officers' remuneration

	Services as Directors R	Cash package[1] R	Other benefits[2] R	Incentive bonus[3] R	Total 2017 R	Incentive bonus[6] *Payable in Sept 2017* R
2017						
EXECUTIVE DIRECTORS						
Roland Sassoon	–	3 779 362	999 247	3 200 000	7 978 609	750 000
Tyrone Soondarjee[5]	–	2 592 125	675 550	1 800 000	5 067 675	–
Michael Sassoon	–	2 372 926	587 213	2 300 000	5 260 139	700 000
ALTERNATE DIRECTORS						
Linda Fröhlich	–	2 194 713	704 761	2 500 000	5 399 474	550 000
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Roy Andersen	903 600	–	–	–	903 600	–
Linda de Beer	498 500	–	–	–	498 500	–
Grant Dunnington	718 475	–	–	–	718 475	–
John Moses	596 399	–	–	–	596 399	–
Shahied Rylands	683 025	–	–	–	683 025	–
Lesego Sennelo	292 575	–	–	–	292 575	–
PRESCRIBED OFFICERS						
Howard Brown	–	1 902 145	349 935	1 800 000	4 052 080	550 000
Glen Christopulo	–	1 966 141	531 704	1 500 000	3 997 845	–
Maston Lane	–	2 325 370	629 955	2 300 000	5 255 325	550 000
David Edwards	–	1 889 914	309 946	1 500 000	3 699 860	541 000
Neil Eppel	–	1 925 850	522 498	1 901 500	4 349 848	753 557
Lushendren Pather		1 177 437	403 148	1 050 000	2 630 585	1 000 000
Andrew (Josh) Souchon	–	1 222 156	270 083	–	1 492 239	300 000
	3 692 574	23 348 139	5 984 040	19 851 500	52 876 253	5 694 557

32. RELATED-PARTY TRANSACTIONS continued

32.3 KEY MANAGEMENT PERSONNEL AND RELATED REMUNERATION continued

Directors' and Prescribed Officers' remuneration *continued*

	Services as Directors R	Cash package[1] R	Other benefits[2] R	Incentive bonus[4] R	Total 2016 R
2016					
EXECUTIVE DIRECTORS					
Roland Sassoon	–	3 801 332	527 643	2 175 000	6 503 975
Tyrone Soondarjee[5]	–	2 549 252	407 892	1 734 000	4 691 144
Michael Sassoon	–	1 852 570	432 141	1 320 000	3 604 711
ALTERNATE DIRECTORS					
Linda Fröhlich	–	2 282 654	304 770	1 548 166	4 135 590
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Roy Andersen	850 000	–	–	–	850 000
Linda de Beer	469 000	–	–	–	469 000
Grant Dunnington	532 750	–	–	–	532 750
John Moses	430 000	–	–	–	430 000
Shahied Rylands	523 000	–	–	–	523 000
Lesego Sennelo	352 000	–	–	–	352 000
PRESCRIBED OFFICERS					
Howard Brown	–	1 773 854	334 116	1 272 500	3 380 470
Maston Lane	–	2 066 445	532 579	1 603 500	4 202 524
David Edwards	–	1 704 605	498 206	781 500	2 984 311
Neil Eppel	–	1 860 872	356 019	1 319 500	3 536 391
	3 156 750	17 891 584	3 393 366	11 754 166	36 195 866

1 *The remuneration of the Executive Directors are paid by subsidiaries of the Company.*

2 *Other benefits comprise: provident fund, medical aid, group life, company car and equity-settled share options.*

3 *Relate to the Group's and individual's performance in the 2016 financial year.*

4 *Relate to the Group's and individual's performance in the 2015 financial year.*

5 *Retired on 30 June 2017.*

6 *Relate to the Group's and individual's performance in the 2017 financial year. To be paid in September 2017.*

32.4 DIRECTORS' INTERESTS IN SHARES

Directors' interests in the Company's issued ordinary share capital at 30 June 2017 were:

	2017 Indirect beneficial	2016 Indirect beneficial
DIRECTOR		
Roland Sassoon*	15 800 939	15 800 939

* *Michael Sassoon is similarly indirectly a part beneficiary of the same shares reflected as being held for the indirect benefit of Roland Sassoon.*

33. SUBSEQUENT EVENTS

Women Investment Portfolio Holdings Ltd (WIPHOLD) via a special purpose vehicle (WIPHOLD SPV), has concluded a transaction with the Company, subject to regulatory and shareholder approval, upon implementation of which, WIPHOLD will hold 25.1% of the ordinary shares in the issued capital of the Company.

Sasfin has entered into an implementation, relationship and subscription agreement with WIPHOLD and WIPHOLD SPV, on 7 June 2017 in terms of which, *inter alia*:

- WIPHOLD SPV will subscribe for the Company's ordinary shares (shares) in terms of a specific issue of shares for cash; and
- the Company will make an offer to repurchase all or some of the shares held by shareholders in compliance with all of the applicable requirements for a scheme of arrangement in terms of section 114 of the Companies Act, 71 of 2008 (Companies Act) read with section 115 of the Companies Act.

34. CLASSIFICATION OF ASSETS AND LIABILITIES

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The table below sets out the Group's classification of each class of financial asset and liability, their fair values and carrying amounts.

ASSETS	Designated at fair value R'000	Held for trading R'000	Loans and receivables R'000	Outside scope of IAS 39 R'000	Total R'000
2017					
Cash and cash balances	–	–	2 129 896	–	2 129 896
Negotiable securities	–	1 395 522	–	–	1 395 522
Loans and advances	–	–	6 487 022	–	6 487 022
Trading assets	–	1 280 093	–	–	1 280 093
Other receivables	–	72 477	394 731	–	467 208
Investment securities	494 213	–	–	–	494 213
Private Equity and Property Equity investments	447 233	–	–	–	447 233
Strategic investments	46 980	–	–	–	46 980
Property, plant and equipment	–	–	–	103 856	103 856
Non-current assets held for sale	–	–	–	69 500	69 500
Taxation	–	–	–	36 560	36 560
Intangible assets and goodwill	–	–	–	131 778	131 778
Deferred tax assets	–	–	–	26 995	26 995
	494 213	2 748 092	9 011 649	368 689	12 622 643

34. CLASSIFICATION OF ASSETS AND LIABILITIES continued

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES continued

ASSETS	Designated at fair value R'000	Held for trading R'000	Loans and receivables R'000	Outside scope of IAS 39 R'000	Total R'000
2016					
Cash and cash balances	–	–	672 317	–	672 317
Negotiable securities	–	1 238 267	–	–	1 238 267
Loans and advances	–	–	6 254 891	–	6 254 891
Trading assets	–	1 147 227	–	–	1 147 227
Other receivables	–	100 259	671 950	–	772 209
Investment securities	586 359	–	–	–	586 359
Private Equity and Property Equity investments	510 479	–	–	–	510 479
Strategic investments	75 880	–	–	–	75 880
Property, plant and equipment	–	–	–	87 229	87 229
Non-current assets held for sale	–	–	–	69 900	69 900
Taxation	–	–	–	31 135	31 135
Intangible assets and goodwill	–	–	–	122 391	122 391
Deferred tax assets	–	–	–	22 135	22 135
	586 359	2 485 753	7 599 158	332 790	11 004 060

LIABILITIES	Held for trading R'000	Amortised cost R'000	Outside scope of IAS 39 R'000	Total R'000
2017				
Funding under repurchase agreements and interbank	–	1 381 240	–	1 381 240
Deposits from customers	–	4 483 350	–	4 483 350
Debt securities issued	–	2 496 718	–	2 496 718
Long-term loans	–	429 673	–	429 673
Trading liabilities	1 266 745	–	–	1 266 745
Other payables	66 806	702 151	–	768 957
Taxation	–	–	9 569	9 569
Deferred tax liabilities	–	–	127 166	127 166
	1 333 551	9 493 132	136 735	10 963 418
2016				
Funding under repurchase agreements and interbank	–	999 184	–	999 184
Deposits from customers	–	3 206 527	–	3 206 527
Debt securities issued	–	2 470 428	–	2 470 428
Long-term loans	–	433 889	–	433 889
Trading liabilities	1 131 942	–	–	1 131 942
Other payables	97 474	925 880	–	1 023 354
Taxation	–	–	16 611	16 611
Deferred tax liabilities	–	–	125 576	125 576
	1 229 416	8 035 908	142 187	9 407 511

The carrying amounts of the assets and liabilities closely approximate their fair values.

35. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

35.1 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

	2017			2016		
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
RECURRING FAIR VALUE MEASUREMENTS						
Financial assets	2 675 615	119 736	446 954	2 385 494	192 850	493 768
Negotiable securities	1 395 522	–	–	1 238 267	–	–
Investment securities	–	47 259	446 954	–	92 591	493 768
Trading assets	1 280 093	–	–	1 147 227	–	–
Other receivables	–	72 477	–	–	100 259	–
Financial liabilities	1 266 745	66 806	–	1 131 942	97 474	–
Trading liabilities	1 266 745	–	–	1 131 942	–	–
Other payables	–	66 806	–	–	97 474	–
NON-RECURRING FAIR VALUE MEASUREMENTS						
Non-financial assets						
Non-current assets held for sale	–	–	69 500	–	–	69 900

35.2 MOVEMENT IN LEVEL 3 INSTRUMENTS

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	2017		2016	
	Investment securities R'000	Non-current assets held for sale R'000	Investment securities R'000	Non-current assets held for sale R'000
Balance at the beginning of the year	493 768	69 900	398 024	–
Total gains in profit and loss	72 649	(400)	31 326	5 818
Net (settlements)/investments	(119 463)	–	64 418	64 082
Balance at the end of the year	446 954	69 500	493 768	69 900

35.3 GAINS AND LOSSES FROM FAIR VALUE MEASUREMENT

Total unrealised gains and losses for the reporting period on Level 3 positions held at the reporting date are set out below:

	2017 R'000	2016 R'000
Total gains in profit and loss	72 249	37 144

35. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued

35.4 SENSITIVITY ANALYSIS OF VALUATIONS USING UNOBSERVABLE INPUTS

As part of the Group's risk management processes, stress tests are applied on the significant unobservable parameters to generate a range of potentially possible alternative valuations. The assets that are most impacted by this sensitivity analysis are Level 3 investment securities. The stress tests are applied independently and do not take into account any cross-correlation between separate asset classes that would reduce the overall effect on the valuations.

The following table reflects how the unobservable parameters were changed in order to evaluate the sensitivities of Level 3 financial assets:

Significant unobservable parameter	Positive/(negative) variance applied to parameters	Portfolio
Weighted Average Cost of Capital (WACC)	100/(100) bps	Private equity
Marketability and Minority discounts	100/(100) bps	Private equity
Revenue growth	100/(100) bps	Private equity
Capitalisation rate	50/(50) bps	Property equity

A significant parameter has been deemed to be one which may result in a change to profit or loss, or a change in the fair value of the asset of more than 1%.

This is demonstrated by the following sensitivity analysis, which includes reasonable range of possible outcomes:

Financial instrument	Parameter	2017 Potential effect recorded in profit or loss favourable/ (unfavourable)	2016 Potential effect recorded in profit or loss favourable/ (unfavourable)
Investment securities	WACC	(R2.687m)/R2.762m	(R2.378m)/R2.439m
Investment securities	Marketability and Minority discounts	(R0.606m)/R0.606m	(R0.431m)/R0.431m
Investment securities	Revenue growth	R2.687m/(R2.687m)	R1.130m/(R1.130m)
Investment securities	Capitalisation rate	(R1.095m)/R14.542m	(R12.692m)/(R10.669m)

35. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued

35.5 MARKET RISK SENSITIVITY ON INVESTMENT SECURITIES

The table below illustrates the market risk sensitivity for all investment securities held by the Group assuming a 10% shift in the share price or proxy share price.

	2017			2016		
	10% reduction in fair value R'000	Fair value R'000	10% increase in fair value R'000	10% reduction in fair value R'000	Fair value R'000	10% increase in fair value R'000
LISTED						
Equity securities at fair value	42 533	47 259	51 985	70 905	78 383	86 661
Impact on gains and losses recognised in profit or loss for the year	(26 595)	(29 550)	(32 505)	15 760	17 511	19 262
UNLISTED						
Equity securities at fair value	402 259	446 954	491 649	456 818	507 576	558 334
Impact on gains and losses recognised in profit or loss for the year	65 024	72 249	79 474	31 705	35 228	38 751

35.6 FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE

	2017			2016		
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
FINANCIAL ASSETS	–	8 616 918	394 731	–	6 927 208	671 950
Cash and cash balances	–	2 129 896	–	–	672 317	–
Loans and advances	–	6 487 022	–	–	6 254 891	–
Other receivables	–	–	394 731	–	–	671 950
FINANCIAL LIABILITIES	2 496 718	5 864 590	1 131 824	2 470 428	4 205 711	1 359 769
Funding under repurchase agreements and interbank	–	1 381 240	–	–	999 184	–
Deposits from customers	–	4 483 350	–	–	3 206 527	–
Debt securities issued	2 496 718	–	–	2 470 428	–	–
Long-term loans	–	–	429 673	–	–	433 889
Other payables	–	–	702 151	–	–	925 880

36. FINANCIAL RISK MANAGEMENT

36.1 CREDIT RISK

Group maximum Consolidated Statement of Financial Position exposure to credit risk by credit quality

	Performing loans and advances R'000	Past due but not impaired R'000	Impaired R'000	Gross maximum exposure R'000	Security against impaired R'000	Net impaired exposure R'000
2017						
Cash and cash balances	1 995 360	–	–	1 995 360	–	–
Negotiable securities	1 395 522	–	–	1 395 522	–	–
Loans and advances	6 315 007	47 174	348 549	6 710 730	156 713	191 836
Equipment Finance	4 150 861	12 198	228 270	4 391 329	78 373	149 897
Capital Equipment Finance	992 064	117	1 189	993 370	459	730
Trade and Debtor Finance	1 008 354	34 859	84 225	1 127 438	51 045	33 180
Other secured loans	163 728	–	34 865	198 593	26 836	8 029
Other receivables	467 208	–	–	467 208	–	–
Derivatives at fair value	72 477	–	–	72 477	–	–
Freight forwarding and customs clearing	–	–	–	–	–	–
Amounts due from market	91 386	–	–	91 386	–	–
Other receivables	303 345	–	–	303 345	–	–
Trading assets	1 280 093	–	–	1 280 093	–	–
Investment securities	494 213	–	–	494 213	–	–
	11 947 403	47 174	348 549	12 343 126	156 713	191 836
Add: Financial instruments not exposed to credit risk				134 536		
Less: Credit impairments for loans and advances				(223 708)		
– Impairments for non-performing loans and advances				(191 836)		
– Impairments for performing loans and advances				(31 872)		
				12 253 954		
Represented by the following Consolidated Statement of Financial Position items:						
Cash and cash balances				2 129 896		
Negotiable securities				1 395 522		
Loans and advances				6 487 022		
Investment securities				494 213		
Trading assets				1 280 093		
Other receivables				467 208		
				12 253 954		

36. FINANCIAL RISK MANAGEMENT continued

36.1 CREDIT RISK continued

Group maximum Consolidated Statement of Financial Position exposure to credit risk by credit quality continued

	Performing loans and advances R'000	Past due but not impaired R'000	Impaired R'000	Gross maximum exposure R'000	Security against impaired R'000	Net impaired exposure R'000
2016						
Cash and cash balances	563 274	–	–	563 274	–	–
Negotiable securities	1 238 267	–	–	1 238 267	–	–
Loan and advances	6 004 890	21 222	423 150	6 449 262	262 813	160 337
Equipment Finance	3 853 387	5 232	176 215	4 034 834	50 574	125 641
Capital Equipment Finance	732 922	4	42 618	775 544	31 791	10 827
Taxi Finance	199 787	1 663	14 495	215 945	6 905	7 590
Trade and Debtor Finance	1 142 206	14 323	37 375	1 193 904	29 950	7 425
Other secured loans	76 588	–	152 447	229 035	143 593	8 854
Other receivables	752 855	18 854	500	772 209	500	–
Derivatives at fair value	100 259	–	–	100 259	–	–
Freight forwarding and customs clearing	27 335	18 854	500	46 689	500	–
Amounts due from market	251 808	–	–	251 808	–	–
Other receivables	373 453	–	–	377 453	–	–
Trading assets	1 147 227	–	–	1 147 227	–	–
Investment securities	586 359	–	–	586 359	–	–
	10 292 872	40 076	423 650	10 756 598	263 313	160 337
Add: Financial instruments not exposed to credit risk				109 043		
Less: Credit impairments for loans and advances				(194 371)		
– Impairments for non-performing loans and advances				(160 337)		
– Impairments for performing loans and advances				(34 034)		
				10 671 270		
Represented by the following Consolidated Statement of Financial Position items:						
Cash and cash balances				672 317		
Negotiable securities				1 238 267		
Loans and advances				6 254 891		
Investment securities				586 359		
Trading assets				1 147 227		
Other receivables				772 209		
				10 671 270		

	2017 R'000	2016 R'000
36. FINANCIAL RISK MANAGEMENT continued		
36.1 CREDIT RISK continued		
Credit impairment charges		
Net impairments raised for non-performing loans	83 600	47 066
Net impairments (released)/raised for performing loans	(2 164)	16 846
	81 436	63 912

Reconciliation of credit impairments for advances

	Equipment Finance R'000	Capital Equipment Finance R'000	Debtor finance R'000	Trade finance R'000	Other secured loans R'000	Total R'000
2017						
Non-performing loans						
Balance at the beginning of the year	133 229	10 828	4 048	3 377	8 855	160 337
Net impairments raised/(released)	16 668	(10 098)	(4 048)	29 803	(826)	31 499
Balance at the end of the year	149 897	730	–	33 180	8 029	191 836
Performing loans						
Balance at the beginning of the year	26 816	2 686	–	4 532	–	34 034
Net impairments (released)/raised	(2 789)	(662)	–	1 289	–	(2 162)
Balance at the end of the year	24 027	2 024	–	5 821	–	31 872
Total credit impairments	173 924	2 754	–	39 001	8 029	223 708
2016						
Non-performing loans						
Balance at the beginning of the year	94 353	4 046	2 823	8 046	4 218	113 486
Net impairments raised/(released)	38 876	6 782	1 225	(4 669)	4 637	46 851
Balance at the end of the year	133 229	10 828	4 048	3 377	8 855	160 337
Performing loans						
Balance at the beginning of the year	12 830	1 816	–	2 285	–	16 931
Net impairments raised	13 986	870	–	2 247	–	17 103
Balance at the end of the year	26 816	2 686	–	4 532	–	34 034
Total credit impairments	160 045	13 514	4 048	7 909	8 855	194 371

A 5% (2016: 5%) increase or decrease to the probability of default and loss given default rates, results in a R2.53 million (2016: R2.33 million) increase and R2.44 million (2016: R2.93 million) decrease respectively, to the impairment of performing loans.

36. FINANCIAL RISK MANAGEMENT continued

36.1 CREDIT RISK continued

Impaired exposure of non-performing loans and advances

	Special mention R'000	Sub-standard R'000	Doubtful R'000	Expected loss R'000	Net impaired exposure R'000
2017					
Equipment Finance	780	1 447	11 350	136 320	149 897
Capital Equipment Finance	7	–	–	723	730
Trade and Debtor Finance	295	–	–	32 885	33 180
Other secured loans	4 030	–	–	3 999	8 029
	5 112	1 447	11 350	173 927	191 836
2016					
Equipment Finance	8 274	1 191	14 849	108 916	133 230
Capital Equipment Finance	265	11	–	10 551	10 827
Trade and Debtor Finance	3 138	–	–	4 287	7 425
Other secured loans	–	–	–	8 855	8 855
	11 677	1 202	14 849	132 609	160 337

Past due but not impaired loans and advances

	Between 1 and 30 days R'000	31 – 60 days R'000	61 – 90 days R'000	>90 days R'000	Total R'000
2017					
Ageing of loans and advances past due but not impaired					
Loans and advances	43 832	1 814	1 528	–	47 174
	43 832	1 814	1 528	–	47 174
2016					
Ageing of loans and advances past due but not impaired					
Loans and advances	12 517	8 203	96	406	21 222
Freight forwarding and customs clearing	8 830	4 303	2 632	3 089	18 854
	21 347	12 506	2 728	3 495	40 076

36. FINANCIAL RISK MANAGEMENT continued

36.1 CREDIT RISK continued

	2017 R'000	2016 R'000
Off-balance sheet exposure to credit risk		
Letters of credit	76 628	126 470
Carry facilities	38 008	–
Guarantees issued	21 429	49 702
	136 065	176 172
Concentration risk of advances		
Sectoral analysis		
Agriculture	37 838	231 042
Community, social and personal services	1 078 720	1 178 594
Construction	341 116	251 309
Electricity and water	34 304	208 656
Finance, real estate and business services	1 169 856	1 349 474
Manufacturing	1 214 263	844 975
Mining	245 376	319 875
Trade and accommodation	1 873 687	1 314 532
Transport and communication	715 570	750 805
Total	6 710 730	6 449 262

Collateral for loans and advances

Loans and advance	Security
Equipment Finance	While the Group retains full ownership of the assets and equipment financed throughout the duration of the contract, it generally does not take the value of the asset and equipment for collateral purposes.
Capital Equipment Finance	The primary collateral for Capital Equipment Finance is the plant/equipment being financed. However, other security such as general notarial bonds over other assets and continuous covering mortgage bonds over property are sometimes taken to increase the collateral cover.
Trade Finance	The primary collateral for Trade Finance is the equipment being financed. However, other security such as general notarial bonds over other assets and continuous covering mortgage bonds over property are sometimes taken to increase the collateral cover.
Debtor Finance	The Group's Debtor Finance division does not allow an advance which exceeds the debtors' book of the counterparty. The Group has control over the debtors' books and is therefore covered regarding its exposure, using primarily the counterparty's receivables as its security. Depending on the credit rating and the industry at hand, the Group also holds a margin of 15% to 30% of the fundable debtors' book of the counterparty as an extra buffer for security. Additional securities are also held as further collateral against customers.
Other secured loans	The primary collateral held for commercial property finance comprises first and second covering mortgage bonds, and in some instances suretyships. The collateral is measured in terms of market-related property valuations.

36. FINANCIAL RISK MANAGEMENT continued

36.1 CREDIT RISK continued

***Collateral for loans and advances** continued*

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below.

	Gross exposure R'000	Security							Unsecured R'000
		Stock R'000	Fixed assets R'000	Receiv-ables R'000	Property R'000	Pledges/ deposits R'000	Total R'000	
2017								
Loans and advances								
Equipment Finance	4 391 329	–	78 373	–	–	–	78 373	4 312 956
Capital Equipment Finance	993 370	–	–	–	–	459	459	992 911
Trade and Debtor Finance	1 127 438	421 462	58 310	428 258	32 009	127 363	1 067 402	60 036
Other secured loans	198 593	–	–	–	114 018	1 110	115 128	83 465
2016								
Loans and advances								
Equipment Finance	4 250 779	–	–	–	–	–	–	4 250 779
Capital Equipment Finance	775 544	–	–	–	–	–	–	775 544
Trade and Debtor Finance	1 193 904	361 971	103 498	561 144	19 390	113 774	1 159 777	34 127
Other secured loans	229 035	–	–	–	189 613	15 355	204 968	24 067

Collateral held against individually impaired assets

	Gross exposure R'000	Security						Unsecured R'000
		Stock R'000	Fixed assets R'000	Receiv-ables R'000	Property R'000	Pledges/ deposits R'000	Total R'000	
2017								
Loans and advances								
Equipment Finance	228 270	–	78 373	–	–	–	78 373	149 897
Capital Equipment Finance	1 189	–	–	–	–	459	459	730
Trade and Debtor Finance	84 225	11 621	–	33 523	–	5 901	51 045	33 180
Other secured loans	34 865	–	–	–	26 836	–	26 836	8 029
2016								
Loans and advances								
Capital Equipment Finance	42 618	–	31 791	–	–	–	31 791	10 827
Trade and Debtor Finance	37 375	8 956	1 929	10 743	–	8 322	29 950	7 425
Other secured loans	152 447	–	–	–	128 238	15 355	143 593	8 854

Financial assets held for trade facilitation	2017 %	2016 %
Financial assets attract credit risk in the form of counterparty credit risk and concentration risk.		
Issuer ratings relating to the portfolio of bond assets were as follows:		
AAA to A3	99.5	99.9
BA3 to BAA1	0.5	0.1
	100	100

36. FINANCIAL RISK MANAGEMENT continued

36.2 LIQUIDITY RISK

Contractual maturity analysis

2017

	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	6 – 10 years R'000	Non-contractual R'000	Total R'000
Discounted maturity									
Assets									
Cash and cash balances	2 129 896	2 129 896	1 672 438	–	457 458	–	–	–	2 129 896
Negotiable securities	1 395 522	1 395 522	98 279	925 537	371 706	–	–	–	1 395 522
Loans and advances	6 487 022	6 487 022	496 513	1 025 676	1 758 417	3 401 084	29 038	(223 706)	6 487 022
Trading assets	1 280 093	1 280 093	1 280 093	–	–	–	–	–	1 280 093
Other receivables	467 208	467 208	242 079	182 276	42 305	–	–	548	467 208
Investment securities	494 213	494 213	–	–	–	–	–	494 213	494 213
Property, plant and equipment	103 856	103 856	–	–	–	–	–	103 856	103 856
Non-current assets held for sale	69 500	69 500	–	–	69 500	–	–	–	69 500
Taxation	36 560	36 560	36 560	–	–	–	–	–	36 560
Intangible assets and goodwill	131 778	131 778	–	–	–	–	–	131 778	131 778
Deferred tax asset	26 995	26 995	–	–	–	–	–	26 995	26 995
Total assets	12 622 643	12 622 643	3 825 962	2 133 489	2 699 386	3 401 084	29 038	533 684	12 622 643
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	1 381 240	1 381 240	1 381 240	–	–	–	–	–	1 381 240
Deposits from customers	4 483 350	4 483 350	2 934 921	481 498	764 893	302 038	–	–	4 483 350
Debt securities issued	2 496 718	2 960 132	–	432 264	143 198	2 384 670	–	–	2 960 132
Long-term loans	429 673	429 673	–	26 034	78 103	325 536	–	–	429 673
Trading liabilities	1 266 745	1 266 745	1 266 745	–	–	–	–	–	1 266 745
Other payables	768 957	768 957	359 584	371 221	27 061	115	–	10 976	768 957
Taxation	9 569	9 569	9 569	–	–	–	–	–	9 569
Deferred tax liability	127 166	127 166	–	–	–	–	–	127 166	127 166
Total liabilities	10 963 418	11 426 832	5 952 059	1 311 017	1 013 255	3 012 359	–	138 142	11 426 832
Off-Statement of Financial Position									
Loan commitments	136 065	136 065	83 870	43 985	8 121	89	–	–	136 065

36. FINANCIAL RISK MANAGEMENT continued

36.2 LIQUIDITY RISK continued

Contractual maturity analysis continued

2016

	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	6 – 10 years R'000	Non-contractual R'000	Total R'000
Discounted maturity									
Assets									
Cash and cash balances	672 317	672 317	341 899	330 418	–	–	–	–	672 317
Negotiable securities	1 238 267	1 238 267	399 881	691 419	146 967	–	–	–	1 238 267
Loans and advances	6 254 891	6 254 891	521 206	1 155 788	1 403 179	3 353 812	15 276	(194 370)	6 254 891
Trading assets	1 147 227	1 147 227	1 147 227	–	–	–	–	–	1 147 227
Other receivables	772 209	772 209	482 678	15 104	274 427	–	–	–	772 209
Investment securities	586 359	586 359	–	–	–	–	–	586 359	586 359
Property, plant and equipment	87 229	87 229	–	–	–	–	–	87 229	87 229
Non-current assets held for sale	69 900	69 900	69 900	–	–	–	–	–	69 900
Taxation	31 135	31 135	31 135	–	–	–	–	–	31 135
Intangible assets and goodwill	122 391	122 391	–	–	–	–	–	122 391	122 391
Deferred tax asset	22 135	22 135	–	–	–	–	–	22 135	22 135
Total assets	11 004 060	11 004 060	2 993 926	2 192 729	1 824 573	3 353 812	15 276	623 744	11 004 060
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	999 184	999 184	834 834	144 156	11 228	8 966	–	–	999 184
Deposits from customers	3 206 527	3 206 527	1 800 362	420 272	749 108	231 285	–	5 500	3 206 527
Debt securities issued	2 470 428	2 753 138	–	950 478	423 692	1 378 968	–	–	2 753 138
Long-term funding	433 889	433 889	–	26 143	228 103	179 643	–	–	433 889
Trading liabilities	1 131 942	1 131 942	1 131 942	–	–	–	–	–	1 131 942
Other payables	1 023 354	1 023 354	635 292	321 055	29 438	8 555	–	29 014	1 023 354
Taxation	16 611	16 611	16 611	–	–	–	–	–	16 611
Deferred tax liability	125 576	125 576	–	–	–	–	–	125 576	125 576
Total liabilities	9 407 511	9 690 221	4 419 041	1 862 104	1 441 569	1 807 417	–	160 090	9 690 221
Off-Statement of Financial Position									
Loan commitments	176 172	176 172	29 943	110 633	35 546	50	–	–	176 172

36. FINANCIAL RISK MANAGEMENT continued

36.3 MARKET RISKS

The tables summarise the Group's exposure to interest rate risk through categorisation of assets and liabilities into time buckets, determined as being the earlier of the contractual repricing date or maturity.

	Up to 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	Total R'000
2017					
ASSETS					
Non-trading portfolios					
Cash and cash balances	1 995 360	–	–	–	1 995 360
Negotiable securities	98 279	925 537	371 706	–	1 395 522
Loans and advances	5 772 207	296 405	82 014	560 104	6 710 730
TOTAL ASSETS	7 865 846	1 221 942	453 720	560 104	10 101 612
LIABILITIES					
Non-trading portfolios					
Funding under repurchase agreements and interbank	1 381 240	–	–	–	1 381 240
Deposits from customers	3 183 461	378 271	619 580	302 038	4 483 350
Debt securities issued	–	2 496 718	–	–	2 496 718
Long-term loans	250 000	179 673	–	–	429 673
TOTAL LIABILITIES	4 814 701	3 054 662	619 580	302 038	8 790 981
NET REPRICING GAP	3 051 145	(1 832 720)	(165 860)	258 066	1 310 631
CUMULATIVE REPRICING GAP	3 051 145	1 218 425	1 052 565	1 310 631	1 310 631
A 200 basis point interest rate change will have the following effect on profit/loss:					
200 bp parallel shock interest rate increase	4 560	199	895	4 771	10 425
200 bp parallel shock interest rate decrease	2 945	14 811	66 652	355 475	439 883
2016					
ASSETS					
Non-trading portfolios					
Cash and cash balances	499 575	63 700	–	–	563 275
Negotiable securities	399 881	741 906	96 480	–	1 238 267
Loans and advances	4 415 045	485 890	200 245	1 348 082	6 449 262
TOTAL ASSETS	5 314 501	1 291 496	296 725	1 348 082	8 250 804
LIABILITIES					
Non-trading portfolios					
Funding under repurchase agreements and interbank	734 658	261 990	2 536	–	999 184
Deposits from customers	1 948 180	340 853	737 346	180 148	3 206 527
Debt securities issued	–	2 470 428	–	–	2 470 428
Long-term loans	150 000	283 889	–	–	433 889
TOTAL LIABILITIES	2 832 838	3 357 160	739 882	180 148	7 110 028
NET REPRICING GAP	2 481 663	(2 065 664)	(443 157)	1 167 934	1 140 776
CUMULATIVE REPRICING GAP	2 481 663	415 999	(27 158)	1 140 776	1 140 776
A 200 basis point interest rate change will have the following effect on profit/loss:***					
200 bp parallel shock interest rate increase	3 670	(1 998)	(8 993)	(47 962)	(55 283)
200 bp parallel shock interest rate decrease	3 196	15 731	70 788	377 533	467 248

*** *Recalculated on a consistent basis with 2017, which has been aligned to the Group's regulatory reporting of market risk.*

36. FINANCIAL RISK MANAGEMENT continued

36.3 MARKET RISKS continued

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point (bp) parallel fall or rise in all yield curves.

36.4 CURRENCY RISK

The Group incurs currency risk as a result of services and supplies acquired from foreign suppliers. The currencies in which the Company primarily deals are United States Dollars, Pound Sterling and Euro. The Group utilises forward-exchange contracts to hedge its estimated future foreign currency exposure from purchases.

Foreign currency risk sensitivity analysis

	US Dollar R'000	Euro R'000	Japanese Yen R'000	British Pound R'000	Other R'000	Total R'000
2017						
Forward-exchange contracts	(4 683)	82 769	1 086	4 323	(17)	83 478
Import bills	135 866	4 939	–	–	–	140 805
Bank balances	188 778	65 155	1 280	10 447	191	265 851
Bank overdrafts	(33 732)	(115 930)	(574)	–	–	(150 236)
Import suppliers	(1 325)	(3 449)	(172)	(1 435)	–	(6 381)
Usance creditors	(84 477)	(7 649)	–	–	–	(92 126)
Other payables	(48 220)	(641)	3	(4 975)	191	(53 642)
Total net (short)/long position	152 207	25 194	1 623	8 360	365	187 749
Sensitivity – 5%	7 610	1 260	81	418	18	9 387
2016						
Forward-exchange contracts	(3 199)	61 464	(2)	527	(35)	58 755
Import bills	165 606	5 306	–	–	–	170 912
Bank balances	130 356	34 180	989	10 788	1 261	177 574
Bank overdrafts	(163 326)	(80 217)	–	(5 440)	–	(248 983)
Import suppliers	(1 008)	(2 443)	–	(577)	–	(4 028)
Usance creditors	(11 683)	(3 104)	–	–	–	(14 787)
Other payables	(26 301)	1 571	(7)	(444)	(1 211)	(26 392)
Total net (short)/long position	90 445	16 757	980	4 854	15	113 051
Sensitivity – 5%	4 522	838	49	243	1	5 653

36. FINANCIAL RISK MANAGEMENT continued

36.4 CURRENCY RISK continued

Analysis of assets and liabilities by currency

	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2017						
ASSETS						
Cash and cash balances	188 778	65 155	10 447	1 864 045	1 471	2 129 896
Negotiable securities	–	–	–	1 395 522	–	1 395 522
Loans and advances	135 866	4 939	–	6 346 217	–	6 487 022
Other receivables	–	–	–	467 208	–	467 208
Non-current assets held for sale	–	–	–	69 500	–	69 500
Investment securities	–	–	–	494 213	–	494 213
Trading assets	–	–	–	1 280 093	–	1 280 093
Property, plant and equipment	–	–	–	103 856	–	103 856
Taxation	–	–	–	36 560	–	36 560
Intangible assets and goodwill	–	–	–	131 778	–	131 778
Deferred tax assets	–	–	–	26 995	–	26 995
TOTAL ASSETS	324 644	70 094	10 447	12 215 987	1 471	12 622 643
LIABILITIES						
Funding under repurchase agreements and interbank	33 732	115 930	–	1 231 004	574	1 381 240
Deposits from customers	–	–	–	4 483 350	–	4 483 350
Trading liabilities	–	–	–	1 266 745	–	1 266 745
Long-term loans	–	–	–	429 673	–	429 673
Other payables	134 022	11 739	6 410	616 808	(22)	768 957
Debt securities issued	–	–	–	2 496 718	–	2 496 718
Taxation	–	–	–	9 569	–	9 569
Deferred tax liabilities	–	–	–	127 166	–	127 166
TOTAL LIABILITIES	167 754	127 669	6 410	10 661 033	552	10 963 418

36. FINANCIAL RISK MANAGEMENT continued

36.4 CURRENCY RISK continued

Analysis of assets and liabilities by currency continued

	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2016						
ASSETS						
Cash and cash balances	130 356	34 180	10 788	494 743	2 250	672 317
Negotiable securities	–	–	–	1 238 267	–	1 238 267
Loans and advances	165 606	5 306	–	6 083 979	–	6 254 891
Other receivables	–	–	–	772 209	–	772 209
Non-current assets held for sale	–	–	–	69 900	–	69 900
Investment securities	–	–	–	586 359	–	586 359
Trading assets	–	–	–	1 147 227	–	1 147 227
Property, plant and equipment	–	–	–	87 229	–	87 229
Taxation	–	–	–	31 135	–	31 135
Intangible assets and goodwill	–	–	–	122 391	–	122 391
Deferred tax assets	–	–	–	22 135	–	22 135
TOTAL ASSETS	295 962	39 486	10 788	10 655 574	2 250	11 004 060
LIABILITIES						
Funding under repurchase agreements and interbank	163 326	80 217	5 440	750 201	–	999 184
Deposits from customers	–	–	–	3 206 527	–	3 206 527
Trading liabilities	–	–	–	1 131 942	–	1 131 942
Long-term loans	–	–	–	433 889	–	433 889
Other payables	38 992	3 976	1 022	978 146	1 218	1 023 354
Debt securities issued	–	–	–	2 470 428	–	2 470 428
Taxation	–	–	–	16 611	–	16 611
Deferred tax liabilities	–	–	–	125 576	–	125 576
TOTAL LIABILITIES	202 318	84 193	6 462	9 113 320	1 218	9 407 511

36. FINANCIAL RISK MANAGEMENT continued

36.5 DERIVATIVE FINANCIAL INSTRUMENTS

	Within 1 year R'000	Net fair value R'000	Positive fair value R'000	Negative fair value R'000	Notional principal R'000
2017					
Exchange rate contracts	5 903	5 903	72 068	(66 165)	292 138
Interest rate swaps	(232)	(232)	409	(641)	694 414
TOTAL DERIVATIVES	5 671	5 671	72 477	(66 806)	986 552
2016					
Exchange rate contracts	1 459	1 459	43 892	(42 434)	51 448
Net investment hedge	(55 040)	(55 040)	–	(55 040)	267 564
Currency hedge	55 040	55 040	55 040	–	267 564
Interest rate swaps	–	–	–	–	85
TOTAL DERIVATIVES	1 459	1 459	98 932	(97 474)	586 661

36.6 NET INVESTMENT HEDGE

The Group used a range forward collar contract to hedge the foreign currency translation risk on its net investment in its foreign subsidiary.

The objective of the net investment hedge is to limit the risk of a decline in the net asset value of the Group's investment in a foreign operation brought about by changes in exchange rates.

The hedge was not renewed for the 2017 financial year.

The fair value of the derivative designated as a net investment hedge is as follows:

	2017		2016	
	Assets R'000	Liabilities R'000	Assets R'000	Liabilities R'000
Range forward foreign collar option	–	–	55 040	55 040

This range forward collar was used to hedge the net investment in the Group's subsidiary in Hong Kong with a US Dollar functional currency and has a fair value of USDnil (2016: USD3 753 434) at the reporting date.

36. FINANCIAL RISK MANAGEMENT continued

36.7 CAPITAL MANAGEMENT

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

The key fundamentals of the Group's capital management policy are to ensure that the Group is adequately capitalised to support its risk profile and to develop risk management techniques and internal controls to manage and monitor the risks of the Group.

Key objectives of capital management are to:

- ensure that the Group has sufficient qualifying capital resources to meet the minimum regulatory capital requirements as set by the SARB in accordance with the Basel III Accord and the Group's Board Risk Appetite;
- ensure that the available capital resources of the Group are sufficient to support the economic capital requirements of the Group;
- optimise return on regulatory and economic capital by providing investors with above market-related returns on a sustainable basis;
- generate sufficient capital to support the organic and new business growth objectives of the Group;
- allocate capital to businesses to support the strategic and growth objectives of the Group; and
- ensure that the Group is sufficiently capitalised to withstand the impact of potential stress events within the parameters of an appropriate capital buffer.

The Board is responsible for assessing and approving the Group's capital management framework, capital plans and capital buffer. The capital plans and buffer are set annually and reviewed quarterly or when the economy shows signs of stress. The Board has tasked the GRCMC to ensure the Group is in compliance with the capital management objectives. The GRCMC meets on a quarterly basis to review the regulatory and economic capital adequacy of the Group. The capital adequacy of the Group is reported to the Board on a quarterly basis.

Capital adequacy (unaudited)

The Group has developed and implemented a capital management framework, which ensures that the Group is adequately capitalised in terms of its regulatory and economic capital requirements, taking into account its risk profile, internal target ratios and stress testing.

The capital management framework and processes ensure that the Group maintains adequate capital levels for legal and regulatory compliance purposes. The Group ensures that its actions do not compromise sound corporate governance and appropriate business practices.

The Group has adopted the aggregation approach for consolidation in terms of the Basel III regulations where the capital resources and requirements of the banking and financial entities within the Group are consolidated.

Regulatory capital (unaudited)

In terms of the requirements of the Banks Act, the Group has complied with the minimum capital requirements for the year under review.

The Group's regulatory capital is split into two tiers:

- Tier 1 capital, which is split into Common Equity Tier 1 capital and Additional Tier 1 capital, includes ordinary share capital, share premium, appropriated earnings and qualifying preference share capital
- Tier 2 capital, which includes subordinated term debt after regulatory adjustments.

The minimum capital requirements are defined by two ratios and amount to:

- Tier 1 capital as a percentage of risk-weighted assets
- Total qualifying capital as a percentage of risk-weighted assets.

36. FINANCIAL RISK MANAGEMENT continued

36.7 CAPITAL MANAGEMENT continued

Regulatory capital (unaudited) continued

	Unaudited 2017 %	Unaudited 2016 %
Common Equity Tier 1 capital	15.053	17.139
Additional Tier 1 capital	1.046	1.490
Total Tier 1 capital	16.099	18.629
Tier 2 capital	0.280	0.394
Total capital	16.379	19.023
Stakeholder Capital adequacy ratio minimum requirements		
Regulator:		
– National Common Equity Tier 1****	7.250	6.875
– National Total Tier 1****	8.500	8.125
– Total capital****	10.750	10.375

***** Includes the capital conservation buffer.*

37. SEGMENT REPORTING

	2017			2016		
	South Africa R'000	Asia-Pacific R'000	Total R'000	South Africa R'000	Asia-Pacific R'000	Total R'000
GEOGRAPHICAL SEGMENTS						
External revenue	1 117 912	49 254	1 167 166	1 145 908	50 935	1 196 843
Segment assets	12 117 649	504 994	12 622 643	10 389 776	614 284	11 004 060

	Business Banking R'000	Trans-actional Banking and Treasury R'000	Wealth R'000	Capital R'000	Commercial Solutions R'000	Corporate Services and Group eliminations R'000	Total R'000
BUSINESS SEGMENTS 2017							
Interest income	888 966	526 266	53 289	38 848	9 501	(330 575)	1 186 295
Interest expense	554 776	442 231	54 937	50 940	2 990	(362 115)	743 759
NET INTEREST INCOME	334 190	84 035	(1 648)	(12 092)	6 511	31 540	442 536
Non-interest income	231 098	4 776	257 984	101 358	141 171	(11 757)	724 630
TOTAL INCOME	565 288	88 811	256 336	89 266	147 682	19 783	1 167 166
Impairment charges on loans and advances	65 972	–	–	15 286	178	–	81 436
NET INCOME AFTER IMPAIRMENTS	499 316	88 811	256 336	73 980	147 504	19 783	1 085 730
Operating costs	289 126	56 454	202 779	45 875	115 826	130 092	840 152
Staff costs	57 785	17 232	103 980	24 121	60 122	151 223	414 463
Other operating expenses	227 400	39 222	98 799	21 754	55 704	(31 553)	411 326
Goodwill impairment	3 941	–	–	–	–	10 422	14 363
PROFIT FROM OPERATIONS	210 190	32 357	53 557	28 105	31 678	(110 309)	245 578
Share of associate income	–	–	–	–	(2 156)	–	(2 156)
PROFIT BEFORE INCOME TAX	210 190	32 357	53 557	28 105	29 522	(110 309)	243 422
Income tax expense	56 299	8 623	16 811	(8 740)	3 514	(27 495)	49 012
PROFIT FOR THE YEAR	153 891	23 734	36 746	36 845	26 008	(82 814)	194 410
Segment assets	7 295 493	6 160 948	1 573 909	863 103	570 093	(3 840 903)	12 622 643
Segment liabilities	6 373 781	6 147 502	1 399 736	539 584	384 855	(3 882 040)	10 963 418

37. SEGMENT REPORTING continued

	Business Banking R'000	Trans-actional Banking and Treasury R'000	Wealth R'000	Capital R'000	Commercial Solutions R'000	Corporate Services and Group eliminations R'000	Total R'000
BUSINESS SEGMENTS							
2016							
Interest income	788 591	382 248	47 989	29 347	8 033	(257 202)	999 006
Interest expense	471 927	316 017	48 491	36 043	12 407	(292 365)	592 520
NET INTEREST INCOME	316 664	66 231	(502)	(6 696)	(4 374)	35 163	406 486
Non-interest income	243 428	(2 270)	301 419	52 446	197 691	(2 357)	790 357
TOTAL INCOME	560 092	63 961	300 917	45 750	193 317	32 806	1 196 843
Impairment charges on loans and advances	57 747	–	–	5 499	666	–	63 912
NET INCOME AFTER IMPAIRMENTS	502 345	63 961	300 917	40 251	192 651	32 806	1 132 931
Operating costs	288 877	54 910	194 270	36 568	162 835	90 856	828 316
Staff costs	81 329	18 771	94 876	21 585	87 774	130 004	434 339
Other operating expenses	202 161	36 139	99 394	14 983	75 061	(46 850)	380 888
Goodwill and intangible asset impairments	5 387	–	–	–	–	7 702	13 089
PROFIT FROM OPERATIONS	213 468	9 051	106 647	3 683	29 816	(58 050)	304 615
Share of associate income	–	–	–	–	2 383	–	2 383
PROFIT BEFORE INCOME TAX	213 468	9 051	106 647	3 683	32 199	(58 050)	306 998
Income tax expense	57 174	2 492	30 241	(16 661)	7 334	(12 370)	68 210
PROFIT FOR THE YEAR	156 294	6 559	76 406	20 344	24 865	(45 680)	238 788
Segment assets	6 104 399	4 393 773	1 129 574	761 418	317 725	(1 702 829)	11 004 060
Segment liabilities	5 467 456	4 264 714	1 057 747	384 379	166 849	(1 933 634)	9 407 511

COMPANY FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION

at 30 June 2017

	Accounting policy	Note	2017 R'000	2016 R'000
ASSETS				
Cash and cash balances	1.10	38.1	48 241	122
Other receivables		38.2	14 104	1 501
Investment in subsidiaries	1.2	38.3	515 198	552 691
Taxation	1.15		3 709	304
Deferred tax asset	1.15	38.4	5 291	1 166
TOTAL ASSETS			586 543	555 784
LIABILITIES				
Taxation			3 906	
Other payables		38.5	5 781	1 521
Loans from subsidiary companies		38.3	–	44 110
TOTAL LIABILITIES			9 687	45 631
EQUITY				
Ordinary share capital	1.9		323	323
Ordinary share premium			163 363	163 363
Reserves			225 084	153 598
Preference share capital	1.9		18	18
Preference share premium			188 068	192 851
TOTAL EQUITY			576 856	510 153
TOTAL LIABILITIES AND EQUITY			586 543	555 784

COMPANY FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

	Accounting policy	Note	2017 R'000	2016 R'000
Interest income	1.13	38.6	86	354
Interest expense	1.13	38.7	4 085	2 684
NET INTEREST INCOME			(3 999)	(2 330)
NON-INTEREST INCOME	1.13	38.8	183 818	97 616
TOTAL INCOME			179 819	95 286
Operating costs			12 278	3 861
Staff costs	1.14	38.9	2 451	1 665
Other operating expenses		38.10	9 827	2 196
PROFIT BEFORE INCOME TAX			167 541	91 425
Income tax expense	1.15	38.11	(3 440)	(983)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR			170 981	92 408
PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Preference shareholders			15 580	14 369
Ordinary shareholders			155 401	78 039
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR			170 981	92 408

COMPANY FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Ordinary share capital and premium R'000	Distributable reserves R'000	Total ordinary shareholders' equity R'000	Preference share capital and premium R'000	Total shareholders' equity R'000
30 JUNE 2015	163 686	155 035	318 721	195 450	514 171
Total comprehensive income for the year	–	92 408	92 408	–	92 408
Profit for the year	–	92 408	92 408	–	92 408
Share buy-back and cancellation	–	–	–	(2 581)	(2 581)
Dividends to preference shareholders	–	(14 369)	(14 369)	–	(14 369)
Dividends to ordinary shareholders	–	(79 476)	(79 476)	–	(79 476)
30 JUNE 2016	163 686	153 598	317 284	192 869	510 153
Total comprehensive income for the year	–	170 981	170 981	–	170 981
Profit for the year	–	170 981	170 981	–	170 981
Share buy-back and cancellation	–	2 919	2 919	(4 783)	(1 864)
Dividends to preference shareholders	–	(15 580)	(15 580)	–	(15 580)
Dividends to ordinary shareholders	–	(86 834)	(86 834)	–	(86 834)
30 JUNE 2017	163 686	225 084	388 770	188 086	576 856

COMPANY FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	2017 R'000	2016 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	10 976	2 970
Cash paid to customers, employees and suppliers	(16 363)	(6 545)
CASH INFLOW FROM OPERATING ACTIVITIES	(5 387)	(3 575)
Dividends received	195 053	95 000
Taxation paid	(183)	103
Dividend paid	(102 414)	(93 845)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	87 069	(2 317)
CHANGES IN OPERATING ASSETS AND LIABILITIES	(8 344)	(834)
Change in other receivables	(12 604)	(861)
Change in other payables and provisions	4 260	27
NET CASH FROM OPERATING ACTIVITIES	78 725	(3 151)
CASH FLOWS FROM INVESTING ACTIVITIES	15 389	(19)
Proceeds from disposal of subsidiary	7 489	–
Proceeds from disposal of investments	7 900	–
Repayment of loans from subsidiary companies	–	(19)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(45 995)	(7 022)
Loans from subsidiary companies	(44 131)	(4 441)
Preference share buy-back	(1 864)	(2 581)
NET INCREASE/(DECREASE) IN CASH AND CASH BALANCES	48 119	(10 192)
Cash and cash balances at the beginning of the year	122	10 314
CASH AND CASH BALANCES AT THE END OF THE YEAR	48 241	122

		2017 R'000	2016 R'000
38.1	**CASH AND CASH BALANCES**		
	Money on call	48 241	122
38.2	**OTHER RECEIVABLES**		
	Sundry debtors	14 104	1 501
38.3	**SUBSIDIARY COMPANIES**		
	Unlisted investments		
	Shares at carrying amount – ordinary shares	514 548	552 062
	Share-based payment reserve	650	629
		515 198	552 691
	The shares in SPEIH held by the Company are ceded and pledged to Absa Bank Limited as a form of collateral/security for the subscription by Absa Bank Limited of the SPEIH redeemable preference shares.		
	Loans from subsidiary companies	–	44 110
	The loans to subsidiaries are unsecured, bear interest relating to prime, and are repayable in the next 12 months.		
	A detailed organogram of the Group appears in note 32.1.		
38.4	**DEFERRED TAX**		
	Deferred tax (liability)/asset on temporary differences arising from:		
	Prepayments	(43)	(27)
	Provisions	378	213
	Tax losses	4 956	980
		5 291	1 166
38.5	**OTHER PAYABLES**		
	Audit fees and other services	1 350	759
	Accounts payable	4 431	762
		5 781	1 521
38.6	**INTEREST INCOME**		
	Inter-company loans	86	–
	Other	–	354
		86	354
38.7	**INTEREST EXPENSE**		
	Inter-company loans	4 048	2 684
	Other	37	–
		4 085	2 684
38.8	**OTHER INCOME**		
	Fee income	11 840	2 616
	Loss on disposal of investment	(23 075)	–
	Dividend income	195 053	95 000
		183 818	97 616

		2017 R'000	2016 R'000
38.9	**STAFF COSTS**		
	– Directors' fees paid by the Company	2 451	1 665
38.10	**OTHER OPERATING EXPENSES**		
	The following items are included in operating expenses:		
	Fees paid to auditors	3 981	1 409
	Audit fees – current year	3 631	1 387
	Other services	350	22
	Other	5 846	787
		9 827	2 196
38.11	**INCOME TAX EXPENSE**		
	South African normal tax	(3 440)	(983)
	Current tax expense	685	6
	Deferred tax – current year	(4 125)	(989)
		(3 440)	(983)
	Reconciliation of rate of taxation	%	%
	South African normal tax rate	28.0	28.0
	Adjusted for:	(30.0)	(28.1)
	Exempt income	(32.6)	(28.1)
	Non-deductible expenses	1.9	
	Prior year overprovision	0.7	
	EFFECTIVE RATE	(2.0)	(0.1)

38.12 RELATED-PARTY TRANSACTIONS

The following are defined as related parties of the Group:

- Subsidiaries (refer to note 32.1)
- Associated undertakings and joint arrangements
- Key management personnel.

The Group has defined key management personnel as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (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 the Directors of the Company.

	2017 R'000	2016 R'000
TRANSACTIONS BETWEEN GROUP COMPANIES COMPRISE:		
Interest income	86	–
Interest expense	4 048	2 684
Dividend income	195 053	95 000
Management fees received	11 426	–
Administration fees received	2 434	2 434

38.13 CLASSIFICATION OF ASSETS AND LIABILITIES

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

	Loans and receivables R'000	Amortised cost R'000	Held to maturity R'000	Outside scope of IAS 39 R'000	Total R'000
2017					
ASSETS					
Cash and cash balances	48 241	–	–	–	48 241
Other receivables	14 104	–	–	–	14 104
Investment in subsidiaries	650	–	–	514 548	515 198
Taxation	–	–	–	3 709	3 709
Deferred tax asset	–	–	–	5 291	5 291
	62 995	–	–	523 548	586 543
LIABILITIES					
Trade and other payables	–	5 781	–	–	5 781
Taxation	–	–	–	3 906	3 906
	–	5 781	–	3 906	9 687
2016					
ASSETS					
Cash and cash balances	122	–	–	–	122
Other receivables	1 501	–	–	–	1 501
Investment in subsidiaries and associate companies	629	–	–	552 062	552 691
Taxation	–	–	–	304	304
Deferred tax asset	–	–	–	1 166	1 166
	2 252	–	–	553 532	555 784
LIABILITIES					
Trade and other payables	–	1 521	–	–	1 521
Other non-financial liabilities	–	–	44 110	–	44 110
	–	1 521	44 110	–	45 631

38.14 LIQUIDITY, CREDIT AND MARKET RISK INFORMATION

Other assets and liabilities consist mainly of non-financial assets and liabilities or financial assets and liabilities at amortised cost which are not subject to liquidity, credit and market risk for IFRS 7 purposes.

38.15 CONTINGENT LIABILITIES

The Company has guaranteed the debt exposures of certain of its subsidiaries as referred to below:

Entity	Amount R'000
SAL	149 662
Sasfin Bank Limited	147 503
SPEIH	250 000

38.16 DISPOSAL OF SUBSIDIARY

The Company disposed of 70% shares held in ISL on 1 July 2016, the day on which control passed to the buyer, for a consideration of R37.986 million.

The consideration was based on the average estimated normalised profit after tax for the three years ending June 2018. An upfront payment of R7.489 million was received on 31 July 2016 and the remaining consideration is receivable in the form of an agterskot. The agterskot is based on the actual profit after tax for the three years ending 30 June 2018 and will be received upon reaching the warranted profit after tax in 2018. The agterskot was valued at Rnil taking into account the expected average normalised profit after tax for the three years ending June 2018, which is expected to be below the warranted profit.

A loss on disposal of R18.771 million was recognised in profit and loss.

The Company disposed of its remaining 30% stake in ISL to SPEIH in June 2017 at a loss of R4.304 million.

39. CHANGES TO THE PRESENTATION AND ADOPTION OF IAS 1 (AMENDED)

The Group adopted the amendment, which clarified that materiality applies to the whole set of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. As a consequence of adopting the amendment and to enhance the financial statements, the Group undertook a project to assess the effectiveness of disclosures in the Annual Financial Statements and, where necessary, removed immaterial and unnecessary information.

The following key enhancements resulted in a more streamlined and concise set of Annual Financial Statements:

- The application of materiality to items resulting in the aggregation or deletion of immaterial items
- The removal of duplicated information and disclosures
- An updated sequence of information presented in the financial statements
- An updated format of notes and disclosures so as to make these clearer, more concise and easier to understand to the user
- Aggregating the following items on the Consolidated Statement of Financial Position:
  – Financial assets held for trade facilitation and reverse repurchase agreements into trading assets
  – Financial liabilities held for trade facilitation and repurchase agreements into trading liabilities
- The previously individually presented Income Statement and Statement of Comprehensive Income were consolidated into a single statement.

39. CHANGES TO THE PRESENTATION AND ADOPTION OF IAS 1 (AMENDED) continued

Refer below for the June 2015 restated Consolidated Statement of Financial Position:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2015 R'000
ASSETS	
Cash and cash balances	1 286 348
Negotiable securities	1 332 018
Loans and advances	5 242 460
Trading assets	1 687 221
Other receivables	688 057
Investment securities	435 007
Property, plant and equipment	57 585
Taxation	7 280
Intangible assets and goodwill	114 991
Deferred tax asset	15 145
TOTAL ASSETS	10 866 112
LIABILITIES	
Funding under repurchase agreements and interbank	538 340
Deposits from customers	3 275 866
Debt securities issued	2 344 167
Long-term loans	538 071
Trading liabilities	1 650 789
Other payables	975 204
Taxation	11 571
Deferred tax liability	93 913
TOTAL LIABILITIES	9 427 921
EQUITY	
Ordinary share capital	317
Ordinary share premium	144 010
Reserves	1 098 414
Preference share capital	18
Preference share premium	195 432
TOTAL EQUITY	1 438 191
TOTAL LIABILITIES AND EQUITY	10 866 112

GLOSSARY OF TERMS

TERM	DEFINITION
ALCO	Asset and Liability Committee
Basel III	Set of reform measures, in addition to Basel II, to strengthen the regulation, supervision and risk management of the banking sector
Benal	Benal Property Investments (Pty) Ltd
BESA	Bond Exchange of South Africa
CGU	Cash-generating unit
CIC	Credit and Investment Committee
Companies Act	Companies Act, 71 of 2008, as amended
DAC	Directors' Affairs and Nomination Committee
DFI	Development Finance Institutions
Efficient	Refers to the Group's strategic listed investment in Efficient Group Limited
Fintech	Fintech (Pty) Ltd
GACC	Group Audit and Compliance Committee
GIA	Group Internal Audit
GRCMC	Group Risk and Capital Management Committee
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
INBR	Incurred but not reported
IRBA	Independent Regulatory Board for Auditors
ISAs	International Standards on Auditing
ISL	Imperial Sasfin Logistics (Pty) Ltd (previously Sasfin Premier Logistics (Pty) Ltd)
JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange Limited

TERM	DEFINITION
LGD	Loss given the default
PD	Probability of default
REMCO	Remuneration Committee
Reporting date	19 September 2017
SAICA	South African Institute of Chartered Accountants
SAL	Sasfin Asia Limited
SAM	Sasfin Asset Managers (Pty) Ltd
SARB	South African Reserve Bank
SasCred	SasCred Financial Services Limited
Sasfin	Sasfin Holdings Limited
SASP	South African Securitisation Programme (RF) Limited
SasSec	Sasfin Securities (Pty) Ltd
SCS	Sasfin Commercial Solutions (Pty) Ltd
SEC	Social and Ethics Committee
SENS	Stock Exchange News Service
SFAS	Sasfin Financial Advisory Services (Pty) Ltd
SFS	Sasfin Financial Services (Pty) Ltd
SPAS	Share Price Appreciation Scheme
SPEIH	Sasfin Private Equity Investment Holdings (Pty) Ltd
The Bank	Sasfin Bank Limited
The Company	Sasfin Holdings Limited
The Group	Sasfin Holdings Limited and its subsidiaries
USD	United States Dollar
WACC	Weighted Average Cost of Capital
WIPHOLD	Women Investment Portfolio Holdings Limited
ZAR	South African Rand

NOTES

CORPORATE DETAILS

INDEPENDENT NON-EXECUTIVE CHAIR
Roy Andersen

EXECUTIVE DIRECTORS
Roland Sassoon (Chief Executive Officer)
Michael Sassoon

ALTERNATE EXECUTIVE DIRECTOR
Linda Fröhlich

INDEPENDENT NON-EXECUTIVE DIRECTORS
Linda de Beer
Grant Dunnington
Gugu Mtetwa
Shahied Rylands (Lead)

GROUP COMPANY SECRETARY
Howard Brown

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LEAD SPONSOR
Sasfin Capital (a member of the Sasfin Group)

INDEPENDENT SPONSOR
Deloitte & Touche Sponsor Services (Pty) Ltd

JOINT AUDITORS
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Grant Thornton Johannesburg Partnership

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Tax reference number: 9300/204/71/7

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